THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

喜尚控股有限公司
GAYETY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8179)

MAJOR AND CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

NEW SPRING
CAPITAL LIMITED

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 8 to 60 of this circular. A letter from the Independent Board Committee is set out on pages 61 to 62 of this circular. A letter from New Spring Capital, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 63 to 113 of this circular.

A notice convening the EGM to be held on Thursday, 16 April 2015 at 4:00 p.m. at Plentiful Delight Banquet Restaurant situated at First Floor, Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Terrorities, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire and in such case, the proxy form shall be deemed to be revoked.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at http://www.gayety.com.hk.

27 March 2015

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

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

"2014 Valuation"	the 100% market value of the Target Group as at 31 October 2014 shown in the valuation report on pages II-1 to II-22 prepared in compliance with the requirements of the GEM Listing Rules, on a discounted cash flow method under the income-based approach and such basis and assumptions as may be agreed by the Vendor and Food Idea
"2015 Valuation"	the 100% market value of the Target Group as at 31 December 2015 prepared in compliance with the requirement of the GEM Listing Rules, on the methodology, basis and assumptions which are consistent with those adopted and used for 2014 Valuation
"Ample Chance"	Ample Chance Limited, a company incorporated in the British Virgin Islands and the 2% shareholder of Lucky Dessert (BVI), and the entire issue share capital of which is owned by Mr. Ma, an Independent Third Party not connected with the Target Group, Wealth Power, the Company and their respective connected persons
"associates"	has the meaning ascribed to it in the GEM Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"CAGR"	compound annual growth rate
"Certificate"	the written certificate to be issued by a practicing accountant to be appointed by Food Idea showing the actual 2015 Valuation

"Company"	Gayety Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares are listed on GEM
"Completion"	completion of the sale and purchase of the Sale Share and the Sale Loan in accordance with the terms and conditions of the S&P Agreement
"Completion Date"	the date of Completion
"connected person"	has the meaning ascribed to it in the GEM Listing Rules
"Consideration"	the consideration to be satisfied by Food Idea to the Vendor for the sale and purchase of the Sale Share and the Sale Loan
"Cooperation Agreement"	a cooperation agreement dated 18 December 2014 and entered into between Lucky Dessert (China), Tianjin Modern Logistics Company Limited# (天津現代物流有限公司) and Tianjin Beisitena Catering Management Company Limited# (天津貝思特納餐飲管理有限責任公司) in relation to the cooperation of conducting dessert catering business under the Trademarks in the PRC
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving the S&P Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Proposed Acquisition
"Final Consideration"	the part and final consideration payable by Food Idea procuring the Company to issue the Promissory Note to the Vendor

"Food Idea"	Food Idea Group Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly owned subsidiary of the Company and the purchaser to S&P Agreement
"GDP"	gross domestic product
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors formed to advise the Independent Shareholders as to the fairness and reasonableness of the Proposed Acquisition
"Independent Financial Adviser" or "New Spring Capital"	New Spring Capital Limited, a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Acquisition
"Independent Shareholders"	Shareholders (other than Mr. Wong Kwan Mo, Ms. Lau Lan Ying and their associates) which are not required to abstain from voting at the extraordinary general meeting of the Company to approve the S&P Agreement and the transactions contemplated hereunder

"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
"Independent Valuer"	Roma Appraisals Limited, an independent professional valuer nominated by the Company for the purpose of the Proposed Acquisition
"Initial Consideration"	part of the Consideration, in the sum of HK$4,000,000 payable by Food Idea in cash at Completion
"Issue Date"	the date of issue of the Promissory Note
"Latest Practicable Date"	25 March 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Loan Agreement"	a loan agreement to be entered into between Food Idea and Lucky Dessert (BVI) upon Completion in relation to the advance of HK$15,000,000 by Food Idea to Lucky Dessert (BVI)
"Lucky Dessert (BVI)"	Lucky Dessert (China) Holdings Limited, a company incorporated in the British Virgin Islands on 16 December 2013 with limited liability, which is owned as to 2% by Ample Chance, 49% by Wealth Power and 49% by the Target Company
"Lucky Dessert (HK)"	Lucky Dessert (China) Limited, a company incorporated in Hong Kong on 6 January 2014 with limited liability, a wholly-owned subsidiary of Lucky Dessert (BVI)
"Lucky Dessert (China)"	Lucky Dessert Catering Management (Shenzhen) Limited# (幸運甜品餐飲管理(深圳)有限公司), a company established in the PRC on 10 April 2014, a wholly-owned subsidiary of Lucky Dessert (HK)

"Lucky Dessert Group"	together, Lucky Dessert (BVI), Lucky Dessert (HK) and Lucky Dessert (China)
"Lucky Dessert (BVI) Shareholders Agreement"	a shareholders' agreement to be entered into among Ample Chance, Wealth Power, the Target Company and Lucky Dessert (BVI), which records the respective rights and obligations as shareholders of Lucky Dessert (BVI) with respect to finance, management and operations of Lucky Dessert (BVI) and its subsidiaries
"Mr. Ma"	Ma Chi Ming, the beneficial owner of the entire equity interest of Ample Chance, the business partner of Wong's Brothers in respect of the Lucky Dessert Group, an Independent Third Party to the Company and its connected persons as well as an Independent Third Party to Wong's Brothers and the Vendor
"PRC"	the People's Republic of China, for the purpose of this circular, excludes Hong Kong, Macau Special Administration Region of the PRC and Taiwan
"Promissory Note"	an interest bearing promissory note with the principal amount equal to the Final Consideration to be issued by the Company to satisfy the Final Consideration payable by Food Idea to the Vendor
"Proposed Acquisition"	the proposed acquisition of the Sale Share and Sale Loan by Food Idea subject to and upon the terms and conditions of the S&P Agreement
"Remaining Balance"	HK$96,000,000, being the difference between the Consideration for the Sale Share and the Sale Loan and the Initial Consideration
"RMB"	Renminbi, the lawful currency of the PRC
"S&P Agreement"	the sale and purchase agreement dated 19 December 2014 (as amended and supplemented by two supplemental agreements dated 13 February 2015 and 24 March 2015 respectively) and entered into between the Vendor and Food Idea in relation to the sale and purchase of the Sale Share and the Sale Loan

"Sale Loan"	all obligations, liabilities and debts owing by the Target Company to the Vendor on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion which as at the date of the S&P Agreement, amounted to approximately HK$90,000,000
"Sale Share"	1 share in the share capital of the Target Company, which is legally and beneficially owned by the Vendor
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Shareholder(s)"	holder(s) of the Shares
"Shares"	ordinary shares of HK$0.001 each in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategic Cooperation MOU"	a non-legally binding memorandum of understanding dated 22 December 2014 entered into between Lucky Dessert (HK) and Zhejiang GuoHan Assets Management Limited# (浙江國瀚資產管理有限公司) in relation to the cooperation of conducting dessert catering business under the Trademarks in the Zhejiang province, and other areas in the Yangzhijiang Delta, in the PRC
"Target Company"	Brilliant Forever Limited, a company incorporated in the British Virgin Islands on 2 January 2014 with limited liability
"Target Group"	together, the Target Company and its associated companies, namely the Lucky Dessert Group
"Trademarks"	collectively, the five trademarks of "發記甜品" registered in the PRC by Wong's Brothers

"US$"	United States dollars, the lawful currency of the United States of America
"Vendor"	Mr. Wong Tai Chun, son of Mr. Wong Kwan Mo and Ms. Lau Lan Ying, who are the executive Directors, the vendor to the S&P Agreement
"Wealth Power"	Wealth Power Group Limited, a company incorporated in the British Virgin Islands and the 49% shareholder of Lucky Dessert (BVI), and the entire issued share capital of which is owned as to 50% by Mr. Wong Yat Cheung and 50% by Mr. Wong Yat Tung
"Wong's Brothers"	Mr. Wong Yat Cheung and Mr. Wong Yat Tung, the founders of "發記甜品" and the shareholders of Wealth Power, both are Independent Third Parties

In this circular, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.

喜尚控股有限公司
GAYETY HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8179)

Executive Directors:
Mr. Wong Kwan Mo *(Chairman)*
Ms. Lau Lan Ying *(Chief executive officer)*

Independent Non-executive Directors:
Mr. Kwan Wai Yin, William
Mr. Li Fu Yeung
Ms. Chiu Man Yee

Registered office:
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Shop 46, Ground Floor
Ho Shun Tai Building
No. 10 Sai Ching Street
Yuen Long
New Territories
Hong Kong

27 March 2015

To the Shareholders

Dear Sir/Madam

MAJOR AND CONNECTED TRANSACTION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to (i) the announcement of the Company dated 19 December 2014 whereby the Board announced that on 19 December 2014 (after trading hours of the Stock Exchange), the Vendor and Food Idea entered into the S&P Agreement pursuant to which Food Idea has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company and the Sale Loan for a maximum Consideration of HK$100,000,000 subject to adjustment according to the details as set out in the paragraph headed "Consideration" below; and (ii) the announcements of the Company dated 13 February 2015 and 24 March 2015 respectively in relation to, inter alia, the extension of the latest time for fulfillment of the conditions precedent under the S&P Agreement to 30 April 2015.

The purpose of this circular is to provide you with information relating to, among other things, further details of the Proposed Acquisition, the recommendation of the Independent Board Committee to the Independent Shareholders, the letter of advice from New Spring Capital to the Independent Board Committee and the Independent Shareholders, the business valuation report of the Target Group prepared by the Independent Valuer, the financial information of the Target Group and the notice of the EGM.

THE S&P AGREEMENT

Date:	19 December 2014	
Parties:	Vendor:	Wong Tai Chun
	Purchaser:	Food Idea

The Vendor is the son of Mr. Wong Kwan Mo who is the chairman of the Company, an executive Director and a controlling Shareholder and Ms. Lau Lan Ying who is the chief executive officer of the Company, an executive Director and a controlling Shareholder. As such, the Vendor is regarded as a connected person of the Company. As at the Latest Practicable Date, Mr. Wong Kwan Mo, Ms. Lau Lan Ying and their respective associates are, in aggregate, interested in 1,280,000,000 Shares, representing 40% of the issued share capital of the Company (and representing approximately 38.09% of the issued share capital of the Company as enlarged by the placing shares assuming the placing of new Shares of the Company as disclosed in the announcement of the Company dated 9 March 2015 has been completed) while the Vendor is not interested in any Shares of the Company.

Asset to be acquired

Pursuant to the S&P Agreement, Food Idea has conditionally agreed to purchase and the Vendor has conditionally agreed to sell, subject to the satisfaction (or waiver, where applicable) of the conditions precedent as set out in the paragraph headed "Conditions" below:

(1) the Sale Share, being the entire issued share capital of the Target Company; and

(2) the Sale Loan, representing all obligations, liabilities and debts owing by the Target Company to the Vendor on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion. As at the date of the S&P Agreement and the Latest Practicable Date, the Target Company was indebted to the Vendor in the sum of approximately HK$90,000,000, which was the shareholder's loan provided by the Vendor to the Target Company for the acquisition of 49% equity interest in Lucky Dessert (BVI) by

the Target Company from Ample Chance on 18 December 2014. Such shareholder's loan does not bear any interest, has no fixed term and is repayable on demand of the Vendor.

Consideration

Subject to adjustment as provided in sub-paragraph (b) below, the maximum Consideration for the sale and purchase of the Sale Share and the Sale Loan is HK$100,000,000, which shall be payable by Food Idea to the Vendor in the following manner:

(a) the Initial Consideration of HK$4,000,000 shall be satisfied by Food Idea in cash at Completion; and

(b) the Final Consideration as determined in accordance with following formula, shall be payable by Food Idea to the Vendor by procuring the Company to issue the Promissory Note to the Vendor within ten Business Days after the issue of the Certificate:

$$\text{Final Consideration} = \text{Remaining Balance X} \quad \frac{\text{2015 Valuation}}{\text{2014 Valuation}}$$

In the event that 2015 Valuation exceeds 2014 Valuation, 2015 Valuation shall be deemed to be equal to 2014 Valuation.

The Vendor and Food Idea shall jointly appoint an independent valuer as nominated by Food Idea to conduct the 2015 Valuation as soon as reasonably practicable after 31 December 2015, and procure that a valuation report in respect of the 2015 Valuation shall be prepared and delivered to the Vendor and Food Idea as soon as reasonably practicable and in any event, on or before 31 March 2016. As soon as reasonably practicable and in any event within five Business Days following the delivery by such valuer to the Vendor and Food Idea of the valuation report with respect to the 2015 Valuation, Food Idea shall procure an independent practising accountant to review the 2015 Valuation and issue to and serve on the Vendor the Certificate confirming the calculation and the amount of the 2015 Valuation, i.e. the latest date for the issuance of the Certificate will be 8 April 2016. The Certificate shall, in the absence of manifest error, be final and conclusive of the matters stated therein and binding on the Vendor and Food Idea.

The Board has taken into account a number of factors including the preliminary valuation of the 100% market value of the Target Group of not less than HK$110,000,000 as at 31 October 2014 pursuant to the business valuation carried out by an independent professional valuer nominated by the Company for the purpose of the Proposed Acquisition and the business growth, prospects and profitability of the Lucky Dessert Group, when determining the Consideration.

When considering and evaluating the business growth, prospects and profitability of the Target Group, the Directors reviewed the findings of market research report conducted by the external research consultant, which revealed many favorable factors including but not limited to, the fast growing catering service industry, the increase in food expenditure of the urban consumers in the PRC, and the PRC consumers' preferring the products in Hong Kong brands more than their local brands. In addition, the Directors also examined the business plans provided the Vendor which are formulated under a step-by-step approach (i.e. commence the opening dessert catering restaurants from the north east of the PRC, then develop to other parts of the PRC) that enables the Target Group to improve the operations of the dessert catering business gradually.

As mentioned above, the Consideration is determined with reference to the business valuation of the Target Group as at 31 October 2014 but having no reference to the costs of the Target Company acquiring the 49% equity interest of Lucky Dessert (BVI). Despite the fact that the purchase price paid by the Target Company for the 49% equity interest of Lucky Dessert (BVI) from Ample Chance is HK$90 million, as advised by the Vendor and confirmed by Ample Chance, such purchase price was arrived at after arm's length negotiation between the Vendor and Ample Chance taking into account the business prospect of the Lucky Dessert Group in mid 2013 and the additional upfront works to be performed thereafter. The Directors consider that the HK$90 million consideration was determined after the negotiation between the Vendor and the Ample Chance under the special circumstances and relationship and should not be regarded as a recent open market price.

The Directors agree that the value of the Target Company should take into account of the acquisition of the Lucky Dessert Group with the trademark licence which has been completed on 18 December 2014; otherwise, the result will be distorted and fail to provide the true value of the dessert catering business conducting under the Trademarks to its shareholders. Under such circumstances, the Board considers that the business valuation report which is based as if the Target Company held 49% equity interest in Lucky Dessert (BVI) is fair and reasonable.

Having considered the basis for determination of the Consideration, the Directors (including the independent non-executive Director) consider it is fair and reasonable and in the interest of the Company and the Shareholders as a whole to set the maximum Consideration at HK$100 million.

The preliminary valuation carried out by the independent valuer was based on discounted cash flow method under the income-based approach and based on the following major assumptions, which include:

(a) the preliminary valuation was performed as if the Target Company held 49% equity interest in Lucky Dessert (BVI), which directly held the entire issued share capital of Lucky Dessert (HK), which, in turn, directly held the entire equity interest in Lucky Dessert (China), as at 31 October 2014;

(b) the projection of 15-year future cash flows of the Lucky Dessert Group and such projections are reasonable, reflecting market conditions and economic fundamentals, and will be materialised;

(c) the Lucky Dessert Group will be operated and developed as planned;

(d) the number of shops of the Lucky Dessert Group will remain constant after 2024;

(e) the preliminary valuation was based on the unaudited management accounts of the Target Company and the unaudited consolidated management accounts of the Lucky Dessert Group as at the date of valuation;

(f) all relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Lucky Dessert Group operates or intends to operate would be officially obtained and renewable upon expiry;

(g) there will be sufficient supply of technical staff in the industry in which the Lucky Dessert Group operates, and the Lucky Dessert Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

(h) there will be no major change in the current taxation laws in the localities in which the Lucky Dessert Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

(i) there will be no major change in the political, legal, economic or financial conditions in the localities in which the Lucky Dessert Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Lucky Dessert Group; and

(j) the interest rates and exchange rates in the localities for the operation of the Lucky Dessert Group will not differ materially from those presently prevailing.

To ensure the above assumptions are fair and reasonable, the Board performed due diligence by reviewing and checking all supporting documents including but not limited to the business registration certificate, licences and legal approvals in relation to the operation of the dessert catering business, business plans as well as the unaudited management accounts of the Target Company and the unaudited consolidated management accounts of the Lucky Dessert Group, as provided by the Target Company.

The Board also conducted discussions with the Vendor in relation to the development, operation and other relevant information of the Target Group, and engaged an external research consultant to conduct market research and feasibility report on the PRC dessert catering industry.

The market research report titled "The Dessert Project" and dated 19 January 2015 was conducted by ShineWing Management Consultancy Company Limited. The purpose of the report is to provide market information, such as (i) macro economy of the PRC, (ii) catering market environment in the PRC, (iii) dessert catering competition in the PRC; (iv) analysis on the major competitors; (v) analysis on the mode of business of the Lucky Dessert Group and financial projections; and (vi) applicable laws and regulations governing catering business in the PRC for the Board to assess the feasibility of the business plan as well as business prospect of the Lucky Dessert Group. The report indicates that the first to second tier cities in the PRC with high disposal income would provide great demand for dessert catering business from (i) the growing trend of dessert catering business in the PRC (where the percentage of dessert catering business out of the overall catering business in the PRC increased 21% from 2011 to 2014), in particular for restaurants located in shopping malls and department stores of first tier cities in the PRC, and (ii) the success of the dessert catering business brought by marketing strategies developed by major competitors through the internet and social media such as launching marketing promotion in the official websites, producing mobile apps, cooperating with online shopping partners, and conducting brand and event promotions through popular chat forums (e.g. Weibo and WeChat), targeting young female consumers at the age range of 25 to 40. It also highlighted several challenges, such as intense competitions and increasing rental and labour costs in the first and second tier cities in the PRC. The business mode of direct operations or franchising are commonly adopted in the PRC, with the former mode of operation having the advantage of easy quality control but demand for more capital investment while the later mode of operation having the disadvantage of loose quality control but on the contrary demand for less capital investment.

Prior to commencement of market research performed by ShineWing Management Consultancy Company Limited, the Directors had discussed the scope and requirement of the market research. The Directors had reviewed the competitors with more than 100 outlets in the PRC, operating by franchise or itself identified by ShineWing Management Consultancy Company Limited and research method used, such as the mysterious customers, market interview and comparison between different modes of operation, i.e. direct operation versus franchising. The Directors considered that the findings and conclusions best suit the need of the Company in respect of the dessert catering business in the PRC.

The Board considers that ShineWing Management Consultancy Company Limited is an independent professional firm with expertise to conduct market research in the dessert catering business in the PRC. The market research on dessert catering business in the PRC is tailored-made to the need of the Company and the Board considers that it is sufficient for the Directors to form their view on the business growth, prospect and profitability of the Target Group. In the market research report, the market research consultant verified the assumptions on the business plan of the Lucky Dessert Group such as the number of shops to be opened, the shops' geographical exposure, the pace of business development, the projected revenue and costs of investment for each shop by comparing the actual business operation, revenue and development pace of the competitors in the PRC. Based on the above findings and taking into considerations of the capital generation from the dessert catering business and the capital requirement of the Lucky Dessert Group, the Directors conclude that such assumptions are fair and reasonable.

The Promissory Note

The Vendor and Food Idea shall jointly appoint an independent valuer as nominated by Food Idea to conduct the 2015 Valuation as soon as reasonably practicable after 31 December 2015, and procure that a valuation report in respect of the 2015 Valuation shall be prepared and delivered to the Vendor and Food Idea as soon as reasonably practicable and in any event, on or before 31 March 2016. As soon as reasonably practicable and in any event within five Business Days following the delivery by such valuer to the Vendor and Food Idea of the valuation report with respect to the 2015 Valuation, Food Idea shall procure an independent practising accountant to review the 2015 Valuation and issue to and serve on the Vendor the Certificate confirming the calculation and the amount of the 2015 Valuation, i.e. the latest date for the issuance of the Certificate will be 8 April 2016. Food Idea shall pay the Vendor the Final Consideration by procuring the Company to issue the Promissory Note to the Vendor within ten Business Days after the issue of the Certificate. The principal terms of the Promissory Note are summarised below:

Issuer:	The Company
Principal amount:	Equal to the Final Consideration

Maturity date:	The second anniversary from the date of issue of the Promissory Note. The Company shall have the absolute right and discretion to extend the maturity date to the fourth anniversary of the date of issue of the Promissory Note.
Transferability:	The Promissory Note may be assigned or transferred to any transferee provided that such transferee is not a connected person of the Company. The Promissory Note may be assigned or transferred in whole or in part (in multiples of HK$1,000,000) of its outstanding principal amount.
Interest rate:	The prime rate from time to time quoted from The Hongkong and Shanghai Banking Corporation Limited plus 1% per annum on the outstanding principal amount and payable on the maturity date.
Early redemption:	Any time from the Issue Date up to the date immediately prior to the maturity date or the extended maturity date (as the case may be) of the Promissory Note, provided that the Company has given to the holder of the Promissory Note not less than ten Business Days' prior notice in writing of its intention to repay any part of the outstanding principal amount of the Promissory Note. Save and except that the Company shall only repay the holder(s) of the Promissory Note up to 50% of the principal amount of the Promissory Note on or before the date falling on the first anniversary of the Issue Date, the Company may early repay any amount of the Promissory Note thereafter up to the date immediately preceding the maturity date or the extended maturity date (as the case maybe). Any amount of the Promissory Note which is redeemed by the Company will be forthwith cancelled. The holder(s) of the Promissory Note shall not have any early redemption right.

The Group will finance the payment of the Promissory Note by internal resources and/or bank borrowings.

Conditions

Completion shall be conditional upon:

(i) Food Idea being reasonably satisfied with the results of the due diligence review to be conducted under the S&P Agreement;

(ii) all necessary consents and approvals required to be obtained on the part of the Vendor and the Target Company in respect of the S&P Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(iii) all necessary consents and approvals required to be obtained on the part of Food Idea in respect of the S&P Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(iv) the passing by the Independent Shareholders at a general meeting of the Company to be convened and held of an ordinary resolution to approve the S&P Agreement and the transactions contemplated thereunder;

(v) the obtaining of the legal opinion (in form and substance satisfactory to Food Idea) to be issued by a firm of PRC legal advisers acceptable to Food Idea covering such matters which are relevant to the S&P Agreement and the transactions contemplated thereunder;

(vi) warranties given by the Vendor remaining true and accurate in all respects; and

(vii) the obtaining of a valuation report (in form and substance satisfactory to Food Idea) from a firm of independent professional valuers appointed by Food Idea showing the 2014 Valuation of the Target Group to be not less than HK$110,000,000.

None of the above conditions are capable of being waived. If the conditions have not been fulfilled on or before 4:00 p.m. on 30 April 2015, or such later date as the Vendor and Food Idea may agree in writing, the S&P Agreement shall cease and determine and neither party to the S&P Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, save for conditions (i), (v) and (vii) above have been fulfilled, none of the other conditions stated above have been fulfilled.

Completion

Completion shall take place at 4:00 p.m. on the date falling on the third Business Day after the fulfilment (or waiver) of the conditions or such other date as may be agreed between the Vendor and Food Idea.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the Lucky Dessert Group will become the indirect associated companies of the Company. The results and assets and liabilities of the Lucky Dessert Group will be accounted for in the consolidated financial statements of the Group using the equity method.

INFORMATION ON THE TARGET GROUP

The Target Company acquired 49% of the entire issued share capital of Lucky Dessert (BVI) from Ample Chance pursuant to the sale and purchase agreement dated 18 December 2014 at an acquisition cost of HK$90,000,000. As at the Latest Practicable Date, Lucky Dessert (BVI) is owned as to 49% by Wealth Power, 2% by Ample Chance and 49% by the Target Company. Each of Wealth Power, Ample Chance and their ultimate beneficial owners is independent of the Vendor and its associates. Hence, each of Wealth Power, Ample Chance and their ultimate beneficial owners is an Independent Third Party. The ultimate owners of Wealth Power, namely Wong's Brothers, are the founders of "Lucky Dessert（發記甜品）", a renowned dessert catering restaurant in Hong Kong.

The Target Company is principally engaged in investment holding. The Target Company is directly interested in 49% equity interest in Lucky Dessert (BVI), which directly holds the entire issued share capital of Lucky Dessert (HK), which, in turn, directly holds the entire equity interest in Lucky Dessert (China). Each of Lucky Dessert (BVI) and Lucky Dessert (HK) is principally engaged in investment holding.

Lucky Dessert (China) entered into a trademark licensing agreement dated 29 September 2014 (as supplemented and amended by two supplemental agreements dated 29 September 2014 and 27 January 2015 respectively) with Wong's Brothers, the owners of the Trademarks "發記甜品", pursuant to which Wong's Brothers granted Lucky Dessert (China) an exclusive right to use and to grant licence to third parties to use the Trademarks and conduct dessert catering businesses under the Trademarks in the PRC for fifteen years commencing from 29 September 2014 and ending on 28 September 2029 (both dates inclusive). Thus, the Target Company will become the sole authorised franchisee of the Trademarks in the PRC.

Details of the Trademarks are listed below:

Trademark logo & name	Registration number	Category	Authorised products/areas	Registration date	Expiry date	Renewable up to *(Note)*
發記甜品 Lucky Dessert	7822262	29	desserts made by bean curds, dairy products and fruit	28 May 2012	27 May 2022	28 September 2029
	7822261	30	ice-cream, pudding, icy products, cakes, etc	28 May 2012	27 May 2022	28 September 2029
	7822260	32	mineral water, fruit juice, other drinks	21 May 2012	20 May 2022	28 September 2029
	7822259	35	business research and management as well as market research in relation to franchise	28 May 2012	27 May 2022	28 September 2029
	7822258	43	restaurants, fast food restaurants and mobile catering business	21 October 2012	20 October 2022	28 September 2029

Note: Wong's Brothers will apply for renewal of the Trademarks with the PRC regulatory authorities before their respective expiry dates so that the Lucky Dessert (China) can continue to have the exclusive right to use and to grant licence to third parties to use the Trademarks up to 28 September 2029.

It is intended that the Lucky Dessert Group will, by itself or cooperate with other parties, to set up and operate dessert catering restaurants in the PRC under the name of the Trademarks "發記甜品".

On 18 December 2014, Lucky Dessert (China) has entered into the Cooperation Agreement with Tianjin Modern Logistics Company Limited# (天津現代物流有限公司) and Tianjin Beisitena Catering Management Company Limited# (天津貝思特納餐飲管理有限責任公司), both are Independent Third Parties. Tianjin Modern Logistics Company Limited# (天津現代物流有限公司) is a subsidiary of Tianjin Modern Group Holdings Limited# (天津現代集團有限公司) which is one of the top 500 enterprises in the PRC and one of the top 100 enterprises in Tianjin municipal. Tianjin Modern Group Holdings Limited# (天津現代集團有限公司) is the renowned property developer in north east region of the PRC with commercial property development as its primary focus. Tianjin Beisitena Catering Management Company Limited# (天津貝思特納餐飲管理有限責任公司) is an affiliate company of Tianjin Modern Logistics Company Limited# (天津現代物流有限公司) with a common shareholder and thus Tianjin Beisitena Catering Management Company Limited# (天津貝思特納餐飲管理有限責任公司) is not a subsidiary but a business associate of Tianjin Modern Group Holdings Limited# (天津現代集團有限公司). Tianjin Modern Logistics Company Limited# (天津現代物流有限公司) is principally engaged in the provision of, inter alia, logistics arrangement and manufacture of steel products. Tianjin Beisitena Catering Management Company Limited# (天津貝思特納餐飲管理有限責任公司) is principally engaged, inter alia, in the catering business management, organising catering culture exchange activities, corporate marketing planning, providing exhibition and conference services, as well as offering advice on development, consultancy, transfer and services in relation to Chinese and Western cuisines production, with its office in Tianjin, the PRC.

Pursuant to the Cooperation Agreement, parties to the Cooperation Agreement intend to either solely or jointly open chained dessert catering restaurants in Tianjin, the PRC for the initial 19 months from the date of the Cooperation Agreement. Commencing from the second anniversary of the Cooperation Agreement, the parties to the Cooperation Agreement intend to either solely or jointly open chain dessert catering restaurants in Beijing and other first to second tier cities in the northern part of the PRC, such as Shenyang, Dalian, Jinan and so forth. It is expected that the first outlet under the Trademarks will be set up in or about the first half of 2015 in Tianjin, the PRC.

On 22 December 2014, Lucky Dessert (HK) has entered into the non-legally binding Strategic Cooperation MOU with Zhejiang GuoHan Assets Management Limited# (浙江國瀚資產管理有限公司), a company incorporated in the PRC in July 2014 and is wholly-owned by GuoHan Financial Holding Group Limited# (國瀚金融控股集團有限公司), both are Independent Third Parties. GuoHan Financial Holding Group Limited is a privately owned financial holding company in Zhejiang, with three subsidiaries providing a wide spectrum of financial products and services including but not limited to assets management, financial management, private equity management, bill services and equity investments. Pursuant to the Strategic Cooperation MOU, the parties agreed to cooperate and utilise their own strengths and resources to solely or jointly open chain dessert catering restaurants under the Trademarks in Hangzhou, Zhejiang province, the PRC for the initial 12 months after signing the formal agreement in respect of the cooperation contemplated under the Strategic Cooperation MOU. The cooperation will thereafter be expanded to Nanjing, Wenzhou, Taizhou, other peripheral areas of the Zhejiang province, Jiangsu area, and other cities in the eastern part of the PRC according to a mutually agreed schedule.

Given that the Strategic Cooperation MOU is not legally binding and may or may not be materialised, in the event the Strategic Cooperation MOU does not materialise, the Company will negotiate with other potential strategic partner in Zhejiang Province, the PRC to act in stead of Zhejiang GuoHan Assets Management Limited# (浙江國瀚資產管理有限公司) to continue its business plan in the eastern part of the PRC.

As at the Latest Practicable Date, the Lucky Dessert Group is still in the course of negotiating with Zhejiang GuoHan Assets Management Limited# (浙江國瀚資產管理有限公司) for the formal cooperation agreement. In the meantime, the Lucky Dessert Group has also entered into negotiation with another third party which is a food and beverage corporation established in Shanghai, which may act in place of Zhejiang GuoHan Assets Management Limited# (浙江國瀚資產管理有限公司) as a strategic partners of the Lucky Dessert Group in case the Strategic Cooperation MOU does not materialise. The Directors believes that it is easy to find replacement for Zhejiang GuoHan Assets Management Limited# (浙江國瀚資產管理有限公司). In the event that the Strategic Cooperation MOU does not materialise, the Target Group may either open the dessert catering restaurant by itself or look for other business partners. As such, the Directors believe that since it is unlikely to affect the business plan, there should have no adverse material consequences arising from the late or prolonged response from Zhejiang GuoHan Assets Management Limited# (浙江國瀚資產管理有限公司).

Tables below show the details of the Target Group's business plan in relation to the estimated investment in the dessert catering business in the PRC.

Table 1 illustrates the expected cumulative number of dessert catering restaurants of different sizes to be opened by the Target Group under the Trademarks by self-operating or franchising by end of each year from 2015 to 2023 and end of year 2029.

Table 1: Breakdown of dessert catering restaurants by numbers

	By the end of									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	From 2024 to 2029
Dessert catering restaurants										
– Self-operating										
Small	–	1	2	5	5	5	5	5	7	8
Standard	2	6	16	24	24	26	27	27	30	31
Premium	–	–	–	2	2	6	6	7	7	7
	2	7	18	31	31	37	38	39	44	46
– Franchising										
Small	–	–	3	9	26	44	55	66	74	95
Standard	–	–	6	20	40	64	75	87	94	113
Premium	–	–	–	1	1	2	5	8	9	12
	–	–	9	30	67	110	135	161	177	220
Total	**2**	**7**	**27**	**61**	**98**	**147**	**173**	**200**	**221**	**266**

Notes:

- Small – dessert catering restaurants covering an area of approximately 60 square meters to be opened in the first and second tier cities in the PRC
- Standard – dessert catering restaurants covering an area of approximately 100 square meters to be opened in the commercial areas of the first and second tier cities in the PRC
- Premium – dessert catering restaurants covering an area of approximately 240 square meters to be opened in the commercial areas of the first tier cities in the PRC

Table 2 shows the expected cumulative number of dessert catering restaurants to be opened in each city in the PRC by the Target Group under the Trademarks by self-operating or franchising by end of each year from 2015 to 2023 and end of year 2029.

Table 2: Breakdown of dessert catering restaurants by geographic information

	By the end of									From 2024 to
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2029
Dessert catering restaurants										
– Self-operating										
Tianjin	2	5	6	6	6	6	6	6	6	6
Beijing	–	–	2	6	6	6	6	6	6	6
Shenyang	–	–	–	–	–	1	1	1	1	1
Shanghai	–	1	3	6	6	6	6	6	6	6
Hangzhou	–	1	4	5	5	6	6	6	6	6
Nanjing	–	–	1	1	1	1	1	1	1	1
Wenzhou	–	–	1	3	3	3	3	3	3	3
Ningbo	–	–	–	–	–	1	1	1	1	1
Suzhou	–	–	–	–	–	–	–	1	1	1
Chengdu	–	–	1	1	1	2	2	2	3	3
Chongqing	–	–	–	2	2	2	2	2	2	2
Wuhan	–	–	–	–	–	–	1	1	2	2
Shenzhen	–	–	–	1	1	2	2	2	3	3
Guangzhou	–	–	–	–	–	1	1	1	2	2
Changsha	–	–	–	–	–	–	–	–	1	1
Xiamen	–	–	–	–	–	–	–	–	–	2
	2	7	18	31	31	37	38	39	44	46
– Franchising										
Tianjin	–	–	3	6	10	10	10	10	10	10
Beijing	–	–	–	3	6	10	10	10	10	10
Shenyang	–	–	–	–	–	–	2	4	6	8
Dalian	–	–	–	–	–	–	2	4	4	6
Jinan	–	–	–	–	–	–	–	–	–	3
Yantai	–	–	–	–	–	–	–	–	–	4
Shanghai	–	–	2	5	8	12	13	14	14	15
Hangzhou	–	–	1	3	6	10	12	13	13	16
Nanjing	–	–	–	2	6	9	11	14	16	16
Wenzhou	–	–	1	3	9	13	15	17	18	18
Ningbo	–	–	–	–	–	6	8	11	11	11
Suzhou	–	–	–	–	–	3	5	7	7	7
Chengdu	–	–	2	4	8	11	13	15	17	21
Chongqing	–	–	–	1	4	7	9	11	13	17
Wuhan	–	–	–	–	4	7	9	11	12	16
Xi'an	–	–	–	–	–	–	–	–	–	2
Guiyang	–	–	–	–	–	–	–	–	–	2
Shenzhen	–	–	–	3	6	9	11	13	15	17
Guangzhou	–	–	–	–	–	3	5	7	9	10
Changsha	–	–	–	–	–	–	–	–	2	5
Nanning	–	–	–	–	–	–	–	–	–	2
Nanchang	–	–	–	–	–	–	–	–	–	2
Xiamen	–	–	–	–	–	–	–	–	–	2
	–	–	9	30	67	110	135	161	177	220
Total	**2**	**7**	**27**	**61**	**98**	**147**	**173**	**200**	**221**	**266**

Table 3 sets out the expected cumulative costs of investment in the development of dessert catering restaurants to be opened in each city in the PRC by the Target Group under the Trademarks by self-operating or franchising by end of each year from 2015 to 2023 and end of year 2029.

Table 3: Cumulative costs of investment in the development of dessert catering restaurants in each city in the PRC

					By the end of					From 2024 to
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2029
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Dessert catering restaurants										
– Self-operating										
Tianjin	3,000	5,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400
Beijing	–	–	2,700	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Shenyang	–	–	–	–	–	1,200	1,200	1,200	1,200	1,200
Shanghai	–	1,200	2,700	7,400	7,400	7,400	7,400	7,400	7,400	7,400
Hangzhou	–	1,200	4,400	5,400	5,400	7,900	7,900	7,900	7,900	7,900
Nanjing	–	–	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Wenzhou	–	–	1,000	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Ningbo	–	–	–	–	–	1,000	1,000	1,000	1,000	1,000
Suzhou	–	–	–	–	–	–	–	2,500	2,500	2,500
Chengdu	–	–	1,200	1,200	1,200	3,700	3,700	3,700	4,100	4,100
Chongqing	–	–	–	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Wuhan	–	–	–	–	–	–	1,000	1,000	2,000	2,000
Shenzhen	–	–	–	1,200	1,200	3,700	3,700	3,700	4,100	4,100
Guangzhou	–	–	–	–	–	2,500	2,500	2,500	3,500	3,500
Changsha	–	–	–	–	–	–	–	–	1,000	1,000
Xiamen	–	–	–	–	–	–	–	–	–	1,400
	3,000	7,800	19,600	34,200	34,200	46,400	47,400	49,900	53,700	55,100
– Franchising										
Tianjin	–	–	1,000	1,950	3,250	3,250	3,250	3,250	3,250	3,250
Beijing	–	–	–	1,000	2,000	3,300	3,300	3,300	3,300	3,300
Shenyang	–	–	–	–	–	–	650	1,300	1,950	2,600
Dalian	–	–	–	–	–	–	650	1,300	1,300	1,950
Jinan	–	–	–	–	–	–	–	–	–	1,000
Yantai	–	–	–	–	–	–	–	–	–	1,260
Shanghai	–	–	650	1,650	2,650	3,950	4,250	4,550	4,550	4,850
Huangzhou	–	–	350	1,050	2,050	3,350	3,950	4,250	4,250	5,150
Nanjing	–	–	–	700	2,000	3,000	3,650	4,600	5,250	5,250
Wenzhou	–	–	350	1,000	2,900	4,200	4,850	5,500	5,800	5,800
Ningbo	–	–	–	–	–	1,900	2,550	3,550	3,550	3,550
Suzhou	–	–	–	–	–	1,000	1,650	2,300	2,300	2,300
Chengdu	–	–	650	1,300	2,600	3,600	4,250	4,900	5,550	6,850
Chongqing	–	–	–	350	1,350	2,350	3,000	3,650	4,300	5,600
Wuhan	–	–	–	–	1,300	2,300	2,950	3,600	3,900	5,200
Xi'an	–	–	–	–	–	–	–	–	–	650
Guizhou	–	–	–	–	–	–	–	–	–	650
Shenzhen	–	–	–	1,000	2,000	3,000	3,650	4,300	4,950	5,600
Guangzhou	–	–	–	–	–	1,000	1,650	2,300	2,950	3,250
Changsha	–	–	–	–	–	–	–	–	650	1,600
Nanning	–	–	–	–	–	–	–	–	–	650
Nanchang	–	–	–	–	–	–	–	–	–	650
Xiamen	–	–	–	–	–	–	–	–	–	950
	–	–	3,000	10,000	22,100	36,200	44,250	52,650	57,800	71,910
Total	**3,000**	**7,800**	**22,600**	**44,200**	**56,300**	**82,600**	**91,650**	**102,550**	**111,500**	**127,010**

Note: The figures in each of the tables above are estimation only and calculated based on the Lucky Dessert Group's business plan, which is subject to changes and adjustments depending on factors which may be out of the Target Company's control, such as the prevailing market situation, progress of negotiations with potential business partners, and changes in PRC regulatory policies, etc.

The assumptions and calculations supporting and for the making of the above business plans are checked against by the Directors, based on the comparison of findings of the market research. For instance to verify the estimated revenue and profit to be generated by each outlet, the Directors checked the same against findings in the market research report which the market research consultant has performed site visits to the dessert catering restaurants in the PRC, obtained information of the expenses and turnover rate of each table to reach the estimation of the daily (of a range from RMB4,000 to RMB10,000) and monthly (of a range from RMB100,000 to RMB300,000) sales volume, then gathered information in relation to the estimated expenses such as labour, rental and other operation costs to estimate the preliminary results on the overall profits of the competitors of similar industry, which help the Directors to consider the fairness and reasonableness of the assumptions of the projected cashflow and the business plan. The Directors consider that the assumptions and calculations under the business plan are fair and reasonable.

The cost of investment in developing the dessert catering restaurants as shown above, includes but not limited to cost of interior design and renovation, installation of different systems (e.g. CCTV, POS and staff attendance), purchase of kitchen utensils, licence registration of the dessert catering restaurants with the PRC regulators, staff recruitment, uniform and training, legal consultancy fee and basic operation items.

Such investments cost will be financed by the capital injection by the strategic partners under the cooperation agreements (where the strategic partners will inject 49% of the setup capital of the first dessert catering restaurant and 100% for the rest of the dessert catering restaurants subsequently opened) entered and to be entered into, the loan under the Loan Agreement, the Target Group's internal resources and/or bank borrowings.

Save and except fund raising by way of placing of new Shares to finance the provision of the loan under the Loan Agreement as disclosed in the announcement of the Company dated 9 March 2015, the Company would not be required to have further fund raising activities to finance the development of the Target Group's business plans in future as it is anticipated that the Target Group would be able to generate sufficient fund for its business development in accordance with the business plan. In the event that the Proposed Acquisition falls through, all the net proceeds from the placing will be used for general working capital of the Group.

The intention of the Company on and the business plan of the Target Group

In view that the economy of first to second tier cities in the PRC is developing rapidly, people there have high disposal income, the development of dessert catering business in such cities is still at the early stage and there is great potential development for the dessert products in Hong Kong brands, the Lucky Dessert Group has selected its first strategic business partner based in Tianjin, the PRC. In light of the entering into of the Cooperation Agreement and the Strategic Cooperation MOU respectively by the Lucky Dessert Group, the Directors anticipate that, in the first two years after Completion, the Lucky Dessert Group will focus the dessert catering business in first to second tier cities in north east region of the PRC, as well as around Zhejiang province and the Yangzhijiang Delta.

As advised by the PRC legal advisers to the Company, according to the PRC laws, in order to carry out franchise business in the PRC, one must operates two directly-run stores# (直營店) for more than twelve months which could be operated by itself as sub-branches or invested with business partner(s) while retaining more than 50% equity interests. In view of the legal requirement the Directors plan that the business model of the Lucky Dessert Group in the PRC will initially comprise jointly operated chain dessert catering restaurants under the Trademarks. When the Lucky Dessert Group fulfills the conditions to carry out franchising activities, the Lucky Dessert Group will start conducting the dessert catering business by way of franchising.

The business model of jointly open chain restaurants of the Lucky Dessert Group in the PRC will also be driven by its ability to secure the strategic business partners. When the Lucky Dessert Group plans to deploy in a city or a region in the PRC, it will prudently identify and select an exclusive strategic business partner in that particular region taking into account the capital base, the business network and any synergic effect expected to be brought by that strategic business partner to the Lucky Dessert Group. The Lucky Dessert Group will cost-effectively leverage the strength of each of the counterparties for the business expansion and development of the Lucky Dessert Group in the PRC. For instance, the counterparty to the Cooperation Agreement, in particular, the ultimate holding company of Tianjin Modern Logistics Company Limited# (天津現代物流有限公司) namely Tianjin Modern Group Holdings Limited# (天津現代集團有限公司), is a property developer headquartered in Tianjin, the PRC and with primary focus in commercial property development, it has extensive shopping mall projects in Tianjin and north east region in the PRC. When selecting Tianjin Modern Group Holdings Limited# (天津現代集團有限公司) as the strategic partners in north east region of the PRC, the Lucky Dessert Group has taken into account the capital base of Tianjin Modern Group Holdings Limited# (天津現代集團有限公司) and Tianjin Modern Logistics Company Limited# (天津現代物流有限公司) and the synergic effect brought by them to the Lucky Dessert Group, such as Tianjin Modern Group Holdings Limited# (天津現代集團有限公司) could provide the suitable venue for the dessert catering restaurants under the Trademarks in its shopping malls or other venue referred by Tianjin Modern Group Holdings Limited# (天津現代集團有限公司). Furthermore, Tianjin Modern Logistics Company Limited# (天津現代物流有限公司) could provide a highly efficient logistic service for the food distribution under the central kitchen to be opened in future in the north east region of the PRC. The Lucky Dessert Group will jointly open the first dessert catering restaurant under the Trademarks in Tianjin, the PRC in the first half of 2015.

It is anticipated that the introduction of a Hong Kong branded dessert catering restaurant will enhance the image of its shopping malls and commercial properties, bring more customers and thus bring more business opportunities to its tenants. The foreseeable advantages brought by the Trademarks help Tianjin Modern Logistics Company Limited# (天津現代物流有限公司) and Tianjin Beisitena Catering Management Company Limited# (天津貝思特納餐飲管理有限責任公司) to secure the support from Tianjin Modern Group Holdings Limited# (天津現代集團有限公司) in opening the dessert catering restaurants pursuant to the Cooperation Agreement, which the Directors has confirmed the said support from with Tianjin Modern Group Holdings Limited# (天津現代集團有限公司).

The Target Group will communicate with Tianjin Modern Group Holdings Company# (天津現代集團有限公司) the specific requirements (such as the shop size, specifications, and the interior structure, etc) of opening a dessert catering restaurant, and when any opportunities arising from new and existing shopping malls developed by Tianjin Modern Group Holdings Company# (天津現代集團有限公司), the Target Group will be notified of and considers whether to take up the relevant lease. In the event that there is no suitable venue available from the existing shopping malls developed by the Tianjin Modern Group Holdings Company# (天津現代集團有限公司), it will refer other suitable sites which may be located in other shopping malls or commercial buildings. The fact that the opening of the first dessert catering restaurant under the Trademarks in the first half of 2015 is referred by Tianjin Modern Group Holdings Company# (天津現代集團有限公司) and will be situated in Riverside 66 - Tianjin# (天津恒隆廣場), a shopping arcade located in the heart of Tianjin's Haihe Central Business District# (海河商圈), the PRC, not developed by Tianjin Modern Group Holdings Company# (天津現代集團有限公司).

As to the synergic effect brought by the Target Group's strategic business partners, it is anticipated that Tianjin Beisitena Catering Management Company Limited# (天津貝思特納餐飲管理有限責任公司) could offer advice in applying different licences, renovation and structure requirements and recruitment of frontline staff in the setup of dessert catering restaurants under the Trademarks given that the management of Tianjin Beisitena Catering Management Company# (天津貝思特納餐飲管理有限責任公司) are familiar with the PRC laws, regulations and market environment.

Tianjin Modern Logistics Company Limited# (天津現代物流有限公司) has operated since 2004, with about 50 transport vehicles of different sizes servicing Beijing, Tianjin, Hebei, Shanxi, Shandong and Dongbei, the PRC. They will be able to provide logistics services in the delivery of the semi-processed food ingredients from the central kitchens of the Lucky Dessert Group to be set up. As at the Latest Practicable Date, Tianjin Modern Logistics Company Limited# (天津現代物流有限公司) has not yet provided any logistics services to other food and catering businesses in the PRC, and it will develop such services through understanding and preparing the necessary equipment for cooperation with Lucky Dessert Group.

Likewise, Zhejiang GuoHan Assets Management Limited# (浙江國瀚資產管理有限公司) and GuoHan Financial Holding Group Limited# (國瀚金融控股集團有限公司) have high capital base and extensive business network in Zhejiang province, which will be valuable for the Lucky Dessert Group to start up its business in Zhejiang province, the PRC.

As advised by the Vendor, the Lucky Dessert Group is now in the course of negotiating with Zhejiang GuoHan Assets Management Limited# (浙江國瀚資產管理有限公司) for the formal cooperation agreement. Should the formal agreement materialise, Zhejiang GuoHan Assets Management Limited# (浙江國瀚資產管理有限公司) will inject part of the setup capital in opening dessert catering restaurants in the Zhejiang province, the PRC. Thus, with the strong capital base of Zhejiang GuoHan Assets Management Limited# (浙江國瀚資產管理有限公司) and GuoHan Financial Holding Group Limited# (國瀚金融控股集團有限公司) of registered capital of RMB50,000,000 and RMB100,000,000 respectively, the Directors do not have to worry about the funding of the setup and expansion plan. Furthermore, Zhejiang GuoHan Assets Management Limited# (浙江國瀚資產管理有限公司) has many corporate clients who are looking for investment opportunities, which they may refer them to the Target Group for discussions for potential strategic business partners or franchisees.

After operating two self-owned or jointly owned dessert catering restaurants for more than twelve months, the Lucky Dessert Group will start granting the franchise right to set up and operate dessert catering restaurants under the Trademarks in Tianjin and other cities in north east region of the PRC for brand building purpose. Centralised kitchens will be set up to maintain the food and service quality as well as to support the operation and provide its franchisees with necessary equipment, raw materials and training.

Same business model will be adopted for the cooperation with Zhejiang GuoHan Assets Management Limited# (浙江國瀚資產管理有限公司) under the Strategic Cooperation MOU in Hanghou, Zhejiang province, the PRC.

The Directors anticipate that the Lucky Dessert Group will identify and select strategic business partner in other regions of the PRC so as to expand the business horizon of the Lucky Dessert Group.

Financial information of the Target Group

Set out below is the financial information of (i) the Target Company for the period from the date of incorporation (being 2 January 2014) to 31 October 2014 based on the audited financial statements for the same period and prepared in accordance with generally accepted accounting principles in Hong Kong; and (ii) the Lucky Dessert Group for the period from the date of incorporation of Lucky Dessert (BVI) (being 16 December 2013) to 31 October 2014 based on the audited financial statements for the same period and prepared in accordance with generally accepted accounting principles in Hong Kong:

(i) The Target Company

	For the period from the date of incorporation to 31 October 2014 Audited *HK$*
Revenue	–
Loss before tax	13,200
Loss after tax	13,200

The audited capital deficiencies of the Target Company as at 31 October 2014 was approximately HK$13,000. As at the date of the S&P Agreement and up to the Latest Practicable Date, the Sale Loan amounted to approximately HK$90,000,000, which was the shareholder's loan provided by the Vendor to the Target Company for the acquisition of 49% equity interest in Lucky Dessert (BVI) by the Target Company from Ample Chance on 18 December 2014. Such shareholder's loan does not bear any interest, has no fixed term and is repayable on demand of the Vendor.

(ii) The Lucky Dessert Group

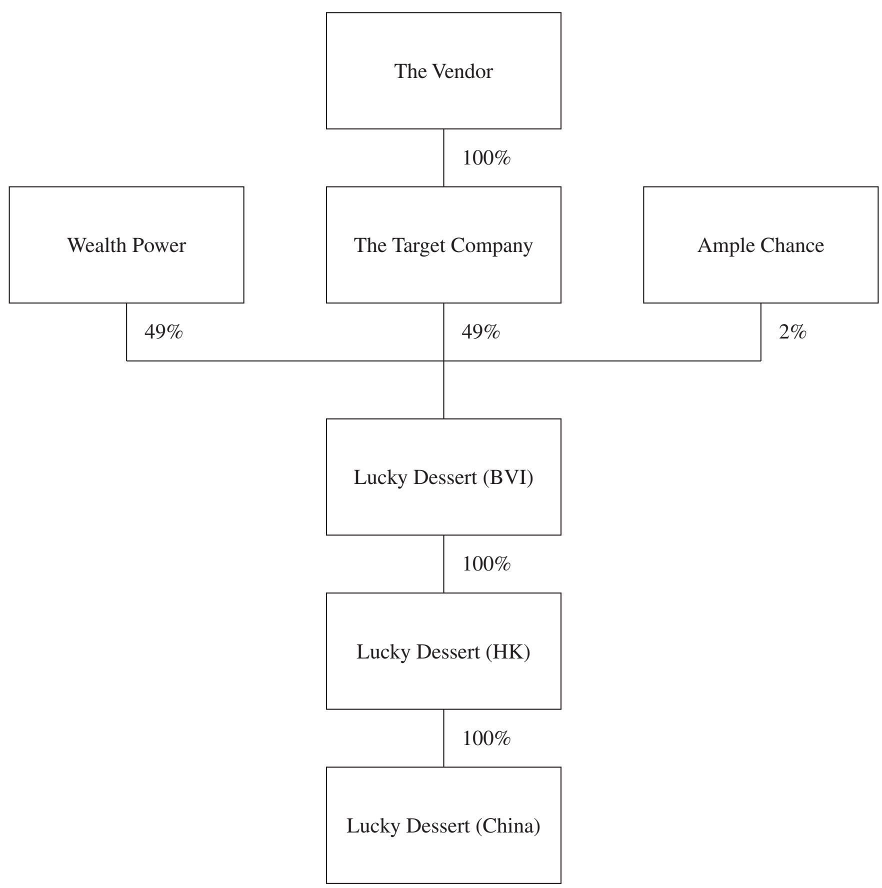
	For the period from the date of incorporation to 31 October 2014 Audited *HK$*
Revenue	–
Loss before tax	250,837
Loss after tax	250,837

The audited capital deficiencies of the Lucky Dessert Group as at 31 October 2014 was approximately HK$249,000.

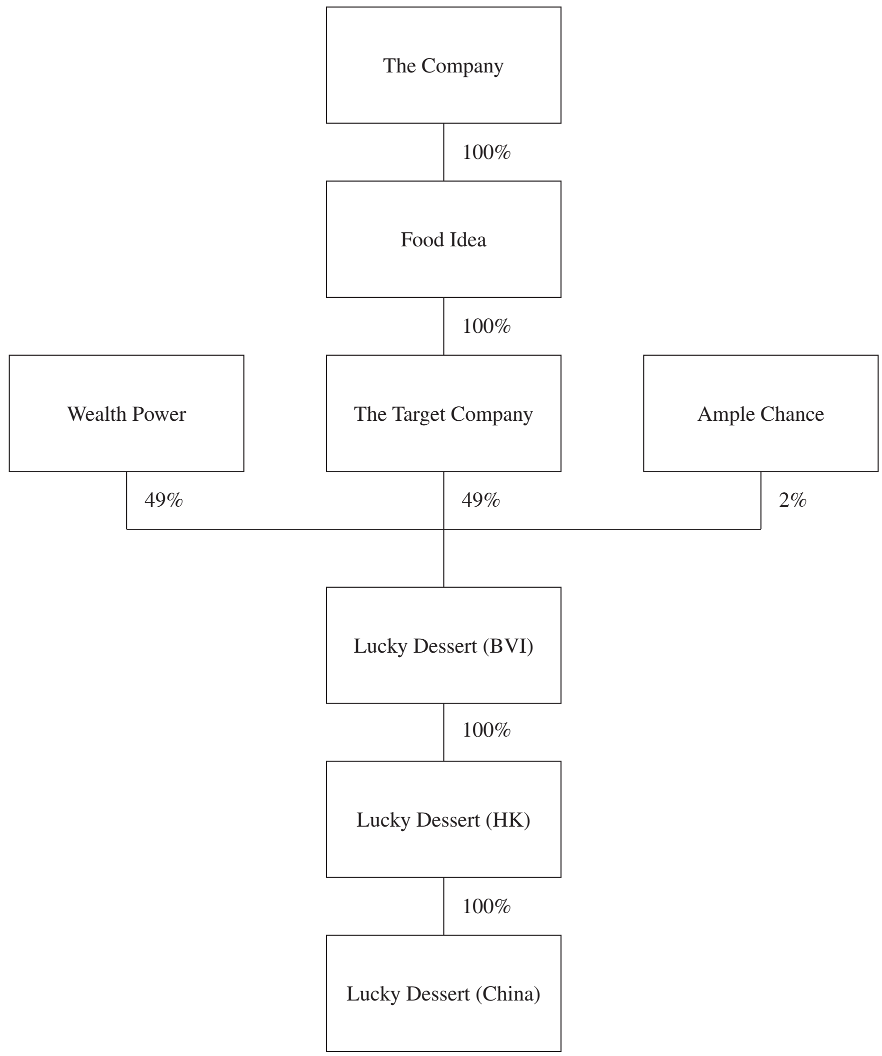
The Target Group structure

The following charts set forth the group structure of the Target Group as at the Latest Practicable Date and that of the Group immediately after Completion:

As at the Latest Practicable Date



Immediately after Completion



MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis on the Target Group, which is based on the financial information of the Target Company and the Lucky Dessert Group as set out in Appendices V and VI to this circular.

Business review

The Target Company was incorporated in the British Virgin Islands with limited liability on 2 January 2014. The Target Company is principally engaged in investment holding.

The Target Company acquired 49% of the entire issued share capital of Lucky Dessert (BVI) pursuant to the sale and purchase agreement dated 18 December 2014 for a cash consideration of HK$90,000,000. As at the Latest Practicable Date, the cash consideration is not yet fully paid. The completion of such sale and purchase transaction took place simultaneously upon signing of the said sale and purchase agreement on 18 December 2014. The consideration of HK$90,000,000 payable by the Target Company was assumed by the Vendor under the said sale and purchase agreement. The Vendor issued a promissory note in the sum of HK$90,000,000 in favour of Ample Chance, which shall be repayable within 48 months from 18 December 2014 (i.e. by 17 December 2018). To the best knowledge, information and belief of the Directors, the promissory note issued by the Vendor has not yet settled. Hence, the Target Company is indebted to the Vendor a shareholder's loan in the sum of HK$90,000,000. Further details of the shareholder's loan are disclosed on page 9 and page VII-6 of this circular respectively.

Lucky Dessert (BVI) holds directly the entire issued share capital of Lucky Dessert (HK), which in turn, directly holds the entire equity interest in Lucky Dessert (China). Each of Lucky Dessert (BVI) and Lucky Dessert (HK) is principally engaged in investment holding. Lucky Dessert (BVI), Lucky Dessert (HK) and Lucky Dessert (China) are collectively referred to the Lucky Dessert Group.

Lucky Dessert (China) entered into a trademark licensing agreement dated 29 September 2014 (as supplemented and amended by two supplemental agreements dated 29 September 2014 and 27 January 2015 respectively) with Wong's Brothers, the owners of the Trademarks "發記甜品", pursuant to which Wong's Brothers granted Lucky Dessert (China) an exclusive right to use and to grant licence to third parties to use the Trademarks and conduct dessert businesses under the Trademarks in the PRC for fifteen years commencing from 29 September 2014 and ending on 28 September 2029 (both dates inclusive) for the cash consideration of RMB1 for each of the Trademarks. No royalty is payable under the trademark licensing agreement. Thus, the Target Company will become the sole authorised franchisee of the Trademarks in the PRC.

It is intended that the Lucky Dessert Group will, by itself or cooperate with other parties to set up and operate dessert catering restaurants in the PRC under the name of the Trademarks "發記甜品".

Based on an independent valuation performed over the Trademarks, the fair value of the Trademarks as at 31 October 2014 from the perspective of the Lucky Dessert Group was HK$288,000,000. As at the Latest Practicable Date, the Target Company holds 49% equity interest in the Lucky Dessert Group. Therefore, the valuation of the Target Group of HK$111,000,000 as set out in the Appendix II has considered only the 49% equity interest in the Lucky Dessert Group.

For reconciliation purpose, the difference between 49% of the fair value of assets and liabilities of the Lucky Dessert Group of HK$105,718,000 (as disclosed on page VII-7) and HK$111,000,000 (the valuation of the Target Group) should be considered as goodwill. However, since the maximum Consideration was HK$100,000,000, no goodwill will be recognised in such respect.

Operating results

For the period from 2 January 2014 (date of incorporation of the Target Company) to 31 October 2014, the Target Company did not have any operation and generate any revenue. The loss and total comprehensive expense for the period from 2 January 2014 to 31 October 2014 of the Target Company amounted to approximately HK$13,200. These expenses were mainly the preliminary set up charges and administrative costs.

As at 31 October 2014, the acquisition of Lucky Dessert Group by the Target Company was not completed yet.

For the period from 16 December 2013 (date of incorporation of Lucky Dessert (BVI)) to 31 October 2014, the Lucky Dessert Group did not have any operation and generate any revenue. The loss and total comprehensive expense for the period from 16 December 2013 to 31 October 2014 of the Lucky Dessert Group amounted to approximately HK$250,000. These expenses were mainly the preliminary set up charges and administrative costs.

Liquidity, financial and capital resources

Capital structure

As at 31 October 2014, the share capital and capital deficiencies attributable to owner of the Target Company amounted to HK$8 and approximately HK$13,000 respectively.

As at 31 October 2014, the share capital of Lucky Dessert (BVI) amounted to approximately HK$775 and the capital deficiencies of the Lucky Dessert Group attributable to owners of Lucky Dessert (BVI) amounted to approximately HK$249,000.

Details of the capital risk management are set out in the financial information of the Target Company and the Lucky Dessert Group as set out in Appendices V and VI to this circular.

Cash position

As at 31 October 2014, the Target Company did not have any bank balances or cash.

As at 31 October 2014, the carrying amount of the Lucky Dessert Group's bank balances was approximately HK$215,000.

Bank borrowings and charge of assets

As at 31 October 2014, the Target Company and the Lucky Dessert Group did not have any bank borrowings or charge on assets.

Exchange rate exposure

Since Hong Kong dollars and Renminbi are the main currencies of the Target Company and the Lucky Dessert Group to carry out its business transactions, the Target Group's exposure to fluctuation in exchange rates was insignificant.

Significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies, and plans for material investments or capital assets

Save for the acquisition of 49% of the entire issued share capital of Lucky Dessert (BVI), the Target Company and Lucky Dessert Group had not acquired or disposed of any subsidiary or affiliated company during the period from their respective dates of incorporation to 31 October 2014 and they did not have any significant investments held or plan for material investments or capital assets during such periods.

Contingent liabilities

As at 31 October 2014, the Target Company and the Lucky Dessert Group had no material contingent liabilities.

Employees and remuneration policy

As at 31 October 2014, the Target Company had one director and no other employees. Total staff costs for the period from 2 January 2014 to 31 October 2014 was nil, as the sole director did not receive any emoluments for his services during the period.

As at 31 October 2014, other than the two directors of Lucky Dessert BVI, the Lucky Dessert Group had 1 employee. Remuneration was maintained at a competitive level and determined with reference to the general market condition and qualifications and experience of the employee concerned. Remuneration packages comprised salaries and state-managed retirement benefit scheme contribution.

Upon Completion, the Vendor will no longer remain as a director of the Target Company.

Capital commitments

As at 31 October 2014, the Target Company and the Lucky Dessert Group did not have any significant contracted capital commitments

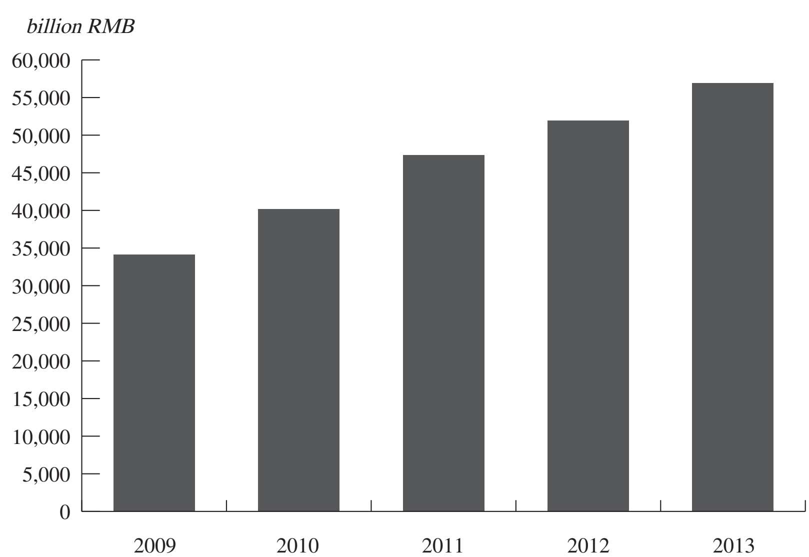
ANALYSIS OF THE CATERING INDUSTRY IN THE PRC

Overview of the economy in the PRC

According to the National Bureau of Statistics of China, the nominal GDP of the PRC in the third quarter of 2014 was RMB15,086.4 billion, an increase of 8.5% over the same period last year. The PRC was the third largest economy in the world, ranked after the European Union and the United States, in terms of nominal GDP measured by the International Monetary Fund ("**IMF**") in 2014. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasised the need to increase domestic consumption in order to make the PRC less dependent on foreign exports. The PRC's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth in 2012 and 2013. Over the past decade from 2004 to 2013, CAGR of the PRC's nominal GDP was 15.4% and in the government's latest plan, it is targeted to grow at 7% for the period from 2011 to 2015. Figure 1 further illustrates the nominal GDP of the PRC from 2009 to 2013.

Figure 1 – The nominal GDP of the PRC from 2009 to 2013

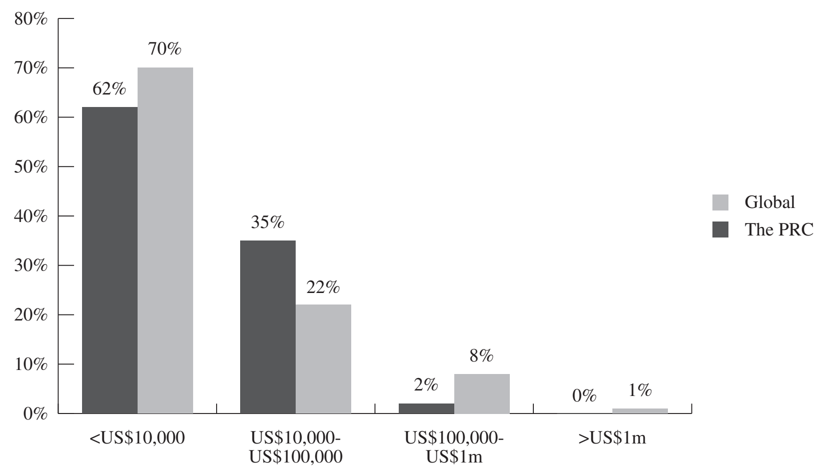


Source: National Bureau of Statistics of China

Economic growth and higher per capita food expenditure

The PRC's economy has witnessed strong and steady growth since 2008. Strong economic growth in turn has driven an increase in per capita disposable income, consumer spending and food consumption. In 2014, the household assets in the PRC ranked after the United States and Japan, and was the third in the world. The number of middle class family (with household assets of US$10,000 to US$100,000) is more than that of the world's average. The rise of the middle class in the PRC is a driving force for the consumer market. The middle class has a higher demand for quality products and services and they are more willing to pay for higher quality products and services. Figure 2 illustrates the wealth distribution amongst the PRC and global population in 2014.

Figure 2 – The wealth distribution amongst the PRC and the global population in 2014



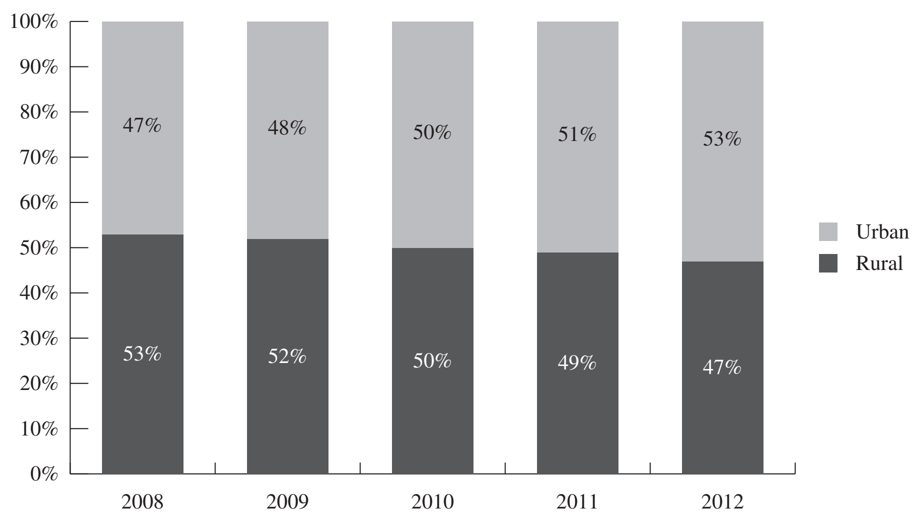
Source: National Bureau of Statistics of China

Increasing urbanisation

According to the National Bureau of Statistics of China, the proportion of people dwelling in urban areas in the PRC has increased from 47.0% in 2008 to 53.7% in 2013.

According to the National Bureau of Statistics of China, in 2014, the urban consumer consumption comprised approximately 86% of the entire urban-rural consumer consumption. Per capita food expenditure of urban residents in the PRC has risen from RMB4,259.8 in 2008 to RMB6,308.1 in 2013, according to the National Bureau of Statistics of China. It is expected that per capita food expenditure of urban residents in the PRC will grow at a CAGR of 7.3% from 2014 and 2017. Such a substantial increase in per capita food expenditure is expected to have a direct positive impact on the revenue of the catering industry in the PRC.

Figure 3 – The urbanization in progress in the PRC from 2008 to 2012



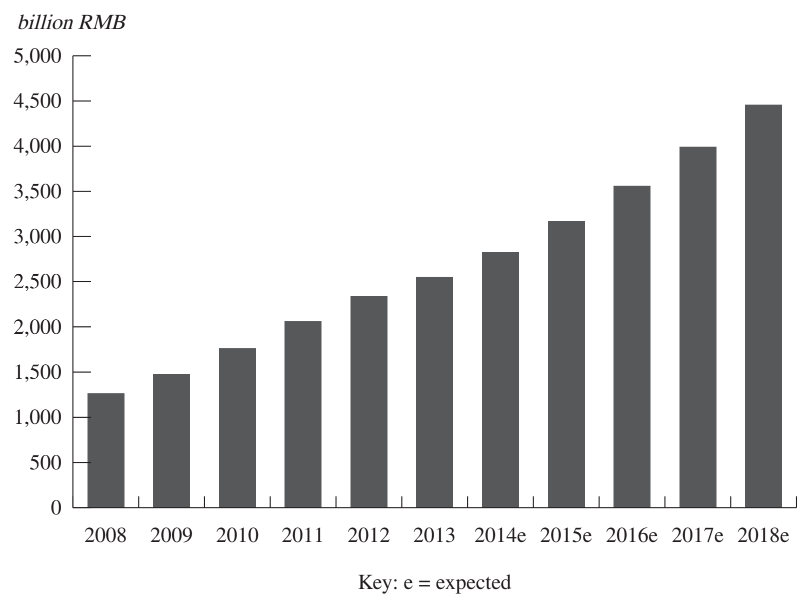
Source: National Bureau of Statistics of China

The rise in urbanisation is likely to drive aspirational shifts in lifestyle to more sophisticated and quality products and services, resulting in a positive impact to the casual dining industry in the PRC. The disposable income in second tier cities has increased and will become a high potential growth for the consumer market.

Catering service industry in the PRC

Catering service industry in the PRC has been growing steadily in the past years. According to the National Bureau of Statistics of China, revenue generated from dining industry grew from RMB1,265.2 billion in 2008 to RMB2,556.9 billion in 2013 with a CAGR higher than 15%. However, the growth has slowed down a little bit since 2013 due to the anti-corruption campaign initiated by President Xi Jinping, leading to a significant reduction in the catering service expenditure from the public sector. Figure 4 illustrates the retail value of catering service industry in the PRC from 2008 to 2018.

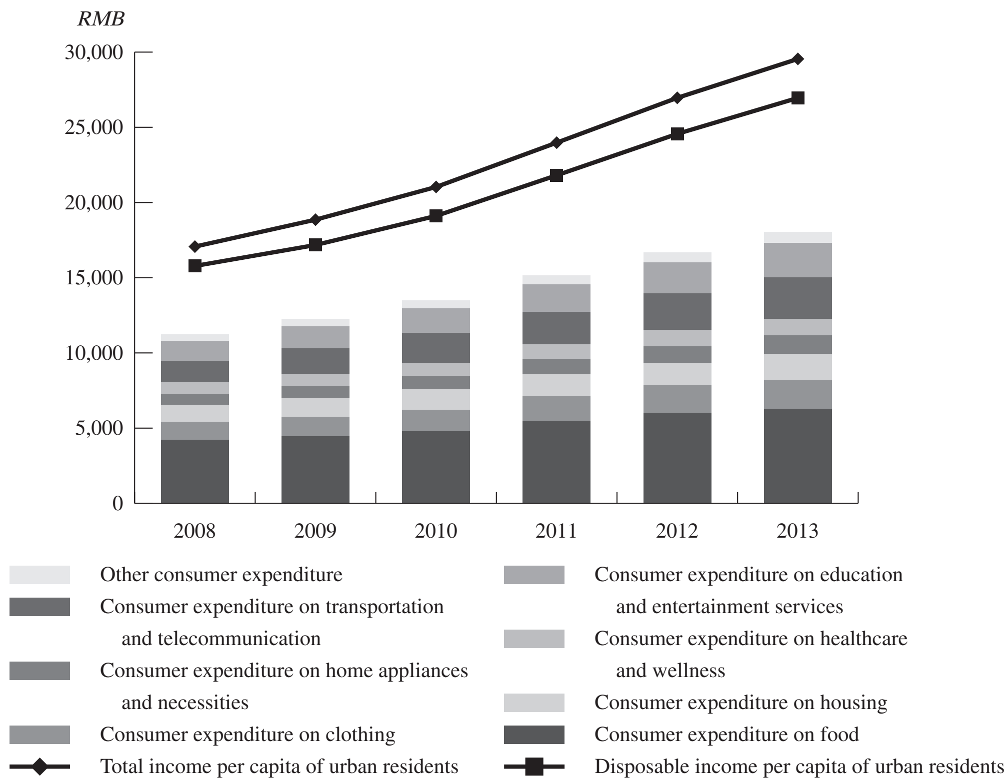
Figure 4 – Retail Value of Catering Service Industry in the PRC from 2008 to 2018



Source: National Bureau of Statistics of China and Frost & Sullivan

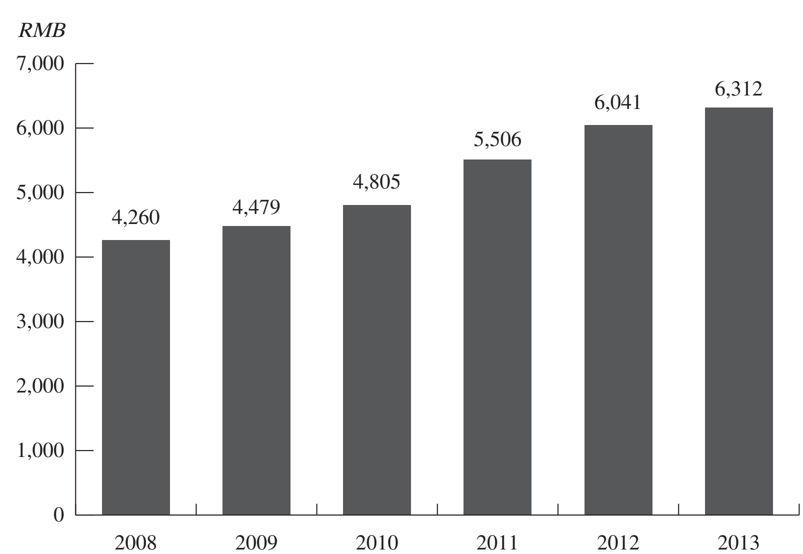
The total retail value of catering service market in the PRC is expected to reach RMB4,460.2 billion in 2018, indicating a CAGR of nearly 12% according to Frost & Sullivan. The upward trend is expected to be continued due to several favorable factors, namely economic growth and disposable income, population growth and rapid urbanisation and changing consumer behavior. With increasing amount of household choose out-dining instead of home-dining, it further fuels the catering service industry in the PRC. Figure 5 illustrates the composition of household expenditure of urban residents household from 2008 to 2013 and figure 6 illustrates the average expenditure on food by the urban residents from 2008 to 2013.

Figure 5 – The composition of household expenditure of urban residents household from 2008 to 2013



Source: National Bureau of Statistics of China

Figure 6 – The average expenditure on food by the urban residents from 2008 to 2013

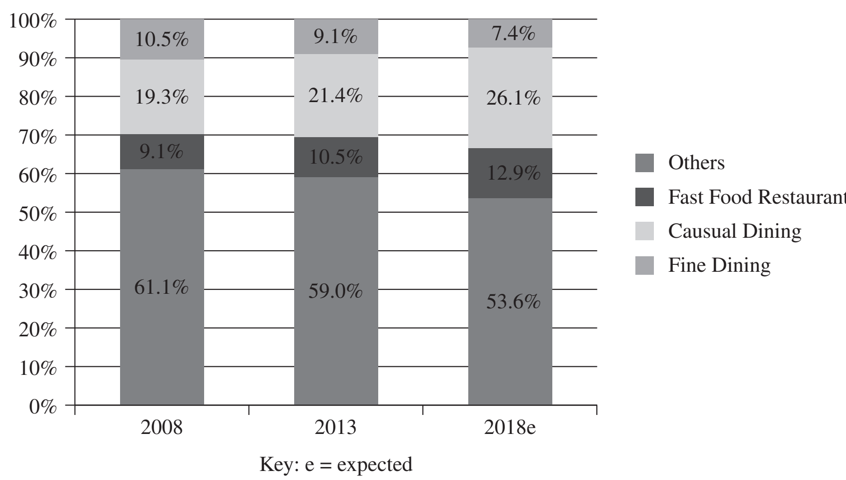


Source: National Bureau of Statistics of China

Market segments

The Chinese catering service industry could be further divided into four segments, namely fine dining, casual dining, fast food restaurant and others. The Target Group principally engages in offering dessert catering to customers, which therefore should be classified into casual dining. Casual dining is the fastest growing segment among the four segments with an expected CAGR of around 16% from 2013 to 2018, according to Frost & Sullivan. Figure 7 illustrates the share breakdown of Chinese catering service industry in 2008, 2013 and 2018.

Figure 7 – Share Breakdown of Chinese Catering Service Industry in 2008, 2013 and 2018



Source: Frost & Sullivan

Dessert industry in the PRC

According to the information of an international research institute on food and customer products, the turnover of the dessert industry in 2009 was about RMB90 billion and in 2013 was about RMB200 billion. Dessert industry in the top first tier cities, such as Shanghai, has almost been saturated while there will be rapid growth in other first to second tier cities. Research revealed that desserts shops comprised 3% of all the shops in shopping malls in the first to second tier cities in 2011, the number reached 4% in 2012, 8% in 2013 and 14% in 2014. The PRC has become the second largest country for dessert consumption apart from the USA. As the expenditure on dessert per capita in the PRC is still far below the USA, the dessert industry is expected to have great potential development in the coming ten years.

Chain restaurants operating models

Chain restaurants represent a significant proportion of restaurant establishments in the PRC. From 2007 to 2011, the total sales value of chain restaurants increased from RMB64.5 billion to RMB109.5 billion with a market share of 27.3% in 2011. In the next five years, sales revenue from chain restaurants is estimated to reach RMB220.6 billion representing a CAGR of 14.5%. Although independent operations still represent the majority in the PRC's catering segment for a number of reasons including difficulties in satisfying different regional tastes throughout the PRC, the market share of chain restaurants has continued to rise in recent years due to, (i) greater population mobility reducing regional taste barriers, (ii) increased consumer concerns over food safety issues, making branded restaurant chains the more attractive choice, (iii) the higher scalability and operational efficiency of restaurant chains compared with independent operations, and (iv) generally better access to financing by established restaurant chains compared with independent operations. Factors such as these will continue to contribute to further growth in the chain catering segment.

Involvement of key management

Mr. Wong Yat Cheung（黃逸璋先生）("**Mr. YC Wong**"), aged 39, will be the chief dessert officer of the Lucky Dessert Group. Mr. YC Wong is responsible for developing new desserts, offering trainings to dessert chefs in new dessert catering restaurants under the Trademarks, providing guidance to new-joiners and maintaining the quality of the food. Upon Completion, Mr. YC Wong will enter into a consultancy agreement with the Lucky Dessert Group for a term of three years, subject to renewal at the Lucky Dessert Group's absolute discretion.

Mr. YC Wong started his catering career in a Chinese restaurant, where he acquired fundamental and practical knowledge in quality of food. He is one of co-founders of Hong Kong Lucky Dessert（發記甜品）in Hong Kong. He has 15 years' experience in the dessert catering industry, during which Hong Kong Lucky Dessert became a popular dessert brand in Hong Kong and successfully expanded in various locations in Hong Kong, including Tsuen Wan, Tsim Sha Tsui, Mongkok, etc.

Mr. Yu Ka Ho（余嘉豪先生）("**Mr. Yu**"), aged 32, has been a key management of Food Idea since June 2012. Mr. Yu is experienced in brand development and management. He is responsible for business development and operation management of Food Idea. He has successfully developed various catering brands, such as Red Seasons Restaurant（季季紅風味酒家）, Plentiful Delight Banquet Restaurant（喜尚嘉喜宴會廳）, Red Royalty Banquet Restaurant（紅爵御宴）, Home-made Cuisine（家常便飯）etc. Mr. Yu will be responsible for the strategic business planning and development of the Target Group upon Completion. Mr. Yu will lead a team comprising four key personnel, with experience in catering industry ranging from approximately 3.5 to 10 years, and other personnel for the future operation of the Target Group.

Mr. Yu obtained a bachelor's degree in financial engineering from the City University of Hong Kong in 2004 and a master's degree in mathematics for finance and actuarial science from the joint degree programme of the City University of Hong Kong and Université Paris-Dauphine in 2007.

RISK FACTORS

Risks relating to the business

The Lucky Dessert Group's business depends significantly on the market recognition of the Trademarks, and any damage to the Trademarks could materially and adversely impact the business and results of operations

The Lucky Dessert Group is the sole authorised franchisee of the Trademarks "發記甜品" for fifteen years under a trademark licensing agreement dated 29 September 2014 (as supplemented and amended by two supplemental agreements dated 29 September 2014 and 27 January 2015 respectively). It conducts dessert catering business under the Trademarks in the PRC by setting up dessert catering restaurants and granting franchise to third parties to conduct dessert catering business under the Trademarks. Any incident that erodes consumer trust in or affinity for the Trademarks could significantly reduce its value.

As the Lucky Dessert Group intends to expand geographically and grow in size, maintaining quality and consistency may became more difficult and there is no guarantee that customer confidence in the Trademarks will not diminish. If consumers perceive or experience a deterioration in the dessert quality, service, ambiance or believe in any way that the Lucky Dessert Group is failing to deliver a consistently positive experience, the value of the Trademarks could suffer, which could have a material adverse effect on the Lucky Dessert Group's business.

The Lucky Dessert Group's business depends on its success to deploy the franchise operation in the PRC

The Lucky Dessert Group intends to operate the franchise business under the Trademarks in the PRC. Before the Lucky Dessert Group embarks for the franchise business, the Lucky Dessert Group shall comply with certain laws and regulations in the PRC. There is no assurance that the Lucky Dessert Group could obtain the right to operate the franchise business in accordance with its business plan timeline. Should the Lucky Dessert Group fail to deploy its business plan in a timely manner, this will have a material adverse effect on the Lucky Dessert Group's profitability and its ability to continue carrying on its business.

The Target Group's intellectual property rights may be infringed upon or it may inadvertently infringe third party rights

The Trademarks have been registered in the PRC and the Lucky Dessert Group is licensed with the right to use the Trademarks in the PRC. In order to protect its intellectual property rights, it relies on relevant laws for such protection. Notwithstanding the foregoing, it may be possible for a third party to unlawfully infringe its intellectual property rights, which may adversely affect the business and profitability of the Lucky Dessert Group.

Besides the brand name, the franchise business or the products that the Lucky Dessert Group offers may also be susceptible to imitation from competitors of the Lucky Dessert Group. The dessert concepts, menus, recipes, production processes, know-how and food packaging are essential. If the competitors are able to successfully imitate the dessert concepts, menus, recipes, production processes, know-how or food packaging, and offer more price-for-value and more appealing and popular desserts, the market share of the Lucky Dessert Group may decrease, thereby adversely affecting its business. Conversely, if the competitors offer desserts with inferior quality causing consumers to lose interest in the type of food that the Lucky Dessert Group is going to offer or which cause harm to consumers, the goodwill generated by the Trademarks may be eroded and the Lucky Dessert Group's business and financial position may be adversely affected. The Lucky Dessert Group may also incur additional costs in instituting legal proceedings to defend its intellectual property rights, thereby adversely affecting its financial performance.

The Lucky Dessert Group requires various approvals, licences and permits to operate the business and any failure to obtain or renew any of these approvals, licences and permits could materially and adversely affect the business and results of operations

In accordance with the laws and regulations of the PRC, the Lucky Dessert Group is required to maintain various approvals, licences and permits in order to operate the dessert catering restaurant licences in the PRC, such as the food service licence and/or public assembly venue hygience licence, environmental protection assessment and inspection approval, a fire safety design approval and a fire prevention inspection report. These approvals, licences and permits are achieved upon satisfactory compliance with, amongst other things, the applicable food safety, hygiene, environment protection, fire safety laws and regulations. Most of these licences are subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation.

Complying with the PRC government regulations may require substantial expenses, and any non-compliance may expose the Lucky Dessert Group to liabilities. In case of any non-compliance, the Lucky Dessert Group may have to incur significant expense and divert substantial management time resolving any deficiencies. Adverse publicity arising from such non-compliance with government regulations may also negatively impact the Trademarks.

There is no guarantee that the Lucky Dessert Group will be able to obtain, renew and/or convert all of the approvals, licences and permits in a timely manner or at all. If all required licences cannot be obtained or maintained to operate the business, expansion may be delayed and the ongoing business could be interrupted. In addition, the Lucky Dessert Group may also be subject to fines and penalties.

The Lucky Dessert Group's business is reliant on key personnel

The Directors believe that the expertise and experience of the key personnel, as well as other members of the senior management will be crucial to the success of the Lucky Dessert Group. If there is any loss of the services of any of these key personnel without suitable and timely replacements, or the Lucky Dessert Group is unable to attract or retain qualified personnel, this will disrupt or affect the Lucky Dessert Group's business operations.

The Lucky Dessert Group's planned expansion into new markets in the PRC presents risks

The Lucky Dessert Group plans to open new restaurants in certain regions in the PRC where it has no operating experience, including Hangzhou, Beijing, Shenyang, Qingdao, Dalian, Jinan, Shijiazhuang, Zhengzhou, Nanjing, Wenzhou, Taizhou, the PRC.

The markets in the PRC which the Lucky Dessert Group targets may have different business environments, competitive conditions, consumer preferences and discretionary spending patterns from the Group's existing markets in Hong Kong. It may be more difficult for the Lucky Dessert Group to hire, train and retain qualified employees in new markets who share the same business philosophy and culture. Dessert catering restaurants opened in new markets may also have lower average sales or higher set up and/or operating costs. In addition, the Lucky Dessert Group may face difficulties in finding reliable suppliers or distributors which supply food ingredients meeting the quality standards in the new markets. Sales at restaurants opened in new markets may take longer time to ramp up and reach, or may never reach, expected sales and profit levels, thereby affecting the overall profitability of the Lucky Dessert Group.

Uncertainties associated with the expansion plan of the Lucky Dessert Group in the PRC

The expansion plan of the Lucky Dessert Group's dessert catering business in the PRC is subject to a number of risks and uncertainties, including but not limited to:

- delays or difficulties in securing requirement approvals and licences from the respective PRC government authorities;
- renovation delays or costs overruns;
- difficulties in locating new dessert catering restaurant sites or securing leases on commercial reasonable terms; and
- shortage of qualified operating personnel, especially dessert catering restaurant managers.

In addition, the Lucky Dessert Group expects to incur significant costs in connection with the expansion of the Lucky Dessert Group in the PRC when opening new dessert catering restaurants and the expansion may place substantial strain on the managerial and operational resources of the Lucky Dessert Group. In particular, in the preliminary stage of the expansion, the management will expect frequent visits to the PRC cities to for setting up, recruitment and training purposes.

In the event that the expansion plan does not proceed as expected, the business and growth prospects of the Lucky Dessert Group may be adversely affected.

The operations of the Lucky Dessert Group are susceptible to increase in purchase costs for food ingredients, which could adversely affect the profit margins and results of operations

The ability of the Lucky Dessert Group to source quality food ingredients at competitive prices in a timely manner is crucial to the Lucky Dessert Group's business. Also, the availability and prices of food ingredients can fluctuate and are subject to factors beyond the Lucky Dessert Group's control, including seasonal fluctuations, climate conditions, natural disasters, economic conditions, global demand, governmental regulations, and exchange rates. Each of these factors may affect the purchase costs for food ingredients or cause a disruption in the supply of certain desserts offered by the Lucky Dessert Group.

At present, the Lucky Dessert Group does not enter into any agreements with suppliers to lock up the purchase price of food ingredients and therefore may not be able to anticipate and react to changes in the costs of food ingredients in the future. In addition, the Lucky Dessert Group may not be able to migrate such increased costs to customer due to market conditions, the failure of any of which could materially and adversely affect the Lucky Dessert Group's business and the results of operation.

There is no guarantee that the suppliers will also be able to meet the Lucky Dessert Group's stringent quality control requirements in future. Purchase price of food costs may go up as the Lucky Dessert Group may not be able to find suitable replacement suppliers in a short period of time on acceptable terms if any of the suppliers do not perform adequately or otherwise fail to distribute food ingredients to the Lucky Dessert Group in a timely manner.

The Lucky Dessert Group is exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs, as the dessert catering restaurants will be operating in leased properties

Dessert catering restaurants of the Lucky Dessert Group will be operating in leased properties. It is expected that occupancy costs will account for a significant portion of the operating expenses. It is also anticipated that occupancy costs for premises that are suitable for dessert catering business in the PRC will continue to increase. The profitability of the Lucky Dessert Group may be adversely affected by any substantial increase in the occupancy costs of any of its dessert catering restaurants.

Further, the Lucky Dessert Group competes with other retailers and restaurants for quality premises. If the Lucky Dessert Group cannot obtain desirable restaurant locations, this will adversely affect the business, results of operations and ability to implement the Lucky Dessert Group's growth strategy.

Any failure to open central kitchen(s) as planned could adversely affect the Lucky Dessert Group's business and operations

The Lucky Dessert Group plans to set up central kitchens at various locations to support its dessert catering restaurants nearby by producing semi-processed food ingredients to reduce the preparation time and labour required in the dessert catering restaurants which conceivably reduce the operation costs. As such, it is anticipated that the opening of central kitchen(s) not only reduces cost, but also increases the production capabilities because of economies of scale, thereby an increase in profits. Any delay in opening of the central kitchen(s) as planned may significantly impact the profitability and the expansion plan of the Lucky Dessert Group's business.

Any failure or perceived failure to deal with customer complaints or adverse publicity involving the desserts or services could materially and adversely impact the Lucky Dessert Group's business and results of operations

The Lucky Dessert Group's business can be adversely affected by negative publicity or news reports, whether accurate or not, regarding food quality issues, public health concerns, illness, safety, injury or government or industry findings concerning the dessert catering restaurants under the Trademarks. Any such negative publicity could materially harm the Lucky Dessert Group's business and results of operations and result in damage to the Trademarks.

Adverse publicity resulting from allegations, even if meritless or unsuccessful, could cause customers to lose confidence in the Trademarks, which may adversely affect the dessert catering business. As a result, the Lucky Dessert Group may experience significant declines in revenue and customer traffic which may not be able to recover.

The Lucky Dessert Group may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by the Group's employees, suppliers or other third parties

The Lucky Dessert Group may be unable to prevent, detect or deter all such instances of fraud, theft, dishonesty, or other misconduct committed by its employees, suppliers or other third parties. Any such fraud or other misconduct committed against the Lucky Dessert Group's interests may have a material adverse effect on the Lucky Dessert Group's business, results of operations and financial condition.

Disruptions to the Lucky Dessert Group's dessert catering restaurants will affect its financial conditions and results of operations

The operation of the Lucky Dessert Group's dessert catering restaurants are vulnerable to interruption by typhoons, fires, floods, earthquakes, power failures and power shortages, computer hardware and software failures, computer viruses and other events beyond its control. For example, any prolonged interruption to the operation of the Lucky Dessert Group's dessert catering restaurants due to blackouts or shortage of electricity and/or water may have a material adverse effect on the Lucky Dessert Group's business and financial results.

The Lucky Dessert Group's business is also dependent on prompt delivery and quality transportation of its raw materials and food ingredients. Certain events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays, non-cooperation of its suppliers or their logistics partners and labour strikes, could also lead to delayed or lost deliveries to its central kitchen(s) (after setting up), dessert catering restaurants or customers, which may result in the loss of revenue or customer claims. There may also be instances where the conditions of fresh, chilled or frozen food ingredients, being perishable goods, deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by its suppliers and their logistics partners. This may result in a failure by the Lucky Dessert Group to provide quality food and services to customers, thereby affecting its business and damaging its reputation. Any such events experienced by the Lucky Dessert Group's central kitchens (after setting up) and dessert catering restaurants could disrupt its production and other operations.

Any failure to maintain effective quality control systems of the Lucky Dessert Group's restaurants could have a material adverse effect on the business and operations

It is critical for the Lucky Dessert Group to maintain consistent food quality in order to succeed, which requires quality control systems and ensuring the employees adhere to those quality control policies and guidelines. The Lucky Dessert Group's quality control systems consist of (i) supply chain quality control; (ii) logistics quality control; and (iii) restaurant quality control. However, there is no assurance that the quality control systems will prove to be effective. Any significant failure or deterioration of the Lucky Dessert Group's quality control systems could have a material adverse effect on the reputation, results of operations and financial condition.

Risks relating to the industry

The Lucky Dessert Group may be unable to anticipate changes in consumer preferences which may result in decrease in demand for certain of its dessert products

The Lucky Dessert Group's success in the PRC dessert catering industry will be dependent to a large extent on its ability to anticipate and develop desserts that appeal to the changing tastes, dietary habits and preferences of its customers. If the Lucky Dessert Group is not able to anticipate and identify new consumer trends and develop new recipes accordingly, the demand for its dessert products may decline and its operating results may be adversely affected. In addition, the Lucky Dessert Group may incur significant costs relating to the development and marketing of new desserts, or improving or altering its existing desserts in response to what it perceives to be a consumer preference or demand. Such development or marketing efforts may not necessarily result in the level of market acceptance, volume of sales or profitability as anticipated by it.

The Lucky Dessert Group's business may be negatively affected in food ingredients scandals and outbreaks of other diseases

The catering industry is susceptible to food ingredients scandals. If the food ingredients supplied to the Lucky Dessert Group were blended with poor quality ingredients unknown to the Lucky Dessert Group, such food ingredients scandals could, if highly publicised, negatively affect the industry overall and the Lucky Dessert Group in particular, reducing the customer traffic, impacting the restaurant revenue, and thereby affecting the Group's profits significantly.

In addition, an epidemic outbreak, in the PRC cities where the Lucky Dessert Group's dessert catering restaurants operate could result in quarantines, temporary closures of the restaurants, travel restrictions or the sickness or death of key personnel and the guests. Consumers may be reluctant to consume foods prepared by other parties or to dine out in order to minimise human interaction. This could cause disruption of operations and severely reduce customer traffic of the Lucky Dessert Group's dessert catering restaurants and negatively impact sales of the Lucky Dessert Group. The time required to recover the normal business during the post-outbreak period may not be immediate as it may take time for consumer confidence to recover.

The opening of dessert catering restaurants in the PRC may be subject to increasingly stringent licensing requirements, environmental protection regulations and hygiene standards, which can increase the operating costs

Opening of dessert catering restaurants in the PRC requires different types of licences and approvals from different government regulators. There can be no assurance that the requirements for obtaining these licences and approvals will not become more stringent in the future. Any failure to comply with existing laws and regulations, or future legislative changes, could require the Lucky Dessert Group to incur significant compliance costs or expenses or result in the assessment of damages, imposition of fines against the Lucky Dessert Group or suspensions of some or all of the Lucky Dessert Group's dessert catering restaurants, which could materially and adversely affect the Lucky Dessert Group's financial condition and results of operations.

The Lucky Dessert Group operates in a highly competitive industry

The Lucky Dessert Group's dessert catering restaurants compete with other similar restaurants targeting the same or similar group of customers, on the basis of taste, quality, price, customer service and ambience, etc. The Lucky Dessert Group competes with new entrants and competitors with longer operating histories. The Lucky Dessert Group's business and results of operations may be adversely affected in the event that the Lucky Dessert Group is not competitive in terms of the pricing, or there is a deterioration in the quality of its desserts or its level of service.

As the Lucky Dessert Group plans to expand to other PRC cities, the Lucky Dessert Group have to compete also for experienced employees, by offering higher wages to experienced management staff in order to recruit or retain them, which will increase the Lucky Dessert Group's operating costs and thereby affecting its financial performance.

Risks relating to the PRC

Adverse changes in economic policies of the PRC government could have a material adverse effect on the overall economic growth of the PRC, which could materially and adversely affect the business and results of operations of the Lucky Dessert Group

The PRC economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, the access to financing, and the allocation of resources. Restaurant dining is discretionary for customers and tends to be higher during periods in which favorable economic conditions prevail. Customers' tendency to become more cost-conscious as a result of an economic slowdown or decrease in disposable income. If the economic condition in the PRC is sluggish, it may reduce customer traffic or average revenue per customer, which may adversely affect the Lucky Dessert Group's revenues.

Restrictions on currency exchange may limit the Lucky Dessert Group's ability to receive and use its revenues effectively

The Lucky Dessert Group's revenues and expenses are principally denominated in Renminbi. Under PRC law, the Renminbi is currently convertible under the "current account", which includes dividends and trade and service-related foreign exchange transactions. Currently, wholly foreign owned companies may purchase foreign currencies for settlement of current account transactions, including payments of dividends, without the approval of the State Administration of Foreign Exchange ("**SAFE**"), by complying with certain procedural requirements. However, the relevant PRC government authorities may limit or eliminate its ability to purchase foreign currencies in the future. Since a significant amount of the Lucky Dessert Group's future revenues will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit its ability to utilise revenues generated in Renminbi to fund its business activities outside PRC that are denominated in foreign currencies. Foreign exchange transactions by the wholly foreign owned companies under the capital account continue to be subject to tight foreign exchange controls and require the approval of or need to register with the PRC government authorities, including SAFE. In particular, if the wholly foreign owned companies borrow foreign currency through loans from the Lucky Dessert Group or other foreign lenders, these loans must be registered with SAFE, and if the Lucky Dessert Group finances the wholly foreign owned companies by means of additional capital contributions, these capital contributions must be approved by certain government authorities, including the National Development and Reform Commission (where applicable), the Ministry of Commerce or their respective local agencies.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on investment

The change in value of the Renminbi against the Hong Kong dollar may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. Since 1994, the conversion of Renminbi into other currencies, including Hong Kong dollars, has been based on rates set by the People's Bank of China, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and referenced to a basket of currencies.

In respect of the dessert catering restaurants in the PRC, a majority of the revenues and costs are denominated in RMB. Dividends and other fees paid to the Group may come from the Lucky Dessert Group in future. Any significant fluctuation of the RMB may materially affect the Group's cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, the Shares in Hong Kong dollars.

The PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent the Company from making loans or additional capital contributions to the Lucky Dessert Group, which could materially and adversely affect the liquidity and ability to fund and expand the dessert catering business

As an offshore holding company of the Lucky Dessert Group, the Company may make loans, additional capital contributions to the Lucky Dessert Group or a combination thereof. Any loans to any member of the Lucky Dessert Group are subject to PRC regulations and approvals. For example, loans by the Company to any member of the Lucky Dessert Group, each of which is a foreign invested enterprise, to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local counterpart.

In addition, capital contributions to the Lucky Dessert Group must be approved by the Ministry of Commerce or its local counterpart. There is no guarantee that these government registrations or approvals will be obtained on a timely basis, if at all, with respect to future loans or capital contributions by the Company to the Lucky Dessert Group. If such registrations or approvals are unsuccessful, the ability to capitalise the Lucky Dessert Group may be negatively affected, which could materially and adversely affect the liquidity and the ability to fund and expand the dessert catering business.

SHAREHOLDERS' AGREEMENT

Upon Completion, the shareholders of Lucky Dessert (BVI), namely Wealth Power, Ample Chance and the Target Company will enter into the Lucky Dessert (BVI) Shareholders Agreement with Lucky Dessert (BVI), to record the respective rights and obligations as shareholders of Lucky Dessert (BVI) with respect to finance, management and operations of Lucky Dessert (BVI) and its subsidiaries.

Under the Lucky Dessert (BVI) Shareholders Agreement, among other things, Wealth Power, Ample Chance and the Target Company shall be entitled to appoint two directors, one director and two directors to the board of Lucky Dessert (BVI) respectively. Any transfer of shares or interest in shares by a shareholder thereafter will be subject to the first right of refusal of the other shareholders.

Each director of the Target Company shall have one vote in the board and decisions of the Target Company shall be made by majority vote.

LOAN AGREEMENT

Upon Completion, Food Idea as lender and Lucky Dessert (BVI) as borrower will enter into the Loan Agreement, pursuant to which Food Idea shall advance a loan up to HK$15,000,000 to Lucky Dessert (BVI) for a term of 24 months from the loan draw down date at an interest rate the best lending rate of the Hong Kong and Shanghai Banking Corporation plus 1% per annum for the purpose of funding the general capital of the Lucky Dessert Group.

As certain applicable percentage ratios for the loan are more than 5% but less than 25%, the Loan Agreement when materialised will constitute a discloseable transaction on the part of the Company under the GEM Listing Rules. The Company will comply with the GEM Listing Rules when the Loan Agreement materialises.

Financial effect on the Proposed Acquisition

The financial impact of the Proposed Acquisition is set out in Appendix VII to this circular. Please refer to the Appendix VII to this circular for basis of preparing the pro forma financial information on the Enlarged Group and the pro forma financial information on the Enlarged Group after Completion.

Following Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the Lucky Dessert Group will become indirect associated companies of the Company. The results and assets and liabilities of the Lucky Dessert Group will be accounted in the consolidated financial statements of the Group using the equity method.

Earnings

The Proposed Acquisition has no immediate effect on the turnover of the Enlarged Group. As shown in the pro forma financial information of the Enlarged Group contained in the Appendix VII to this circular, there would be a gain of approximately HK$4,605,000 arising from the acquisition of Lucky Dessert (BVI) as if the acquisition was completed on 30 June 2014.

Based on the business plan of the Lucky Dessert Group, the Proposed Acquisition is expected to enhance the earnings potential of the Enlarged Group in the near future.

Assets

The Proposed Acquisition would increase the total assets of the Group by the amount of approximately HK$101,718,000 to approximately HK$301,169,000 as shown in the pro forma financial information of the Enlarged Group contained in the Appendix VII to this circular.

The increase is mainly attributable to the share of net assets of the Lucky Dessert Group of approximately HK$105,718,000.

The Proposed Acquisition would increase the net asset value of the Group by the amount of HK$4,605,000 to approximately HK$138,788,000 as shown in the pro forma financial information of the Enlarged Group contained in the Appendix VII to this circular.

Liabilities

The Proposed Acquisition would increase the total liabilities of the Group by the amount of approximately HK$97,113,000 to approximately HK$162,381,000 as shown in the pro forma financial information of the Enlarged Group contained in the Appendix VII to this circular. The increase is mainly due to the issue of promissory note of approximately HK$96,000,000 in relation to the settlement for part of the Consideration for the Proposed Acquisition.

Financial and trading prospects of the Enlarged Group

At present, the Group is principally engaged in the operation of a chain of Chinese restaurants and productions, sales and distribution of food products to chain supermarkets in Hong Kong. Upon Completion, the Enlarged Group will also engage in the dessert catering business in the PRC.

The Board believes the retail environment in Hong Kong will be very challenging, given the shrinking domestic consumption and the deteriorating political polarisation. The Enlarged Group will closely monitor the market situation and will restructure the shop portfolio in order to enhance the operating efficiency.

The Board is of the view that the expansion into the dessert business will enhance and enrich the Group's business scope and product line, and thus bring an additional stream of income to the Group. In addition, the Proposed Acquisition will help the Group to tap in the dessert market in the first to second tier cities in the PRC, and explore the opportunities for further development of the Group's catering business in the PRC. Save for the Proposed Acquisition and subject to the availability of additional financial resources to the Enlarged Group, it may continue to explore the investment opportunities in the PRC to diversify the business portfolio and broaden the income source. Further announcement(s) will be made by the Company as and when necessary in compliance with the GEM Listing Rules, when appropriate.

The Directors will continue to monitor closely the performance of its businesses and evaluate, rationalize and adapt the business strategies of the Enlarged Group from time to time with a view to maintaining the competitiveness of the Enlarged Group. Given the challenging market conditions in Hong Kong, the Group is continuing to develop appetising specially dishes as well as providing better quality services to customers so as to solidify the Group's market position in Hong Kong.

The acquisition of the Target Group will provide a golden opportunity for the Group to tap the PRC market. The cooperation with the strategic business partners of the Lucky Dessert Group will enable the Group to build an extensive business network not only for the growth of expansion of the dessert catering restaurants business of the Enlarged Group, but also facilitating the deployment of the Chinese restaurants business to the PRC.

REASONS FOR THE PROPOSED ACQUISITION

The Group is principally engaged in (i) the operation of a chain of Chinese restaurants; and (ii) production, sales and distribution of food products to chain supermarkets in Hong Kong. The Directors have been reviewing the Company's existing businesses and strived to improve its business operations and financial position by proactively seeking potential investment opportunities that could diversify the Company's existing business portfolio, broaden its source of income, and enhance value to the Shareholders.

The Board believes that the expansion into the dessert catering business will enhance and enrich the Group's business scope and product line, and thus bring an additional stream of income to the Group. In addition, the Proposed Acquisition will help the Group to tap in the dessert catering market in the first to second tier cities in the PRC, and explore the opportunities for further development of the Group's catering business in the PRC, which will ultimately enhance the awareness and reputation of the Group's brand in the PRC.

The Board was first aware of the possible business opportunity to invest in the dessert catering business by the Vendor in about end of 2012 when the Vendor referred such investment opportunity to the Company, shortly after the Trademarks were duly registered by Wong's Brothers in the PRC in October 2012. The Vendor being an associate of Mr. Wong Kwan Mo and Ms. Lau Lan Ying referred the opportunity to the Company in compliance with the deed of non-competition dated 25 June 2011. Details of the said deed of non-competition are set out in the paragraph headed "Non-Competition Undertakings" in the section headed "Controlling Shareholders and Substantial Shareholders" in the prospectus of the Company dated 30 June 2011.

At those material times, the Directors took the view that even though such business opportunity would bring benefits to the Company leveraging on the well-known Trademarks, save for the registration of the Trademarks, Wong's Brothers had no business plan, infrastructure, or business network for the development of the dessert catering business in the PRC. In such case, it is anticipated that the Company would have to incur huge investments in terms of capital commitment, time and human resources, in relation to the establishment of business in the PRC where the Group has limited business exposure. Therefore, the Board considered that it was pre-mature to pursue for the business opportunity under the Trademarks at the early stage. Nonetheless, both the Board and the Vendor considered that it was a good opportunity for the Group to participate in the dessert catering business in the PRC, the Vendor proposed to the Board that he would undertake the upfront works for the business development of the Lucky Dessert Group with Wong's Brothers at his own costs before he tendered the investment opportunity to the Board for reconsideration.

At that material times, there were other potential investors also approached Wong's Brothers and Mr. Ma for the investment in the dessert catering business under the Trademarks. The Vendor therefore further negotiated with Wong's Brothers and Mr. Ma about the possible cooperation. The Vendor managed to obtain an option granted by Mr. Ma to acquire not less than 49% stake interest in the dessert catering business under the Trademarks in consideration of not less than HK$90 million cash consideration and the upfront works to be done by the Vendor for the dessert catering business to be carried out under the Trademarks in the PRC. The Board was being notified by the Vendor about such option in mid 2013.

In order to perform those upfront works for the development of the dessert catering business under the Trademarks, the Vendor leased an office in Shenzhen and set up a business development team, which comprised mainly the Vendor, a business development director and a product development director and some staff members in the PRC, who were dedicated for the development of the dessert catering business under the Trademarks. The Shenzhen office commenced the upfront works in mid 2013. Since then, the business development team paid visits to various trade fairs and franchising business exhibitions in Beijing, Guangzhou, Chengdu, Shanghai and Taiwan to understand and learn more the dessert catering and franchising business. The Vendor retained a marketing agency company for re-branding the Trademarks. The services rendered included enhancement of the Trademarks logo, design of business cards and menus, creation of visual image for the Trademarks, standardising interior design for all the shops to carry out dessert catering business under the Trademarks in future, setting up WeChat service account for Lucky Dessert Group, conducting market research by way of desktop search, site visit and focus group discussion.

The Vendor also attended trade introduction expo to build up business network and to identify potential strategic business partners for the Lucky Dessert Group. The Vendor further retained legal advisers to advise on carrying out dessert catering business and franchising business in the PRC and all relevant laws relating to the businesses.

The Vendor assisted Wong's Brothers and Mr. Ma is setting up the Lucky Dessert Group which comprised (i) the incorporation of Lucky Dessert (BVI) in the British Virgin Islands on 16 December 2013 with limited liability; (ii) the incorporation of Lucky Dessert (HK) in Hong Kong on 6 January 2014 with limited liability; and (iii) the establishment of Lucky Dessert (China) in the PRC on 10 April 2014. Apart from formulating business plan for the Lucky Dessert Group, the Vendor also identified and paid visits to various potential venues which may or may not be used as outlets for the dessert catering business under the Trademarks.

Having evaluated the aforesaid upfront works done by the Vendor, the Board considered the risks in connection with starting up new dessert catering business under the Trademarks in the PRC has been substantially alleviated. The Board therefore agreed to enter into a non-legally binding memorandum of understanding with the Vendor on 25 June 2014 showing its intention to acquire the Target Company. The purpose of entering into the non-legally binding memorandum of understanding was to give the Board an exclusivity period of 60 days from the date thereof to conduct the due diligence on the Target Group before entering into a formal agreement. As disclosed in the announcement of the Company dated 25 June 2014, the Board agreed to the arrangement that the Target Company would acquire certain amount of equity stake in the Lucky Dessert Group before the Group would acquire the Target Company. Further, at all material times, the Board and the Vendor had concensus that the Board would only pay the consideration for Target Group with reference to the prevailing business valuation of the Target Group at the time of entering into the S&P Agreement but taking into no account of the acquisition costs of the Lucky Dessert Group by Target Company.

On 29 September 2014, Wong's Brothers and Lucky Dessert (China) entered into a trademark licensing agreement dated 29 September 2014 (as supplemented and amended by two supplemental agreements dated 29 September 2014 and 27 January 2015 respectively), pursuant to which Wong's Brothers granted Lucky Dessert (China) an exclusive right to use and to grant licence to third parties to use the Trademarks and conduct dessert catering businesses under the Trademarks in the PRC for fifteen years commencing from 29 September 2014 and ending on 28 September 2029 (both dates inclusive). From then onwards, the Lucky Dessert Group obtained the legal rights to use and licence the Trademarks for a term of 15 years. On the same date, in view of the expiry of the exclusivity period under the non-legally binding memorandum of understanding dated 25 June 2014, the Company and the Vendor entered into a supplemental memorandum of understanding dated 29 September 2014, to extend the exclusivity period to 240 days from the date of the non-legally binding memorandum of understanding dated 25 June 2014.

Apart from the marketing aspect, based on the market research results conducted by the Vendor, the product development director also developed and designed new dessert dishes and menus for the coming dessert catering restaurants under the Trademarks to fit the need of the customers in the PRC in light of the market research results.

The Vendor also, for and on behalf the Lucky Dessert Group, entered into negotiation with different business parties for the purpose of forming the strategic alliance with the potential strategic business partners. Some of the negotiations have materialised which could be evidenced by the entering into of the Cooperative Agreement dated 18 December 2014 between Lucky Dessert (China), Tianjin Modern Logistics Company Limited# (天津現代物流有限公司) and Tianjin Beisitena Catering Management Company Limited# (天津貝思特納餐飲管理有限責任公司) and the entering into of the Strategic Cooperation MOU dated 22 December 2014 between Lucky Dessert (HK) and Zhejiang GuoHan Assets Management Limited# (浙江國瀚資產管理有限公司). As at the Latest Practicable Date, the business development team of the Vendor was still in the course of identifying and negotiating with potential strategic partners for the Lucky Dessert Group. All the costs incurred and arising from the upfront works were borne by the Vendor. Neither the Group nor Wong's Brothers nor Mr. Ma had paid or reimbursed any costs to the Vendor. As advised by the Vendor, up to the Latest Practicable Date, he has incurred about HK$7 million for all the upfront works arising from and in connection with the Lucky Dessert Group. It is agreed between the Vendor and the Company that all the costs incurred by the Target Group before Completion shall be borne by the Vendor. Under such circumstances, up to the Latest Practicable Date, the Vendor has spent at least HK$7 million for the costs of the upfront work, which does not include the costs of risk he borne in the past two years and cannot be quantified.

It is the consensus between the Vendor and the Company and in compliance with the deed of non-competition dated 25 June 2011, the Company's right to acquire the new business under the Trademarks shall prevail over the right of the Vendor, should the Board decide to go for the Proposed Acquisition. As such, the Vendor never intends to acquire the business under the Trademarks by himself or to run the business by himself. All the upfront works done by him are with the aim to assist the Company in the Proposed Acquisition.

The intention of the Company to acquire the interest in the Lucky Dessert Group through the Target Company from the Vendor, but not from the Wong's Brothers, nor Ample Chance directly, could be evidenced in the announcements of the Company dated 25 June 2014 and 29 September 2014. As advised by the Vendor, if the conditions precedent to the S&P Agreement cannot be satisfied and the Completion does not take place, he may look for other party(ies) to acquire his stake in the Lucky Dessert Group.

As advised by the Vendor, despite the fact that he was granted an option which would last for two years (i.e. the Vendor need to exercise by end of May 2015) by Mr. Ma to acquire not less than 49% of the equity interest in Lucky Dessert (BVI) in or about May 2013, it was at his election and for the purpose of mininising his own risk that he exercised the option and procured the Target Company to enter into the sale and purchase agreement dated 18 December 2014 to acquire 49% of the equity interest in Lucky Dessert (BVI). The Directors considered that the original agreement and arrangement between the Company and the Vendor was that the Vendor to undertake the upfront works of the dessert catering business under the Trademarks and acquired the Lucky Dessert Group at his own costs and risks and the Company would then acquire the Target Group only if the entire structure and business model of the Target Group are to the satisfaction of the Company and the Consideration paid by the Group was with reference to the business valuation of the Target Group at the time the Company decides to acquire the Target Group. Therefore, the Board has no concern when the Vendor exercises the option to acquire the equity interest in Lucky Dessert Group as long as the Target Company must acquire 49% equity interest in Lucky Dessert (BVI) before entering into the S&P Agreement. Hence, the sale and purchase agreement between the Target Company and Ample Chance was entered into on 18 December 2014, merely one day before the date of S&P Agreement.

The Board further considered that consideration of HK$90 million payable by the Target Company to Ample Chance should not regarded as a recent market price since the said consideration was determined more than one year ago and such consideration also took into account the upfront works to be done by the Vendor to enhance the value of the dessert catering business to be conducted under the Trademarks in the PRC.

As advised by the Vendor, the consideration of HK$90 million payable by the Target Company is satisfied by him by issuing a promissory note (the "**AC Promissory Note**") to Ample Chance. The AC Promissory Note has a term of four years due on 18 December 2018 and bearing an annual interest at the prime rate/best lending rate quoted from the Hongkong and Shanghai Banking Corporation plus 1% from time to time. As at the Latest Practicable Date, the entire amount under the AC Promissory Note was still outstanding. As advised by the Vendor and the Directors have made reasonable enquiry and satisfied the same that the Vendor and his associates have sufficient own financial resources to satisfy his payment obligation under the AC Promissory Note even if the Proposed Acquisition fell through. As advised by the Vendor, he has no intention to early repay the AC Promissory Note. Given that the Vendor will use his own financial resources but would not use the Consideration to satisfy his payment obligation under the AC Promissory Note, there is no implication under the GEM Listing Rules.

The Directors (excluding the independent non-executive Directors who will give their view on the terms of the S&P Agreement after reviewing the advice from the Independent Financial Adviser) believe that the Trademarks "發記甜品" is one of the most well-known dessert brand in Hong Kong. Given that the customers in the PRC will usually prefer the products in Hong Kong brands more than their local brands, the Trademarks will easily arouse awareness from the local market in the PRC. Furthermore, the Directors consider that the cooperation with Wong's Brothers will enable the Group to leverage the expertise of Wong's Brothers, who are the ultimate beneficial owners of 49% equity interests in Lucky Dessert (BVI), the shareholders of Wealth Power and the founders of "發記甜品" in Hong Kong, in dessert business and provide a turnkey solutions for the Company to develop dessert catering business in the PRC. As such, the Board believes that the Proposed Acquisition is in line with the development strategies of the Group and it will bring long-term and strategic benefits to the Group.

Furthermore, as a result of all the upfront works done by the Vendor, the Lucky Dessert Group has obtained all necessary business licence to open its first dessert catering restaurant under the Trademarks (save for environmental protection assessment and inspection approval and fire safety design approval in respect of the venue and fire safety design in the new dessert catering restaurant and such approvals are expected to be obtained after completion of the renovation work of the new restaurant). As advised by the Vendor, the management of the Lucky Dessert Group anticipates that there will not exist any impediment for the first new dessert catering restaurant to obtain such approvals. The first dessert catering restaurant under the Trademarks is going to be opened in a shopping mall in Tianjin namely Riverside 66 - Tianjin (天津恒隆廣場), the PRC, in the first half of 2015, after all the renovation work has finished, and no longer just a business plan, but is expected to generate income from operation soon.

Based on the above reasons, the Directors (excluding the independent non-executive Directors who will give their view on the terms of the S&P Agreement after reviewing the advice from the Independent Financial Adviser) are of the view that the terms of the Proposed Acquisition are fair and reasonable and the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

Mr. Wong Kwan Mo and Ms. Lau Lan Ying, who are the associates of the Vendor, have a material interest under the S&P Agreement and have abstained from voting on the relevant issues at the Board meeting for approving the S&P Agreement.

Having considered the above reasons, the Directors (including the independent non-executive Director) consider that the terms and conditions of the Proposed Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As certain applicable percentage ratios for the Proposed Acquisition are more than 25% but less than 100%, the Proposed Acquisition constitutes a major transaction on the part of the Company under the GEM Listing Rules. Given that the Vendor is the son of Mr. Wong Kwan Mo who is the chairman of the Company, an executive Director and a controlling Shareholder and Ms. Lau Lan Ying who is the chief executive officer of the Company, an executive Director and a controlling Shareholder, the Vendor is a connected person of the Company. The Proposed Acquisition constitutes a non-exempted connected transaction on the part of the Company under the GEM Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements.

The Proposed Acquisition is subject to, among others, the approval by the Independent Shareholders at the EGM. Each of Mr. Wong Kwan Mo, Ms. Lau Lan Ying and their respective associates is required to abstain from voting on the resolution(s) at the EGM to approve the Proposed Acquisition. As at the Latest Practicable Date, Mr. Wong Kwan Mo, Ms. Lau Lan Ying and their respective associates are, in aggregate, interested in 1,280,000,000 Shares, representing 40% of the issued share capital of the Company (and representing approximately 38.09% of the issued share capital of the Company as enlarged by the placing shares assuming the placing of new Shares of the Company as disclosed in the announcement of the Company dated 9 March 2015 is completed), while the Vendor is not interested in any Shares of the Company.

EGM

The notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. The EGM will be convened on Thursday, 16 April 2015 at 4:00 p.m. at Plentiful Delight Banquet Restaurant situated at First Floor, Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Terrorities, Hong Kong for the purpose of, considering and, if thought fit, to approve the S&P Agreement and the transactions contemplated thereunder. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire and in such case, the proxy form shall be deemed to be revoked.

The resolution proposed to be approved at the EGM will be taken by poll and an announcement on the results of the EGM will be made by the Company thereafter.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, which comprises all independent non-executive Directors, namely Mr. Li Fu Yeung, Ms. Chiu Man Yee and Mr. Kwan Wai Yin, William, has been established to advise the Independent Shareholders as to whether the terms of the S&P Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. New Spring Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 61 to 62 of the circular. The Independent Board Committee, having taken into account the advice from New Spring Capital, the text of which is set out on pages 63 to 113 of this circular, considers that the S&P Agreement is entered into upon normal commercial terms following arm's length negotiations between the parties hereto and that the terms of the S&P Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Proposed Acquisition is in the interest of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the S&P Agreement and the transactions contemplated thereunder.

The Board considers that the connected transaction is not an ordinary and usual course of business of the Group and the S&P Agreement is in the best interests of the Company and its Shareholders as a whole and therefore recommends that the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Gayety Holdings Limited
Wong Kwan Mo
Chairman and executive Director

喜尚控股有限公司
GAYETY HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8179)

27 March 2015

To the Independent Shareholders

Dear Sir/Madam

MAJOR AND CONNECTED TRANSACTION

We refer to the circular dated 27 March 2015 issued by the Company (the "**Circular**"), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee to consider the S&P Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Proposed Acquisition and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote at the EGM. New Spring Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the letter of advice from New Spring Capital, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 63 to 113 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 8 to 60 to this Circular and the additional information set out in the appendices of the Circular.

Having taken into account the Proposed Acquisition and the transactions contemplated under the S&P Agreement, and the advice from New Spring Capital, we consider that the S&P Agreement is entered into upon normal commercial terms following arm's length negotiations between the parties thereto, the connected transaction is not an ordinary and usual course of business of the Group, the terms of the S&P Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the S&P Agreement and the transactions contemplated thereunder.

Yours faithfully,
the Independent Board Committee

Li Fu Yeung	**Chiu Man Yee**	**Kwan Wai Yin, William**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of the letter of advice from New Spring Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Proposed Acquisition, which has been prepared for the purpose of inclusion in this circular.

NEW SPRING
CAPITAL LIMITED
Unit 2108, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

27 March 2015

*To: the Independent Board Committee and the Independent Shareholders of
Gayety Holdings Limited*

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 27 March 2015 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 19 December 2014 (after trading hours of the Stock Exchange), Food Idea, which is a wholly-owned subsidiary of the Company, as the purchaser to the S&P Agreement, entered into the S&P Agreement with the Vendor, the connected person of the Company, pursuant to which Food Idea has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company and the Sale Loan at a maximum Consideration of HK$100,000,000, subject to adjustment according to the details as set out in the paragraph headed "Consideration" under the section headed "The S&P Agreement" of the Letter from the Board. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the Lucky Dessert Group, which is owned as to 49% by the Target Company, will become associated companies of the Company.

The Vendor is the son of (i) Mr. Wong Kwan Mo ("**Mr. KM Wong**"), who is the chairman of the Company, an executive Director, and a controlling Shareholder; and (ii) Ms. Lau Lan Ying ("**Ms. LY Lau**"), who is the chief executive officer of the Company, an executive Director, and a controlling Shareholder. Pursuant to the GEM Listing Rules, the Vendor is regarded as a connected person of the Company, and therefore the Proposed Acquisition constitutes a connected transaction of the Company. In addition, as certain applicable percentage ratios for the Proposed Acquisition are more than 25% but less than 100%, the Proposed Acquisition constitutes a major and non-exempt connected transaction of the Company under the GEM Listing Rules, and shall be subject to the reporting, announcement and the Independent Shareholders' approval requirements. As at the Latest Practicable Date, Mr. KM Wong, Ms. LY Lau, and their respective associates are, in aggregate, interested in 1,280,000,000 Shares, representing approximately 40% of the issued share capital of the Company (and representing approximately 38.09% of the issued share capital of the Company as enlarged by the placing shares assuming the placing of new Shares as disclosed in the announcement of the Company dated 9 March 2015 has been completed), while the Vendor is not interested in any Shares. Each of Mr. KM Wong, Ms. LY Lau, and their respective associates are regarded as having material interest in the Proposed Acquisition and shall abstain from voting on the resolution(s) at the EGM to approve the Proposed Acquisition.

The Independent Board Committee (comprising Mr. Li Fu Yeung, Ms. Chiu Man Yee and Mr. Kwan Wai Yin, William, being all the independent non-executive Directors) has been established to advise the Independent Shareholders as to (i) the fairness and reasonableness of the Proposed Acquisition and the transactions contemplated thereunder; and (ii) how to vote at the EGM, after taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice.

In this connection, we, New Spring Capital, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition. We do not, by this letter, warrant the merits of the Proposed Acquisition and the transactions contemplated under the S&P Agreement, other than to form an opinion, for the purpose of the GEM Listing Rules. We are not associated with the Company, the Vendor, Mr. KM Wong, Ms. LY Lau, and their respective associates who are interested or involved in the Proposed Acquisition, and accordingly, are considered eligible to give independent advice in respect of the Proposed Acquisition. Apart from normal professional fees payable to us for this appointment, no arrangement exists whereby we will receive any fees or benefits from any party abovementioned.

BASIS OF OUR OPINION

In formulating our opinions and recommendations to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors and the management of the Company (the "**Management**")), and have assumed that all information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors and the Management) were true, accurate and complete in all respects at the time when they were made and up to the date of this letter. We have also assumed that all statements of belief, opinions and intention made by the Directors in the Circular (or otherwise provided to us by the Directors and the Management) are reasonably made after due enquiry. We have no reason to doubt that any relevant information has been withheld or omitted, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (or otherwise provided to us by the Directors and the Management) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular (or otherwise provided to us by the Directors and the Management) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. We consider that we have performed all the necessary steps as required under Rule 17.92 of the GEM Listing Rules to enable us to reach an informed view and to justify our reliance on the information provided and representations made to us so as to form a reasonable basis for our opinions including, among other things:

(a) reviewed the announcements of the Company in relation to the Proposed Acquisition, the Letter from the Board, the annual reports of the Company for the years ended 31 December 2012 and 2013 ("**2012 Annual Report**" and "**2013 Annual Report**" respectively), the interim report of the Company for the six months ended 30 June 2014 ("**2014 Interim Report**") and the quarterly report of the Company for the nine months ended 30 September 2014 ("**2014 Quarterly Report**");

(b) reviewed the S&P Agreement and other relevant information, documents and/or agreements in relation to the Proposed Acquisition;

(c) reviewed the PRC legal opinion (the "**PRC Legal Opinion**") prepared by the PRC legal adviser (the "**PRC Legal Adviser**") to the Company in relation to Lucky Dessert (China);

(d) conducted market and comparable researches to analyse the major terms of the Proposed Acquisition;

(e) discussed with the Directors and the Management regarding, among other things, the reasons for and background of the Proposed Acquisition, the basis of the major terms of the S&P Agreement, the development plan, future operation and prospect of the Target Group and so forth; and

(f) reviewed the business valuation report of the Target Group (the "**Valuation Report**") prepared by the Independent Valuer and its underlying financial projection and assumptions prepared by the Management (the "**Projection**").

We have not, however, for the purpose of this exercise, conducted any independent detailed verification or audit into the businesses or affairs or future prospects of the Company, the Target Group, or their respective subsidiaries or associates, nor have we investigated the legal title or any liabilities against the subject matters relating to the Proposed Acquisition. Our opinion was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition, we have considered the following principal factors and reasons:

I. Background and financial information of the Group

The Group is principally engaged in (i) the operation of a chain of Chinese restaurants; and (ii) the production, sales and distribution of food products to chain supermarkets in Hong Kong. The following table summarises the results of operation and financial positions of the Group for the three years ended 31 December 2013 ("**FY2011**", "**FY2012**" and "**FY2013**" respectively), the six months ended 30 June 2014 ("**2Q2014**") and the nine months ended 30 September 2014 ("**3Q2014**"):

	For the year ended 31 December			For the six months ended 30 June	For the nine months ended 30 September
	2011	**2012**	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue					
Chinese restaurants operation	279,847	357,844	386,262	206,175	307,317
Food products operation *(Note 1)*	–	–	–	15,170	39,186
	279,847	357,844	386,262	221,345	346,503
Gross profit *(Note 2)*					
Chinese restaurants operation	175,512	239,291	268,926	144,081	213,714
Food products operation *(Note 1)*	–	–	–	8,344	21,574
	175,512	239,291	268,926	152,425	235,288
Profit before tax	27,975	29,974	28,867	10,274	17,499
Profit for the year/period	22,906	24,441	23,494	8,084	13,345

	As at 31 December			As at
	2011	**2012**	**2013**	**30 June 2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Bank balances and cash	47,181	61,088	65,612	69,223
Total assets	131,727	163,677	184,610	199,451
Total liabilities	42,906	50,615	57,237	65,268
Net assets	88,821	113,062	127,373	134,183

Source: 2012 Annual Report, 2013 Annual Report, 2014 Interim Report and 2014 Quarterly Report published by the Company in the website of the Stock Exchange

Notes:

1. As referred to 2014 Interim Report and 2014 Quarterly Report, the food products operation is a newly acquired business of the Group during 2Q2014 and 3Q2014.

2. Gross profit is calculated by deducting revenue by cost of inventories consumed for the relevant year/period.

(i) Financial results for FY2012 compared with FY2011

Revenue of the Group increased from approximately HK$279.8 million for FY2011 to approximately HK$357.8 million for FY2012, representing an increase of approximately 27.9%. As referred to 2012 Annual Report, such increase was mainly due to the strong growth in comparable restaurant sales and the establishment of new restaurants, especially contributed by the newly opened restaurants under the brands of Red Royalty Banquet Restaurant ("**Red Royalty**") and Red Seasons Aroma Restaurants ("**Red Seasons**"), during the financial year of 2012. Gross profits of the Group were approximately HK$175.5 million and HK$239.3 million for FY2011 and FY2012 respectively, and the respective gross profit margins were approximately 62.7% and 66.9% for FY2011 and FY2012, the growth of which was mainly due to the cost control measures adopted by the Group to improve operating efficiencies. For FY2011 and FY2012, the Group had net profits of approximately HK$22.9 million and HK$24.4 million, recording net profit margins of approximately 8.2% and 6.8%, respectively.

As at 31 December 2012, the Group had eight self-operating restaurants under four brands, namely Red Seasons desiring quality food and special Chinese cuisine at competitive prices, Plentiful Delight Banquet Restaurant ("**Plentiful Delight Banquet**") serving Cantonese dim sum and fresh seafood delicacies that are not commonly found in other restaurants as well as offering banquet facilities with a capacity to manage large-scale events, Red Royalty providing premium and deluxe Chinese banquet and dining services in a formal, grand environment decorated with contemporary, stylish and elegant items, and Home-made Cuisine Restaurants ("**Home-made Cuisine**") targeting mid-range spending classes and for gatherings of family and friends by serving contemporary Cantonese cuisine in a comfortable and homey environment.

As at 31 December 2012, the Group had total assets of approximately HK$163.7 million and total liabilities of approximately HK$50.6 million. Bank balances and cash of the Group as at 31 December 2012 amounted to approximately HK$61.1 million.

(ii) Financial results for FY2013 compared with FY2012

Revenue of the Group increased from approximately HK$357.8 million for FY2012 to approximately HK$386.3 million for FY2013, representing an increase of approximately 7.9%. As referred to 2013 Annual Report, such increase was mainly due to the growth in comparable restaurant sales and the sales brought by newly opened restaurants during the financial year of 2013. Gross profits of the Group were approximately HK$239.3 million and HK$268.9 million for FY2012 and FY2013 respectively, and the respective gross profit margins were approximately 66.9% and 69.6% for FY2012 and FY2013 which remained generally stable. For FY2012 and FY2013, the Group had net profits of approximately HK$24.4 million and HK$23.5 million, recording net profit margins of approximately 6.8% and 6.1%, respectively.

As at 31 December 2013, the Group had ten self-operating restaurants under the four brands abovementioned, with differentiated target markets and positioning which the Group intended to address the variety needs of their customers and enlarge its market share within the industry. As revealed in 2013 Annual Report, the Company realised there are growing opportunities for business expansion in the PRC in view of both higher consumption power and demands for quality Chinese food and services of PRC residents driven by the rapid national economic growth. The Board also believed that Hong Kong cuisine has a huge pent-up demand in the PRC where the Group can leverage its brand recognition and extensive catering experience in Hong Kong to explore catering business in the PRC.

As at 31 December 2013, the Group had total assets of approximately HK$184.6 million and total liabilities of approximately HK$57.2 million. Bank balances and cash of the Group as at 31 December 2013 were approximately HK$65.6 million.

(iii) Financial results for 2Q2014 and 3Q2014

For 2Q2014 and 3Q2014, revenues of the Group were approximately HK$221.3 million and HK$346.5 million respectively, recording increases of approximately 21.0% and 30.9% as compared to the corresponding periods of the financial year of 2013. As referred to 2014 Interim Report and 2014 Quarterly Report, such increases were mainly attributable to (i) the growth in comparable restaurant sales and (ii) the contribution from the newly acquired food products operation where the Group processes, sells and distributes food products such as barbequed food and Taiwanese Lou Mei to chain supermarkets in Hong Kong. While the food products operation is growing fast, the Chinese restaurants operation remained the core business of the Group and contributed approximately 93.1% and 88.7% of the Group's total revenue for 2Q2014 and 3Q2014 respectively. Net profits of the Group were approximately HK$8.1 million and HK$13.3 million for 2Q2014 and 3Q2014 respectively, which remained generally stable as compared to the corresponding periods of last year. As at 30 September 2014, the Group had ten self-operating restaurants under the four brands abovementioned.

As stated in the 2014 Quarterly Report, the Management actively looks for PRC investment opportunities to diversify business portfolio and broaden income source of the Group. In the view that Chinese citizens are looking for a higher standard for food and services as their consumption capacities climb, the Group intends to enter into the Chinese dessert market with a Hong Kong renowned dessert brand "Lucky Dessert" (發記甜品). The Management plans to set up new outlets of "Lucky Dessert" (發記甜品) at suitable locations, including but not limited to first tier cities such as Beijing, Chongqing, Guangzhou, Shanghai, Shenzhen and Tianjin, according to the demand of the consumers and the growth potential of different regions. Riding on the success in operating a number of renowned local Chinese catering brands in Hong Kong, the Management is confident that such PRC business developments will promptly expand the Group's presence in the Chinese market, bring long-term and strategic benefits to the Group and enhance value to the Shareholders.

As at 30 June 2014, the Group had total assets of approximately HK$199.5 million and total liabilities of approximately HK$65.3 million. Bank balances and cash of the Group as at 30 June 2014 and 30 September 2014 were approximately HK$69.2 million and HK$78.2 million respectively.

II. Information of the Vendor

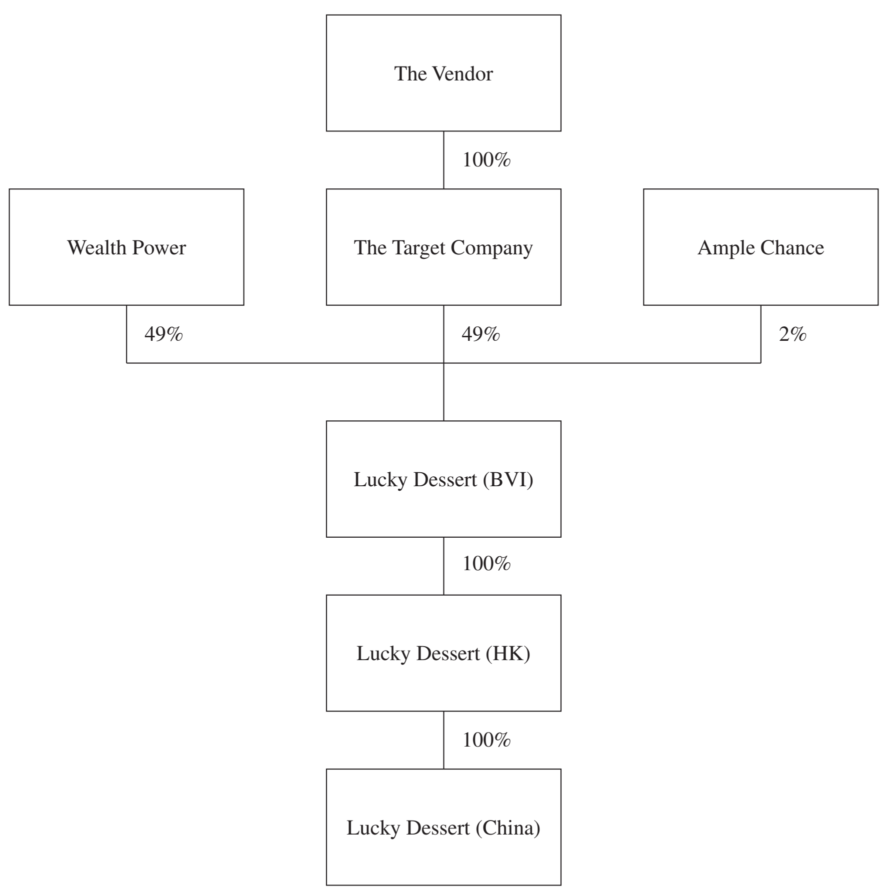
The Vendor is the son of (i) Mr. KM Wong, who is the chairman of the Company, an executive Director, and a controlling Shareholder; and (ii) Ms. LY Lau, who is the chief executive officer of the Company, an executive Director, and a controlling Shareholder. As illustrated in the Letter from the Board, as at the Latest Practicable Date, Mr. KM Wong, Ms. LY Lau, and their respective associates are, in aggregate, interested in 1,280,000,000 Shares, representing approximately 40% of the issued share capital of the Company (and representing approximately 38.09% of the issued share capital of the Company as enlarged by the placing shares assuming the placing of new Shares as disclosed in the announcement of the Company dated 9 March 2015 has been completed), while the Vendor is not interested in any Shares.

III. Information of the Target Group

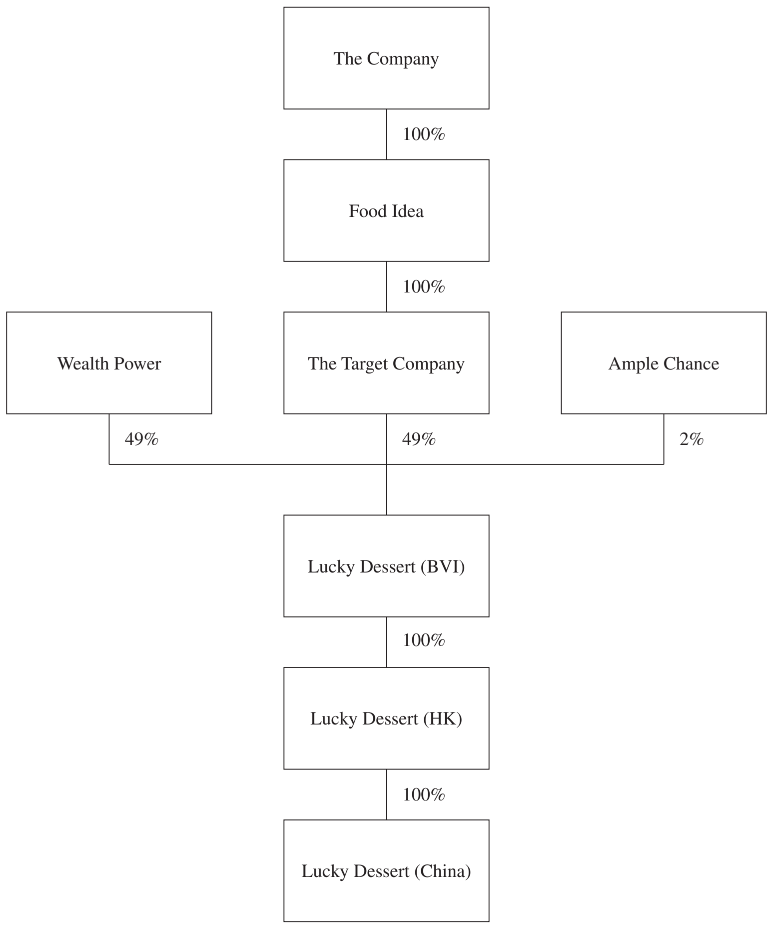
The Target Company is an investment holding company incorporated in British Virgin Islands with limited liability on 2 January 2014. The Sale Share represents the entire issued share capital of the Target Company. As at the Latest Practicable Date, the Target Company was wholly-owned by the Vendor.

As illustrated in the Letter from the Board, the Target Company acquired 49% of the entire issued share capital of Lucky Dessert (BVI) from Ample Chance, an Independent Third Party, pursuant to the sale and purchase agreement dated 18 December 2014 at an acquisition cost of HK$90,000,000. Referring to the Letter from the Board, the consideration of HK$90,000,000 payable by the Target Company was assumed by the Vendor under the said sale and purchase agreement. The Vendor issued a promissory note in the sum of HK$90,000,000 in favour of Ample Chance (the "**AC Promissory Note**"), which shall be repayable within 48 months from 18 December 2014 (i.e. by 17 December 2018). To the best knowledge, information and belief of the Directors, the AC Promissory Note issued by the Vendor has not yet settled. Hence, the Target Company is indebted to the Vendor a shareholder's loan in the sum of HK$90,000,000.

As at the Latest Practicable Date, the Lucky Dessert Group, comprising Lucky Dessert (BVI), Lucky Dessert (HK) and Lucky Dessert (China), is owned as to 49% by the Target Company, 49% by Wealth Power and 2% by Ample Chance. The entire issued share capital of Wealth Power is owned by Wong's Brothers who are Independent Third Parties and founders of "Lucky Dessert"(發記甜品). Set forth below is the group structure of the Target Group as at the Latest Practicable Date:



Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the Lucky Dessert Group, which will be held as to 49% by the Target Company, will become associated companies of the Company. Set forth below is the group structure of the Group immediately after Completion:



(i) Business information

We were given to understand that the Target Group is pursuing the dessert catering business in the PRC.

On 29 September 2014, Lucky Dessert (China) entered into a trademark licensing agreement (as supplemented and amended by two supplemental agreements dated 29 September 2014 and 27 January 2015 respectively) (the "**Trademark Agreement**") with Wong's Brothers, the owners of the Trademarks "發記甜品", pursuant to which Wong's Brothers, granted to Lucky Dessert (China) an exclusive right to use and to grant licence to third parties to use the Trademarks and conduct dessert businesses under the Trademarks in the PRC for fifteen years commencing from 29 September 2014 and ending on 28 September

2029 (both dates inclusive) for the cash consideration of RMB1 for each of the Trademarks. According to the Trademark Agreement, we were advised that the Target Company will become the sole authorised franchisee of the Trademarks in the PRC. We refer to the PRC Legal Opinion and note that such exclusive right granted to Lucky Dessert (China) aforesaid is effectively and legally bound under the Trademark Agreement. In view of that, the Lucky Dessert Group is intended to set up and operate dessert catering restaurants, by itself or cooperate with other parties, in the PRC under the name of the Trademarks of "發記甜品".

It is also noted from the Letter from the Board that, on 18 December 2014, Lucky Dessert (China) entered into the Cooperation Agreement with Tianjin Modern Logistics Company Limited# (天津現代物流有限公司) principally engaging in the provision of, inter alia, logistics arrangement and manufacture of steel products and Tianjin Beisitena Catering Management Company Limited# (天津貝思特納餐飲管理有限責任公司) principally engaging, inter alia, in the catering business management, organising catering culture exchange activities, corporate marketing planning, providing exhibition and conference services, as well as offering advice on development, consultancy, transfer and services in relation to Chinese and Western cuisines production, with its office in Tianjin, the PRC. It is noted from the Letter from the Board that the aforesaid two entities are Independent Third Parties. Pursuant to the Cooperation Agreement, parties to the Cooperation Agreement intend to either solely or jointly open chain dessert catering restaurants in different cities in the PRC, including (i) Tianjin, for the initial nineteen (19) months from the date of the Cooperation Agreement and (ii) Beijing and other first to second tier cities in the northern part of the PRC, such as Shenyang, Dalian, Jinan, and so forth, commencing from the second anniversary of the Cooperation Agreement. It is expected that the first outlet under the Trademarks will be set up in or about the first half of 2015 in Tianjin, the PRC.

In addition, it is stated in the Letter from the Board that, on 22 December 2014, Lucky Dessert (HK) has entered into the non-legally binding Strategic Cooperation MOU with Zhejiang GuoHan Assets Management Limited# (浙江國瀚資產管理有限公司), a company incorporated in the PRC in July 2014 and is wholly-owned by GuoHan Financial Holding Group Limited# (國瀚金融控股集團有限公司) which is principally engaged in the provision of financial products and services. It is noted that the two entities are Independent Third Parties. As illustrated in the Letter from the Board, the parties agreed to cooperate and utilise their own strengths and resources to solely or jointly open chain dessert catering restaurants under the Trademarks in different cities in the PRC, including (i) Hangzhou, Zhejiang province for the initial twelve (12) months after signing the formal agreement in respect of the cooperation contemplated under the Strategic Cooperation MOU and (ii) Nanjing, Wenzhou, Taizhou, other peripheral areas of the Zhejiang province, Jiangsu area, and other cities in the eastern part of the PRC according to a mutually agreed schedule. It is noted that, as at the Latest Practicable Date, the Lucky Dessert Group is still in the course of negotiating with Zhejiang GuoHan Assets Management Limited# (浙江國瀚資產管理有限公司) for the formal cooperation agreement. In the meantime, the Lucky Dessert Group has also entered into negotiation with another third party which is a food and beverage corporation incorporated in Shanghai, the PRC. In the event that the Strategic Cooperation MOU does not materialise, the Target Group may either open the dessert catering restaurant by itself or look for other business partners.

(ii) Financial information

(a) The Target Company

Set out below is the summary of the key financial information of the Target Company for the period from 2 January 2014 (being the date of its incorporation) to 31 October 2014 prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, where the details are set out in Appendix V to the Circular:

	For the period from 2 January 2014 to 31 October 2014 *HK$*
Turnover	–
Administrative expenses	(13,200)
Loss before tax	(13,200)
Loss and total comprehensive expense for the period attributable to owner of the Target Company	(13,200)

	As at 31 October 2014 *HK$*
Total current liabilities	13,192
Net liabilities	13,192

For the period from 2 January 2014 to 31 October 2014, the Target Company did not derive any turnover from its activity. For the same period, the Target Company recorded net loss of HK$13,200, which was due to the administrative expenses incurred for such period.

As at 31 October 2014, the Target Company had net liabilities of HK$13,192, which was principally due to the amount due to a shareholder of HK$12,192. Such amount is unsecured, interest-free and repayable on demand. Subsequently, the Target Company acquired 49% of the entire issued share capital of Lucky Dessert (BVI) on 18 December 2014 for a consideration of HK$90,000,000 by issuance of the AC Promissory Note. Referring to the Letter from the Board, such amount is not fully paid to Ample Chance as at the Latest Practicable Date.

Referring to the Letter from the Board, the Company was advised by the Vendor that the consideration of HK$90 million payable by the Target Company is satisfied by him by issuing the AC Promissory Note to Ample Chance. The AC Promissory Note has a term of four years due on 18 December 2018 and bearing an annual interest at the prime rate/best lending rate quoted from the Hongkong and Shanghai Banking Corporation plus 1% from time to time. As at the Latest Practicable Date, the entire amount under the AC Promissory Note was still outstanding. We are also given to understand that the Directors were advised by the Vendor and made reasonable enquiry and satisfied the same that (i) the Vendor and his associates have sufficient own financial resources to satisfy his payment obligation under the AC Promissory Note even if the Proposed Acquisition fell through and (ii) the Vendor has no intention to early repay the AC Promissory Note.

(b) The Lucky Dessert Group

Set out below is the summary of the key consolidated financial information of the Lucky Dessert Group for the period from 16 December 2013 (being the date of incorporation of Lucky Dessert (BVI)) to 31 October 2014 prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the details of which are set out in Appendix VI to the Circular:

	For the period from 16 December 2013 to 31 October 2014
	HK$
Turnover	–
Administrative expenses	(250,837)
Loss before tax	(250,837)
Loss for the period	(250,837)

	As at 31 October 2014 HK$
Total current assets	247,402
Total current liabilities	496,659
Net liabilities	249,257

For the period from 16 December 2013 to 31 October 2014, the Lucky Dessert Group did not derive any turnover from its activity. For the same period, the Lucky Dessert Group recorded net loss of HK$250,837, which was due to the administrative expenses incurred for such period.

As at 31 October 2014, the Lucky Dessert Group had total current assets of HK$247,402 mainly resulted from the bank balances of HK$215,303, and total current liabilities of HK$496,659 mainly resulted from the amount due to a shareholder of HK$496,659 which is unsecured, interest-free and repayable on demand. As at 31 October 2014, net liabilities of the Lucky Dessert Group were HK$249,257.

(iii) Development plan and prospects

(a) Industry overview

As illustrated in the Letter from the Board, catering service industry in the PRC has been growing steadily in the past years. According to the National Bureau of Statistics of China, revenue generated from dining industry grew from RMB1,265.2 billion in 2008 to RMB2,556.9 billion in 2013 with a CAGR higher than 15%. It is stated in the Letter from the Board that the total retail value of catering service market in the PRC is expected to reach RMB4,460.2 billion in 2018, indicating a CAGR of nearly 12%, according to Frost & Sullivan. The upward trend is expected to be continued due to several favorable factors, namely economic growth and disposable income, population growth and rapid urbanisation and changing consumer behavior. With increasing amount of household choose out-dining instead of home-dining, it further fuels the catering service industry in the PRC. In addition, the Letter from the Board stated that the Chinese catering service industry could be divided into four segments, namely fine dining, casual dining, fast food restaurant and others, where the Target Group principally engaging in offering dessert catering should be classified into casual dining. Casual dining is the fastest growing segment among the four segments with an expected CAGR of around 16% from 2013 to 2018, according to Frost & Sullivan. Among the casual catering industry, the dessert industry in the PRC grew substantially, where its turnover was about RMB90 billion in 2009 and about RMB200 billion in 2013, according to the information of an international research institute on food and customer products. The Management considered that the PRC dessert industry would continue growing at a fast speed in the near future.

We also refer to an article released by Hong Kong Trade Development Council ("**HKTDC**") on 4 July 2013 in respect of the demand for catering services in China, where the article also revealed that the catering services in China experienced significant growth in the past decade, driven by the rapid urbanisation, the development of commercial districts, residential areas and development zones in cities, and the increasing consumption power of households of middle-income group. Facing such great potential, many Hong Kong catering operators, including fast food chains, Chinese restaurants, dessert shops and Hong Kong-style tea cafes, have ventured into China these years. According to its research conducted in April 2013 in China, it is noted that consumers generally have positive perception and value on the environment, service standard, food quality and management style delivered by Hong Kong brands. With those competitive advantages, consumers are generally willing to pay a higher price.

The above has implied a very positive market potential for Hong Kong-style catering business in China, particularly with established Hong Kong brands. As mentioned under the section headed "Background and financial information of the Group" above, the growing demand on a higher standard of food and services quality driven by Chinese citizens with increasing consumption power motives the Group to enter into the dessert market in China.

(b) Development plan

As illustrated in the Letter from the Board, the Lucky Dessert Group has selected Tianjin as its first foothold. In light of the entering into of the Cooperation Agreement and the Strategic Cooperation MOU respectively by the Lucky Dessert Group, the Directors anticipate that, in the first two years after Completion, the Lucky Dessert Group will focus the dessert catering business in first to second tier cities in north east region of the PRC, as well as around Zhejiang province and the Yangzhijiang Delta. It is noted from the Directors that the Lucky Dessert Group will comprise jointly operated chain dessert catering restaurants under the Trademarks with its strategic business partners at the initial stage. They will start its franchise operation once it fulfills conditions on carrying out franchising activities as required under the relevant PRC laws (as discussed below).

As referred to the Letter from the Board, the business model of jointly open chain restaurants of the Lucky Dessert Group will be driven by its ability to secure strategic business partners. When the Lucky Dessert Group plans to deploy in a city or a region in the PRC, it will prudently identify and select an exclusive strategic business partner in that particular region taking into account, the capital base, the business network and any synergic effect expected to be brought by that strategic business partner to the Lucky Dessert Group. The Lucky Dessert Group will cost-effectively leverage the strength of each of the counterparties for the business expansion and development of the Lucky Dessert Group in the PRC. The Management believed that, the strategic business partners under the Cooperation Agreement and the Strategic Cooperation MOU respectively will assist the Lucky Dessert Group in establishing and conducting the dessert catering business in Tianjin city and Zhejiang province, by leveraging their local resources.

It is noted from the Letter from the Board that, after operating two self-owned or jointly owned dessert catering restaurants for more than twelve months, the Lucky Dessert Group will start granting the franchise right to set up and operate dessert catering restaurants under the Trademarks in Tianjin and other cities in north east region of the PRC for brand building purpose. It is also noted that centralised kitchens will be set up to maintain the food and service quality as well as to support the operation and provide its franchisees with necessary equipment, raw materials and training.

The table below sets forth the number of dessert catering restaurants and centralised kitchens expected to be opened by the Target Group or by franchising under the name of the Trademarks in the PRC in the next fifteen years, as advised by the Management:

	By the end of									From 2024 to
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2029**
Dessert catering restaurants										
– Self-operating	2	7	18	31	31	37	38	39	44	46
– Franchising	0	0	9	30	67	110	135	161	177	220
Total	2	7	27	61	98	147	173	200	221	266
Centralised kitchens	0	1	3	12	12	14	17	17	19	19

In considering the feasibility of the above development plan, we have discussed with the Management and were advised that, among other things:

(i) there is high demand for catering services in the PRC in which Hong Kong brands have certain competitive advantage compared to the PRC brands;

(ii) based on the Company's feasibility study, the business model of self-operating and franchising dessert catering are common market practice. We refer to an article released by HKTDC on 3 May 2013 and note that a Hong Kong-based renowned dessert operator, which runs self-operating and franchising models with supports from central kitchens, has successfully entered into the PRC dessert catering market and opened its outlets across different provinces and cities;

(iii) the Management considered that the opening progress of dessert catering restaurants set forth above would be achievable, having made reference to (a) the development path of several key market players, (b) the business plans provided by the Vendor which are formulated under a step-by-step approach, (c) the first foothold will be in Tianjin and subsequently to other first and second tier cities in the PRC, according to the Cooperation Agreement and the Strategic Cooperation MOU, and (d) the population and local consumer preferences, the market competition and demand, the expected production outputs of centralised kitchens, the availability of suitable locations for setting up the dessert catering restaurants and so forth in each city;

(iv) the Lucky Dessert Group has extensive expertise in dessert catering and its management will actively involve in the daily operation and the cooperation with strategic business partners. It is noted from the Management that, upon Completion, Mr. Wong Yat Cheung（黃逸璋先生）(“**Mr. YC Wong**”), being one of the co-founders of “Lucky Dessert（發記甜品）” in Hong Kong, will enter into a consultancy agreement with the Lucky Dessert Group for a term of three years, for the constant support to the Lucky Dessert Group, subject to renewal at the Lucky Dessert Group's absolute discretion. The Management considered the first three years' support will be critical to the setting up of the dessert catering business and by the time, the franchising model of the Target Group is also expected to be commenced; and

(v) in estimating the investment and time cost for setting up the dessert catering restaurants and centralised kitchens, the Management has leveraged on their catering experience and Wong's Brothers' dessert catering experience.

In assessing whether the development plan of the Target Group is fair and reasonable, including the prospects of the Target Group, the cost of investment and assumptions of the valuation of the Target Group, we have conducted the following work done:

(i) reviewed the relevant industry reports in catering industry which include the studies of dessert industry in the PRC shown that Shanghai and Beijing are the largest cities for the dessert industry in the PRC and growing demand for the dessert market from the second tier cities in the PRC;

(ii) reviewed the development plan of the Target Group, including the income and cost forecast, the plan on number and geographical distribution of dessert catering restaurants to be opened by the Target Group. We have also discussed the relevant estimation with the Management, and have been furnished with the tailor-made market research report conducted by ShineWing Management Consultancy Company Limited, underlying quotations and calculation bases and the business development of another similar market player in the PRC which includes the expansion on number of shops in the PRC, pricing and food menu of the player. Though we have been provided with the plan of opening dessert catering restaurants to be opened among different target cities/regions in the PRC without the specific locations, we are advised by the Management that they do not anticipate any material difficulty to open shops in the target cities/regions. Taking into account the positive outlook of the dessert catering industry in the PRC and the historical development of the similar player in the PRC, we concur with the Management that the development plan of the Target Group is fair and reasonable;

(iii) reviewed the Trademark Agreement and the PRC Legal Opinion confirming that the licensors, being Wong's Brothers, are the proper owner of the Trademarks and Lucky Dessert (China) has obtained the proper license to use the Trademarks in the PRC. We have also discussed with the Management who considered that the Trademarks are important assets of the Target Group;

(iv) discussed with the Management on the Company's due diligence on the Target Group. We have reviewed relevant documents including the business registration certificates, licences and legal approvals in relation to the operation of the dessert catering business, the unaudited management accounts of the Target Company and the unaudited consolidated management accounts of the Lucky Dessert Group furnished by the Company. We were also given to understand from the Management that they had conducted, among others, desktop researches on the market, in-house studies on key players, physical shop visits in the PRC and interviews with market players/suppliers in assessing the feasibility of the development plan of the Target Group; and

(v) assessed the management capability of the Target Group in the dessert catering industry by reviewing the biographical details of the key management summarised under the paragraph headed "Key management" below. We were advised by the Management that the Target Group will leverage on the catering experience of its key personnel and the dessert catering experience of Wong's Brothers. We have also discussed with the Management about the constant support from Wong's Brothers with respect to the future operation of the Target Group.

Based on the aforesaid factors, we agree with the Management that such development plan is considered feasible.

We further refer to the PRC Legal Opinion and were given to understand that, under the existing regulations, any franchiser carrying out franchising activities in the PRC is required to, inter alia, (i) have a mature business model, where the franchiser possesses the capabilities to constantly provide operational guidance, expertise, training and so forth to its franchisee(s); and (ii) operate two directly-run stores[#]（直營店）for more than twelve months which could be operated by itself as sub-branches or invested with business partner(s) while retaining more than 50% equity interests. Referring to the above development plan, we note that the Target Group intends to run two self-operating outlets in the year of 2015 and subsequently increase to seven in 2016. The franchised outlets will only be opened starting from 2017, which fulfills the PRC law requirements. With the expertise in dessert catering to be supported by Wong's Brothers as advised by the Management, we concur with the Management that the Target Group will be able to fulfill relevant operating requirements in the PRC.

We were given to understand from the Management that, as at the Latest Practicable Date, the dessert catering business of the Target Group in the PRC was under development and had yet commenced commercial sales.

(c) Licenses and permits

We note from the PRC Legal Opinion that, the operation of dessert catering business (including the set-up of centralised kitchen) in the PRC requires Lucky Dessert (China) to change its business scope and to obtain the catering service licence (《餐飲服務許可證》). We note from the PRC Legal Opinion that such licence will be granted if an entity fulfills certain prerequisites after physical inspection by relevant authority on, among others, the food processing site, ancillary facilities, procedures and controls as well as the qualification of personnel. It is noted that the administrative process may take around 30 business days to complete. The Management confirmed that they were being notified with the aforesaid prerequisites and considered there will be no difficulties in fulfilling the prerequisites, under the supervision of the Lucky Dessert Group's key management. As at the Latest Practicable Date, the PRC Legal Adviser was not aware of any legal barriers or obstacles in changing business scope and obtaining the required licence by Lucky Dessert (China) in respect of its dessert catering business in the PRC, given that the prerequisites will be fulfilled.

(d) Key management

We were given to understand that the future operation of the Lucky Dessert Group will be collaboratively monitored by representatives from the Company and Wong's Brothers who have extensive experience in food catering industry. As stated in the Letter from the Board, upon Completion, the Target Company will enter into the Lucky Dessert (BVI) Shareholders Agreement with Wealth Power and Ample Chance, pursuant to which the Target Company and Wealth Power shall be entitled to appoint two directors respectively whilst Ample Chance shall be entitled to appoint one director.

The Management advised that Mr. Yu Ka Ho (余嘉豪先生) ("**Mr. Yu**"), being a key management of Food Idea, will be responsible for the strategic business planning and development of the Target Group upon Completion. Mr. Yu, who firstly joined the Group as an independent non-executive Director for the period from June 2011 to May 2012, has been an executive director of Food Idea since June 2012 and actively involved in the business development and operation management of Food Idea. It is noted from the Letter from the Board that Mr. Yu is experienced in brand development and management, and has successfully developed various catering brands for Food

Idea in Hong Kong, such as Red Seasons Restaurant（季季紅風味酒家）, Plentiful Delight Banquet Restaurant（喜尚嘉喜宴會廳）, Red Royalty Banquet Restaurant（紅爵御宴）and Home-made Cuisine（家常便飯）. The Management advised that Mr. Yu will lead a team comprising four key personnel, with experience in catering industry ranging from approximately 3.5 to over 10 years, and other personnel for the future operation of the Target Group.

The Management further advised that Mr. YC Wong, being one of the co-founders of "Lucky Dessert（發記甜品）" in Hong Kong, will be the chief dessert officer of the Lucky Dessert Group. As stated in the Letter from the Board, Mr. YC Wong has 15 years of experience in the dessert catering industry, and is responsible for developing new desserts, offering trainings to dessert chef in new dessert catering restaurants under the Trademarks, providing guidance to new-joiners and maintaining the quality of the food. The Management advised us that Mr. YC Wong and his brother, Mr. Wong Yat Tung, established and introduced the brand of "發記甜品" in Hong Kong in 1999, where by 2014, Wong's Brothers operated four dessert catering restaurant under the brand of "發記甜品" and one centralised kitchen in Hong Kong. It is noted from the Letter from the Board that, upon Completion, Mr. YC Wong will enter into a consultancy agreement with the Lucky Dessert Group for a term of three years, subject to renewal at the Lucky Dessert Group's absolute discretion.

Further details relating to the above key management can be referred to the sub-section headed "Involvement of key management of the Lucky Dessert Group and the Group" of the Letter from the Board.

IV. Reasons for and benefits of the Proposed Acquisition

Referring to the Letter from the Board and the announcements of the Company related to the Proposed Acquisition, we are given to understand the following background of the Proposed Acquisition:

(i) in October 2012, the Trademarks were duly registered by Wong's Brothers in the PRC;

(ii) in about end of 2012, the Board was first aware of the possible business opportunity to invest in the dessert catering business under the Trademarks through the Vendor's referral. However, the Board did not proceed further considering the huge investments in terms of capital commitment, time and human resources during the early set-up stage. Nonetheless, both the Board and the Vendor considered that it was a good opportunity for the Group and the Vendor proposed to the Board that he would undertake the upfront works for the business development with Wong's Brothers at his own costs before he tendered the investment opportunity to the Board for reconsideration;

(iii) at that material times, there were other potential investors also approached Wong's Brothers and Mr. Ma for the investment in the dessert catering business under the Trademarks. The Vendor therefore further negotiated with Wong's Brothers and Mr. Ma about the possible cooperation. The Vendor managed to obtain an option granted by Mr. Ma to acquire not less than 49% stake interest in the dessert catering business under the Trademarks in consideration of not less than HK$90 million and performance of some upfront works under the Trademarks in the PRC. The Board advised that they were being notified by the Vendor about such option in mid 2013;

(iv) having evaluated the upfront works done by the Vendor, the Board considered the risks in connection with starting up new dessert catering business under the Trademarks in the PRC has been substantially alleviated. On 25 June 2014, the Board therefore agreed to enter into a non-legally binding memorandum of understanding with the Vendor showing its intention to acquire the Target Company, which gave the Board an exclusivity period of 60 days from the date thereof to conduct the due diligence on the Target Group before entering into a formal agreement. As disclosed in the announcement of the Company dated 25 June 2014, the Board agreed to the arrangement that the Target Company would acquire certain amount of equity stake in the Lucky Dessert Group before the Group would acquire the Target Company;

(v) on 29 September 2014, Wong's Brothers and Lucky Dessert (China) entered into a trademark licensing agreement dated 29 September 2014 (as supplemented and amended by two supplemental agreements dated 29 September 2014 and 27 January 2015 respectively), pursuant to which Wong's Brothers granted Lucky Dessert (China) an exclusive right to use and to grant licence to third parties to use the Trademarks and conduct dessert catering businesses under the Trademarks in the PRC for fifteen years commencing from 29 September 2014 and ending on 28 September 2029 (both dates inclusive);

(vi) on 29 September 2014, in view of the expiry of the exclusivity period under the non-legally binding memorandum of understanding dated 25 June 2014, the Company and the Vendor entered into a supplemental memorandum of understanding, to extend the exclusivity period to 240 days from the date of the non-legally binding memorandum of understanding dated 25 June 2014;

(vii) on 18 December 2014, in view that the Company is planning to purchase the equity interest in Lucky Dessert (BVI) from the Vendor shortly, the Vendor elected to exercise the option and procured the Target Company to enter into the sale and purchase agreement to acquire 49% of the equity interest in Lucky Dessert (BVI); and

(viii) on 19 December 2014 (after trading hours of the Stock Exchange), Food Idea, which is a wholly-owned subsidiary of the Company, as the purchaser to the S&P Agreement, entered into the S&P Agreement with the Vendor.

We further understand from the Management that the Company has taken into account the following reasons for and benefits of the Proposed Acquisition to the Group:

(i) the Directors have been reviewing the Company's existing businesses and strived to improve its business operations and financial position by proactively seeking potential investment opportunities that could diversify the Company's existing business portfolio and broaden its source of income, and to enhance value to the Shareholders;

(ii) the Board believes that the expansion into the dessert catering business will enhance and enrich the Group's business scope and product line, and thus bring an additional stream of income to the Group. In addition, the Proposed Acquisition will help the Group to tap in the dessert catering market in the first to second tier cities in the PRC, and explore the opportunities for further development of the Group's catering business in the PRC, which will ultimately enhance the awareness and reputation of the Group's brand in the PRC; and

(iii) in addition, it is noted from the Letter from the Board that the Directors believe that the Trademarks is one of the most well-known dessert brand in Hong Kong. Given that the customers in the PRC usually have high preference in Hong Kong established catering brands, the Trademarks will easily arouse awareness from the local market in the PRC. Furthermore, the Directors considered that the cooperation with Wong's Brothers will enable the Group to leverage the expertise of Wong's Brothers in dessert catering business and provide a turnkey solution for the Company to develop dessert catering business in the PRC. As such, the Board believes that the Proposed Acquisition is in line with the development strategies of the Group and it will bring long-term and strategic benefits to the Group.

Since the Group is principally engaged in the operation of a chain of Chinese restaurants and the production, sales and distribution of food products to chain supermarkets in Hong Kong, we agree with the Board that the Proposed Acquisition itself is not an ordinary and usual course of business of the Group. Having considered (i) the industry prospects as mentioned in the paragraph headed "Development plan and prospects – Industry overview" under the section headed "Information of the Target Group" above; (ii) the Lucky Dessert Group's exclusive right with the renowned Trademarks; (iii) the Proposed Acquisition is in line with the business strategies of the Group as advised by the Management; (iv) profound experience of management team, we therefore agree with the Directors' view that the Proposed Acquisition will provide the Group with a valuable business opportunity to enter into the dessert catering market in the PRC and is in the interests of the Company and the Shareholders as a whole.

Further referring to the above timeline and background, we also agree with the Company that it is commercially reasonable for the Company to not elect to acquire Lucky Dessert (BVI) directly, after taking into considerations that (i) it was pre-mature for the Company to pursue for the business opportunity in 2012, as the dessert catering business was still at the early stage without solid business plan, infrastructure, or business network for the development of the dessert catering business in the PRC; (ii) both the Company and the Vendor agreed with the arrangement that the Vendor would undertake the upfront work for the business development with Wong's Brothers at his own costs before he tendered the investment opportunity to the Board for reconsideration, and the Company would then acquire the Target Group from the Vendor only if the entire structure and business model of the Target Group are to the satisfaction of the Company; and (iii) the Vendor has obtained the option from Ample Chance to acquire not less than 49% stake interest in the dessert catering business and has been working on the preparation of the Proposed Acquisition for more than two years.

V. Principal terms of the S&P Agreement and the Supplemental Agreement

As set out in the Letter from the Board, the principal terms of the S&P Agreement are summarised as below:

(i) Assets to be acquired

Pursuant to the S&P Agreement, Food Idea has conditionally agreed to purchase and the Vendor has conditionally agreed to sell, subject to the satisfaction (or waiver, where applicable) of the conditions precedent as set out in the paragraph headed "Conditions" under the section headed "The S&P Agreement" of the Letter from the Board:

(1) the Sale Share, being the entire issued share capital of the Target Company; and

(2) the Sale Loan, representing all obligations, liabilities and debts owing by the Target Company to the Vendor on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion. As at the date of the S&P Agreement and the Latest Practicable Date, the Target Company was indebted to the Vendor in the sum of approximately HK$90,000,000, which was the shareholder's loan provided by the Vendor to the Target Company for the acquisition of 49% equity interest in Lucky Dessert (BVI) by the Target Company from Ample Chance on 18 December 2014. Such shareholder's loan does not bear any interest, has no fixed term and is repayable on demand of the Vendor.

(ii) Consideration

Subject to adjustment as provided in sub-paragraph (b) below, the maximum Consideration for the sale and purchase of the Sale Share and the Sale Loan is HK$100,000,000, which shall be payable by Food Idea to the Vendor in the following manner:

(1) the Initial Consideration of HK$4,000,000 shall be satisfied by Food Idea in cash at Completion; and

(2) the Final Consideration as determined in accordance with following formula, shall be payable by Food Idea to the Vendor by procuring the Company to issue the Promissory Note to the Vendor within ten Business Days after the issue of the Certificate:

$$\text{Final Consideration} = \text{Remaining Balance} \times \frac{\text{2015 Valuation}}{\text{2014 Valuation}}$$

In the event that 2015 Valuation exceeds 2014 Valuation, 2015 Valuation shall be deemed to be equal to 2014 Valuation.

The Vendor and Food Idea shall jointly appoint an independent valuer as nominated by Food Idea to conduct the 2015 Valuation as soon as reasonably practicable after 31 December 2015, and procure that a valuation report in respect of the 2015 Valuation shall be prepared and delivered to the Vendor and Food Idea as soon as reasonably practicable and in any event, on or before 31 March 2016. As soon as reasonably practicable and in any event within five Business Days following the delivery by such valuer to the Vendor and Food Idea of the valuation report with respect to the 2015 Valuation, Food Idea shall procure an independent practicing accountant to review the 2015 Valuation and issue to and serve on the Vendor the Certificate confirming the calculation and the amount of the 2015 Valuation, i.e. the latest date for the issuance of the Certificate will be 8 April 2016. The Certificate shall, in the absence of manifest error, be final and conclusive of the matters stated therein and binding on the Vendor and Food Idea.

As illustrated in the Letter from the Board, the Board has taken into account a number of factors including the preliminary valuation of the 100% market value of the Target Group of not less than HK$110,000,000 as at 31 October 2014 pursuant to the business valuation carried out by the Independent Valuer and the business growth, prospects and profitability of the Lucky Dessert Group, when determining the Consideration. The preliminary valuation carried out by the Independent Valuer was based on discounted cash flow ("**DCF**") method under the income-based approach and based on the several major assumptions, which set forth in the paragraph headed "Consideration" under the section headed "The S&P Agreement" of the Letter from the Board.

(a) Basis in determining the Consideration

As noted from the Letter from the Board, the Consideration was determined after arm's length negotiations between Food Idea and the Vendor after taking into account, among other things, the Valuation Report and the business and profitability factors of the Lucky Dessert Group. We were given to understand that, in order to determine the Consideration, the Directors have considered various approaches that are commonly adopted by the market, such as making reference to (i) the net asset value of the Target Group; (ii) the profit to earnings multiple of the Target Group; and/or (iii) the market price of other business entities in similar nature of the Target Group. However, given that the Target Group has no historical earning records in the PRC, the Directors considered that it would not be feasible to directly make reference to the past operating and financial performance of the Target Group. As for the market comparable approach, the Directors was notified by the Vendor about the option granted by Mr. Ma to acquire not less than 49% stake interest in the dessert catering business under the Trademarks in consideration of not less than HK$90 million in mid 2013. However, as advised by the Vendor and confirmed by Ample Chance, the Directors considered that such purchase price was arrived at after arm's length negotiation between the Vendor and Ample Chance taking into account the business prospect of the Lucky Dessert Group in mid 2013 and the additional upfront works to be performed thereafter. As such, the Directors considered that the HK$90 million consideration was determined after the negotiation between the Vendor and Ample Chance under the special circumstances and relationship and should not be regarded as a recent open market price. The Directors are further of the view the approximate two-year preparatory work carried out by the Vendor for the Lucky Dessert Group, such as assisting the Lucky Dessert Group in compliance with all the applicable laws and regulations in the PRC as well as the liaison work performed by the Vendor to line up the Lucky Dessert Group with certain renowned strategic business partners, had enhanced the value of the Lucky Dessert Group. It is noted that the premium of HK$10,000,000 (by comparing the Consideration with the acquisition cost made by the Vendor on 18 December 2014) indicates the work done by the Vendor to enhance the value of the Lucky Dessert Group in the past two years.

For the development of the dessert catering business under the Trademarks, we are advised by the Directors that the Vendor has performed the following upfront works during the past two years to enhance the value of the Lucky Dessert Group:

(i) the Vendor helped formulate the business plan for the Lucky Dessert Group, where we have reviewed underlying documents including industry reports, market research report, calculation bases, number of shops to be open, estimated daily operating results for each outlet and so forth. Details of our work done related to the business plan of the dessert catering business are set out under the paragraph headed "Development plan and prospects" above;

(ii) the Vendor leased an office in Shenzhen and set up a business development team, which comprised mainly the Vendor, a business development director and a product development director and some staff member in the PRC, who were dedicated for the development of the dessert catering business under the Trademarks. The Shenzhen office commenced the upfront works in mid 2013, where we have reviewed the lease expenses incurred and been furnished with profiles of major members in the team;

(iii) the Vendor's business development team paid visits to various trade fairs and franchising business exhibitions in Beijing, Guangzhou, Chengdu, Shanghai and Taiwan to understand and learn more the dessert catering and franchising business, where we have been furnished with itineraries of trade visits and internal reports in analysing different aspects of dessert catering business in different cities, such as major players, business opportunities, competition environment and business strategies;

(iv) referring to the Letter from the Board the Vendor retained a marketing agency company for re-branding the Trademarks, services of which included enhancement of the Trademarks logo, design of business cards and menus, creation of visual image for the Trademarks, standardising interior design for all the shops to carry out dessert catering business under the Trademarks in future, setting up WeChat service account for the Lucky Dessert Group, conducting market research by way of desktop search, site visit and focus group discussion, where we have reviewed profile of the marketing agency, relevant promotional materials and samples designed by the agency;

(v) the Vendor also attended trade introduction expo to build up business network and to identify potential strategic business partners for the Lucky Dessert Group, where we have been furnished with itineraries of business trips, event schedules and also discussed with representative of the Vendor on progress in building up business network;

(vi) the Vendor retained legal advisers to advise on carrying out dessert catering business and franchising business in the PRC and all relevant laws relating to the businesses, where we have reviewed profile of the legal adviser and his legal opinion;

(vii) the Vendor assisted Wong's Brothers and Mr. Ma in setting up the Lucky Dessert Group, where we have been furnished with relevant incorporation documents and internal studies on laws and regulations applicable to the dessert catering business in the PRC;

(viii) the Vendor identified and paid visits to various potential venues to be used as outlets for the dessert catering business under the Trademarks, where we have discussed with representative of the Vendor on the strategies in selecting potential location;

(ix) based on the market research results conducted by the Vendor, the product development director also developed and designed new dessert dishes and menus for the coming dessert catering restaurants under the Trademarks to fit the need of the customers in the PRC in light of the market research results, where we have been provided with preliminary product list, product features and tasting report for internal analysis;

(x) referring to the Letter from the Board, the Vendor, for and on behalf the Lucky Dessert Group, entered into negotiations with different business parties for the purpose of forming the strategic alliance with the potential strategic business partners. Some of the negotiations have materialised, such as the Cooperative Agreement dated 18 December 2014 between Lucky Dessert (China), Tianjin Modern Logistics Company Limited# (天津現代物流有限公司) and Tianjin Beisitena Catering Management Company Limited# (天津貝思特納餐飲管理有限責任公司) and the the Strategic Cooperation MOU dated 22 December 2014 between Lucky Dessert (HK) and Zhejiang GuoHan Assets Management Limited# (浙江國瀚資產管理有限公司). As at the Latest Practicable Date, the business development team of the Vendor was still in the course of identifying and negotiating with potential strategic partners for the Lucky Dessert Group.

We are given to understand that the Company was advised by the Vendor, up to the Latest Practicable Date, the Vendor has incurred about HK$7 million for all the above upfront works arising from and in connection with the Lucky Dessert Group, all of which were borne by the Vendor, neither the Group nor Wong's Brothers nor Mr. Ma had paid or reimbursed any costs to the Vendor. It is also agreed between the Vendor and the Company that all the costs incurred by the Target Group before Completion shall be borne by the Vendor. In relation to this, we have reviewed, without independent verification, selected quotations, contracts and receipts for major items of costs incurred related to the upfront works, including among others, trade visits, legal expenses, marketing and branding expenses, valuation costs, staff expenses and so forth which the Company confirmed as true and accurate information.

After reviewing selected documents relevant to the upfront works and our discussion with representative of the Vendor, we agree with the Management that the upfront works performed by the Vendor throughout the past two years should have enhanced the business value of the dessert catering business, due to the facts that (i) the business model has been substantiated through above upfront works, including but not limited to, site inspections, product development, marketing activities, network building and market studies; (ii) the legal structure has been formed and the franchising model has been consulted with the PRC Legal Adviser; (iii) the strategic alliance has been established and the cooperation has commenced; and (iv) dedicated management and working team has been set up. We further consider that it may not be appropriate to use cost plus method to determine the Consideration by simply adding up the costs incurred by the Vendor for all the above upfront works arising from and in connection with the Lucky Dessert Group and acquisition cost payable by the Vendor to Ample Chance, due to the reasons that (i) as the upfront works have enhanced business value of the dessert catering business, the costs incurred by the upfront works may not equal to the value they brought into and hence it is difficult to quantify the value of the upfront works into monetary value; (ii) HK$90 million payable by the Target Company to Ample Chance should not be regarded as a recent market price since the said consideration was determined more than one year ago; and (iii) the cost plus method does not consider the risk borne by the Vendor at the very early set-up stage.

As mentioned above, the Consideration is therefore determined with reference to the business valuation of the Target Group as at 31 October 2014 but having no reference to the costs of the Target Company acquiring the 49% equity interest of Lucky Dessert (BVI). We consider that it is more appropriate and justifiable to determine the Consideration by making reference to the valuation of the Target Group assessed by the Independent Valuer, instead of only based on the Vendor's acquisition cost on 18 December 2014, taking into account that (i) the Target Group has no proven trading records in relevant business in the PRC, hence the direct use of its net asset value and profit to earnings multiple may not fully reflect the underlying value of the Target Group; (ii) the acquisition of 49% of the entire issued share capital of Lucky Dessert (BVI) by the Target Company at the consideration of HK$90 million may not fully reflect the underlying value of the Lucky Dessert Group, the value brought by the Vendor during his negotiation with Ample Chance and Wong's Brothers, and the risk that the Vendor had taken during the early set-up stage of the Lucky Dessert Group; (iii) the effort and upfront works carried out by the Vendor during the early set-up stage of the Lucky Dessert Group would be difficult to be quantified into monetary value ; and (iv) the valuation of the Target Group is carried out by the experienced Independent Valuer with fairness and reasonableness (as analysed below), which could serve as an indicative benchmark to the value of the Target Group based on the generation of its future economic benefits. As for the Sale Loan which represents the obligations, liabilities and debts owing by the Target Company to the Vendor on or at any time prior to Completion, we consider that it is commercially reasonable for Food Idea to bear full repayment obligation for such amount.

(b) Business valuation of the Target Group

According to the Valuation Report prepared by the Independent Valuer as set out in Appendix II to the Circular, the valuation of the 100% market value of the Target Group was HK$111,000,000 as at 31 October 2014, being the appraisal date of the valuation. It is noted that the valuation was prepared as if the Target Company held 49% equity interest in the Lucky Dessert Group, which is the same structure of the Target Group as at the Latest Practicable Date. In assessing the fairness and reasonableness of the Consideration, we have reviewed the Valuation Report and discussed with the Independent Valuer regarding, among other things, the basis, assumptions and methodologies adopted therein.

- Valuation methodology

We understand from the Independent Valuer that the valuation has been performed as if the Target Company held 49% equity interest of the Lucky Dessert Group as at 31 October 2014. We note that the Independent Valuer have considered market-based approach, income-based approach and asset-based approach, being three generally accepted valuation methodologies, in valuing the business enterprises of the Target Group and had selected the income-based approach with the adoption of the DCF method based on the Projection and underlying assumptions.

We understand from the Independent Valuer that the income-based approach was selected after taking into consideration that (i) the market-based approach was not applied as there are rare transactions involving companies with similar business in an open second hand market and comparable transactions mostly involves specific buyers who pay premiums or discounts under their unique circumstances in acquisitions which make it difficult to know if the consideration paid truly represents the approximate price of the relevant transaction; (ii) the asset-based approach is not applicable as it cannot reflect the fair market value of the Target Group which is driven by the future cash flows from the Lucky Dessert Group, rather than the cost of replacement; and (iii) the income-based approach is applied as it explicitly recognises that the current value of an investment is premised upon the expected receipt of future economic benefits such as periodic incomes or sale proceeds. The DCF method was applied in appraising the economic benefits of the business enterprises, which consists of estimating future annual cash flows and respectively discounting them to present values.

In view of the above factors considered by the Independent Valuer, we further considered that (i) the fair value of the business enterprises of the Target Group is determined by the generation of economic benefit streams in the future, where the cash flows generated by the Lucky Dessert Group to the Target Company can be reasonably identified; (ii) the profit after taxation nor the net asset value of the Target Group are considered as appropriate indicators in assessing its value, given it has no historical track record in the PRC; and (iii) the consideration for the acquisition of 49% of the entire issued share capital of Lucky Dessert (BVI) by the Target Company on 18 December 2014 may not fully reflect the underlying value of the Lucky Dessert Group due to the factors aforementioned for valuation purpose, and therefore we are of the view that it is acceptable to use the income-based approach by applying the DCF method in appraising the market value of the Target Group.

- Underlying financial projection

The development of valuation of the 100% market value of the Target Group under income-based approach requires a number of parameters, including revenue and expense forecasts, working capital requirement and capital expenditure requirement. In the valuation of the Target Group, we were given to understand that the Independent Valuer was furnished with the Projection, records and documents by the Management. In relation to the Projection, we have reviewed and have been advised by the Company with sources of the following information and documents, among other things:

(1) feasibility studies conducted by the Management regarding the dessert catering business in the PRC stipulating, among others, the market condition and demand, consumer preferences and spending in dessert catering, and the business model of key market players;

(2) the development plan of the Target Group prepared by the Management stipulating, among others, the projected operating results, working capital requirement and capital expenditure requirement, the self-operating and franchising model of the dessert catering business, the opening progress of dessert catering restaurants and centralised kitchens, details of which are set out in the section headed "Information of the Target Group" above;

(3) the historical financial information of Wong's Brothers' dessert catering business under the brand of "發記甜品" in Hong Kong stipulating, among others, the historical revenues, gross profit margins, cost structure, and production capacity;

(4) the Trademark Agreement, setting out its exclusive right to use and to grant licence to third parties to use the Trademarks and conduct the dessert catering businesses under the Trademarks in the PRC for fifteen years;

(5) the PRC Legal Opinion issued by the PRC Legal Adviser covering matters, including among others, the status of existing permits possessed by Lucky Dessert (China), the registration and ownership status of the Trademarks of "發記甜品", the PRC legal requirements in operating dessert catering business and so forth; and

(6) the financial information of the Target Company and the Lucky Dessert Group, details of which are set out in Appendixes V and VI to the Circular respectively.

Having reviewed the above information and documents, we are of the view that the Projection relating to the Valuation Report is reasonably estimated, after taking into consideration the following factors:

(1) due care is exercised by the Management with extensive experience in food catering industry in conducting the feasibility studies and formulating the business plan of the Target Group through various approaches, including desktop researches, discussions with Wong's Brothers regarding their industry experience in dessert catering, shop visits to dessert catering outlets in the PRC, interviews with market players and suppliers, in-house studies on operational varieties of dessert catering business between Hong Kong and the PRC, and so forth;

(2) the business plan is reasonably formulated and considered feasible, given the reasons and factors including, among other things, the demand for and potential development of Hong Kong-style catering business in the PRC, the feasibility of the self-operating and franchising business model, and that the operating progress of dessert catering restaurants is justifiable, which are illustrated under the section headed "Information of the Target Group" above;

(3) the projected revenue and gross profit of the Target Group were primarily made reference to the market demand for dessert catering in the PRC and the historical financial records of Wong's Brothers' dessert catering business under the brand of "發記甜品" in Hong Kong and had further taken into account the differences in, among others, consumer spending power and cost factors between Hong Kong and the PRC markets, as advised by the Management. It is also noted that the pricing strategy and the projected sales are in line with the Company's feasibility studies and the development plan, in particular, the opening progress of dessert catering restaurants, of the Target Group;

(4) the projected operating expenses and the estimate capital expenditure of the Target Group are generally in line with its development progress in opening dessert catering restaurants and establishing centralised kitchens;

(5) the dessert catering business of the Target Group will be subject to an enterprise income tax of 25% in the PRC as advised by the Management;

(6) the inflation rate of 3% was applied in the Projection to reflect the future inflation in the PRC as advised by the Management, where it is noted that such rate is in line with the long-term inflation rate of the PRC forecasted by the International Monetary Fund referring to the Valuation Report;

(7) the working capital movement was prepared leveraging to the Management's extensive industry experience in food catering, discussions with Wong's Brothers regarding their operational and technical experience in dessert catering business, the development plan of the Target Group and the Company's in-house studies on, among others, the business model, profitability and cost structure of the Target Group;

(8) the Trademarks are currently registered in the PRC of a ten-year validity which will be expired in 2022. We note from the PRC Legal Opinion that the ten-year validity is in line with the relevant regulation in the PRC regarding trademark registration. The PRC Legal Adviser is of the view that there will be no legal impediments for Wong's Brothers to renew the Trademarks as long as timely renewal application is submitted;

(9) Lucky Dessert (China) obtained the exclusive right to conduct dessert catering business under the Trademarks in the PRC for a fifteen-year period and the PRC Legal Adviser is of the view that Lucky Dessert (China) effectively and legally possesses the right to use the Trademarks. The PRC Legal Adviser was not aware of any legal impediments to change the business scope and obtain required licence for the dessert catering business in the PRC, given the prerequisites mentioned under the paragraph headed "Licenses and permits" in the section headed "Information of the Target Group" will be fulfilled; and

(10) the Management has extensive experience in food catering business and the Company retains experienced personnel to oversee and manage the future operation of the Target Group, whilst Wong's Brothers have extensive experience in dessert catering business and will provide expertise including technical support, training, product development and so forth to the Lucky Dessert Group. Details relating to the management team are set forth under the section headed "Information of the Target Group" above.

We were advised by the Independent Valuer that the business valuation of the Target Group in the application of the DCF method is dependent on the Projection and the Management's expectations in the relevant business or industry. As the Target Group has no historical track record in the PRC, the Projection is likely subject to uncertainty. In view of this, we were given to understand that the Independent Valuer has taken into account (i) the industry prospects; (ii) the business nature of food and beverage catering; and (iii) the Management's view that the projected revenues of the Target Group are within reasonable range and achievable, based on their due and careful study on the relevant market and experience in the food and beverage catering industry. In addition, the Independent Valuer has adopted, based on their professional judgment, the appropriate discount rate, marketability discount and minority discount in the valuation of the Target Group where they considered such adjustments will enable the valuation to better reflect the underlying value of the assessed business enterprises. To further formulate our view on the basis and assumptions relating to the business valuation, we set forth below the respective factors we considered regarding discount rate, marketability discount and minority discount in the following paragraphs.

- Discount rate

We have discussed with the Independent Valuer regarding the determination of the discount rate to apply to the cash flow streams attributable to the business enterprises of the Target Group and note that it had been derived using the weighted average cost of capital ("**WACC**") through developing cost of debt and cost of equity of the Lucky Dessert Group, being the operating subsidiaries of the Target Group, based on data and factors relevant to the economy, the industry and the business as at 31 October 2014.

We understand from the Independent Valuer that the after-tax cost of debt is developed by referring to the expected borrowing rate of the Lucky Dessert Group, which is the China above 5-year best lending rate as at 31 October 2014, and applying the applicable tax rate of 25%. The cost of equity is developed through the application of the Capital Asset Pricing Model ("**CAPM**") with reference to the required rate of return demanded by investors for similar business entities. We were given to understand that the cost of equity is the sum of (i) the systematic risk comprising the risk-free rate, the market risk premium and beta; and (ii) the non-systematic risk comprising the size risk premium and other company specific risk premium.

It is noted from the Independent Valuer that the risk-free rate has adopted the yield rate of China 10-year Government Bond as at 31 October 2014, after considering the location of the Lucky Dessert Group's principal operation. We consider that it is acceptable to adopt the long-term securities as an indication of the risk-free rate given the long-term horizon of the projected cash flows of the Target Group, which is 15 years.

We also note that the market risk premium was referenced from the difference between the market expected return in China and the risk-free rate adopted. We consider it is reasonable to apply such rate as operation of the Target Group is located and will further be developed in the PRC.

We understand from the Independent Valuer that the purpose of adopting beta is to factor in the systematic risk exposed to the Lucky Dessert Group, which companies engaged in the similar industry would generally expose to. Hence, a major requirement in generating the cost of equity is to identify companies that are comparable to the Lucky Dessert Group in terms of business scopes and operations (the "**Comparables**"). As noted from the Independent Valuer, the Comparables are listed companies with food and beverage franchising businesses in Asia Pacific, after considering the franchising model of future operation of the assessed enterprises, whereas we were given to understand that the Independent Valuer did not notice any comparable listed companies operating dessert-related businesses in the PRC that could be used in such regard. Details of the particulars of the Comparables are set out in the Valuation Report. As demand of catering services are generally related to the economic condition and consumption level, we consider that it is prudent to factor in the beta when estimating the systematic risk of the Lucky Dessert Group by assessing the Comparables who shall share similar systematic risk.

It is noted that the non-systematic risk, being the risk specific to the Lucky Dessert Group, has been factored in. The non-systematic risk that the Independent Valuer had taken into account include (i) the size premium which was adopted for micro-cap companies to reflect the amount of return in excess of a company's systematic risk derived from the CAPM according to its company size; and (ii) the start-up risk premium which reflects the fact that the Lucky Dessert Group is start-up entities with shorter operating history as compared to the Comparables and requires time to implement its business plan.

After understanding the development process of the discount rate and reviewing the underlying reasons and basis in determining the systematic and non-systematic risks, we consider that the discount rate, which is determined by taking into account the risk-free rate, the market risk premium, the beta referenced from the Comparables as well as the size and other specific risk premiums involved in the subject business, adopted for the Lucky Dessert Group at 14.63% is reasonably developed.

- Marketability discount

We have also discussed with the Independent Valuer regarding the adjustment of marketability discount and were given to understand that the marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Since the shares of the Target Group is not publicly traded and an active market for its shares does not exist, a marketability discount of 16.15% was applied by the Independent Valuer in the valuation of the Target Group, with reference to the restricted stock study published in 2014 by FMV Opinions, Inc., being a business valuation and financial opinion service provider, where the Independent Valuer considered statistics in the study are sound and adopted the median discount rate as a prudent approach. As such, we consider that the marketability discount applied to the valuation was made on reasonable grounds.

- Minority discount

We have further discussed with the Independent Valuer regarding the adjustment of minority discount and were given to understand that the minority discount represents a downward adjustment to the fair value of a minority and non-controlling investment to reflect its reduced level of control. Since the Target Group holds 49% of equity interest in the Lucky Dessert Group, a minority discount of 22.48% was applied by the Independent Valuer in the valuation of the Target Group, mainly with reference to the control premium study published in the third quarter of 2014 by FactSet Mergerstat, LLC., being a business valuation resources provider. As such, we consider that the minority discount applied to the valuation was made on reasonable grounds.

- Letters from reporting accountants and the Board

In compliance with Rule 19.62 of the GEM Listing Rules that for the Valuation Report, the Company has obtained (i) a letter from its reporting accountants confirming that they have reviewed the accounting policies and arithmetical calculations for the forecast and containing in the Valuation Report (the "**Auditor Comfort Letter**"), copy of which is set out in Appendix IV to the Circular, and (ii) given there is no financial advisers appointed in connection with the Proposed Acquisition, a letter from the Board confirming that they have made the forecast in the Valuation Report after due and careful enquiry (the "**Board Comfort Letter**"), copy of which is set out in Appendix III to the Circular. We have considered the Auditor Comfort Letter regarding the arithmetical accuracy of the calculations in respect of the Valuation Report and have not performed independent verification of the accuracy of such calculations.

- Our opinion

Based on our review of the Valuation Report and discussions with the Independent Valuer and the Management regarding, among other things, (i) the scope of work and experiences of the Independent Valuer; (ii) the reasons and appropriateness of adopting the income-based approach by applying DCF method in the business valuation of the Target Group; (iii) the basis, assumptions and methodologies adopted in the Valuation Report, in particular the development and adoption of the discount rate, the marketability discount under the DCF and the minority discount, and the major assumptions relating to the Projection; and (iv) the valuation performed by the Independent Valuer in preparing the Valuation Report, in particular the Projection and relevant supporting information (where appropriate), the worksheets prepared by the Independent Valuer in respect of the parameters of the Comparables and the computation of the market value of the Target Group, and taking into account the Auditor Comfort Letter and the Board Comfort Letter, nothing has come to our attention that causes us to doubt the fairness and reasonableness of the assumptions underlying the Valuation Report. In the view of the above, we consider that the development of the valuation carried out by the Independent Valuer as well as the basis, assumptions and methodologies adopted for the Valuation Report are appropriate.

However, our aforementioned opinion in relation to the Valuation Report does not in any manner implies that the Projection based on which the Valuation Report is made will be eventually achieved in the future and we disclaim any liabilities in relation to any discrepancy between the Projection and the actual financial performance of the Target Group in the future. Furthermore, the Independent Shareholders are reminded that the profitability of the Target Group in the future is subject to various uncertainties, in particular taking into account the risks involved in its business, including among others, the risks associated with any failure in implementing its development plan and the successfully obtaining all necessary licenses and permits for its operation, details of which are set out under the section headed "Risk factors" of the Letter from the Board.

(c) Amount of the Consideration

According to the Valuation Report, the valuation of the 100% market value of the Target Group as at 31 October 2014 was HK$111,000,000, where the valuation was prepared as if the Target Company held 49% equity interest in the Lucky Dessert Group as previously mentioned. We note that the Consideration of HK$100,000,000 represents a discount of approximately 9.9% to the valuation of the 100% market value of the Target Group. In addition, the actual amount of the Final Consideration shall be subject to downward adjustment in the situation of any deterioration of the 2015 Valuation comparing to the 2014 Valuation, and in any event, the Final Consideration shall not be more than HK$96 million (i.e. the Remaining Balance). Further, we were given to understand that the mechanism of the Final Consideration was arrived at after business negotiations between the Company and the Vendor and was determined with reference to the Projection for the year ending 31 December 2015 (which was prepared by the Management with due care based on, among others, the business plan, the estimated sales, operating expenses and profits, the expected capital expenditure and working capital movement, as well as the applicable tax rate in respect of the future operation of the Target Group).

We further refer to the Letter from the Board that the Target Company acquired 49% of the entire issued share capital of Lucky Dessert (BVI) pursuant to the sale and purchase agreement dated 18 December 2014 for a consideration of HK$90,000,000. Regarding the Consideration has a premium of approximately HK$10 million over the acquisition cost of HK$90 million of the Vendor's previous acquisition, we consider that (i) the downward adjustment to the Final Consideration as described above is in favour of the Company, as the maximum Consideration can be lowered than HK$90 million; (ii) the Consideration is at a discount to the valuation of the market value of the Target Group; and (iii) the Consideration reflects the value brought by the Vendor and the risks borne during the early set-up stage of the Lucky Dessert Group. In the view of the above and the aforementioned factors in arriving our views that the Consideration with reference to the business valuation of the Target Group is justifiable and the development of the valuation carried out by the Independent Valuer is appropriate, we consider that the Consideration is determined on normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(iii) Payment of the Consideration

(a) Initial Consideration

As stated in the Letter from the Board, the Initial Consideration of HK$4.0 million shall be settled by Food Idea to the Vendor in cash at Completion, which was agreed based on commercial negotiations between Food Idea and the Vendor as advised by the Management. We refer to 2014 Interim Report and note that bank balances and cash of the Group as at 30 September 2014 amounted to approximately HK$78.2 million. In the view that the impact of the immediate cash outflow of HK$4.0 million by the Company would be insignificant, we consider the settlement arrangement of the Initial Consideration by cash upon Completion is acceptable.

(b) Final Consideration

As stated in the Letter from the Board, the Final Consideration of a maximum of HK$96 million, which is subject to adjustment as mentioned in the paragraph headed "Consideration", shall be settled by Food Idea to the Vendor by procuring the Company to issue the Promissory Note to the Vendor. Set forth below is the principal terms of the Promissory Note:

Issuer:	The Company.
Principal amount:	Equal to the Final Consideration.
Maturity date:	The second anniversary from the date of issue of the Promissory Note. The Company shall have the absolute right and discretion to extend the maturity date to the fourth anniversary of the date of issue of the Promissory Note.
Transferability:	The Promissory Note may be assigned or transferred to any transferee provided that such transferee is not a connected person of the Company.
Interest rate:	The prime rate from time to time quoted from The Hongkong and Shanghai Banking Corporation Limited plus 1% per annum on the outstanding principal amount and payable on the maturity date.

Early redemption:	Any time from the date of issue of the Promissory Note up to the date immediately prior to the maturity date or the extended maturity date (as the case may be) of the Promissory Note, provided that the Company has given to the holder of the Promissory Note not less than ten Business Days' prior notice in writing of its intention to repay any part of the outstanding principal amount of the Promissory Note. Save and except that the Company shall only repay the holder(s) of the Promissory Note up to 50% of the principal amount of the Promissory Note on or before the date falling on the first anniversary of the date of issue of the Promissory Note, the Company may early repay any amount of the Promissory Note thereafter up to the date immediately preceding the maturity date or the extended maturity date (as the case maybe). Any amount of the Promissory Note which is redeemed by the Company will be forthwith cancelled. The holder(s) of the Promissory Note shall not have any early redemption right.

We have discussed with the Company regarding other possible financing alternatives including issue of consideration shares or convertible bonds and pre-emptive issues. The Company considered that (i) issue of consideration shares or convertible bonds would dilute shareholding of the existing Shareholders; and (ii) pre-emptive issues such as right issue and open offer would require the Group to incur significant costs including underwriting commissions, documentation/administration costs and other professional fees, and meanwhile such alternatives would normally require months for completion. Taking into account that (i) the issue of the Promissory Note will have no immediate impact to the Group's working capital; and (ii) the early redemption clause of the Promissory Note solely at the discretion of the Company provides the Group with flexibility to early settle the Final Consideration and to save interests after the Management's assessment on the working capital sufficiency of the Group, we therefore concur with the Company that the issue of the Promissory Note is in the interests of the Company and the Shareholders.

To assess the fairness and reasonableness of the major terms of the Promissory Note, we set forth the following criteria to identify comparable transactions ("**Comparable Transactions**") that (i) involved the issue of promissory note(s) by companies listed on the Stock Exchange for fund raising and/or transaction settlement purposes; and (ii) the Comparable Transactions were announced on or within the one-year period prior to the date of the S&P Agreement. Based on the aforesaid criteria, we have identified thirty-five (35) Comparable Transactions set out below and consider that the following list is exhaustive and the Comparable Transactions are fair and representative. Shareholders should note that the promissory notes of the Comparable Transactions are subject to different terms or clauses under the respective agreements, after taking into consideration of different factors under each Comparable Transaction, such as the nature and size of the Comparable Transactions and the financial position of the purchaser, and we have not conducted any in-depth investigation into the respective factors. The terms of the Promissory Note therefore may not represent an identical comparison, and hence, the table below is for general reference to the major terms of the promissory notes involving in the Comparable Transactions only. Details of the Comparable Transactions are summarised below:

Date of announcement	Company name	Stock code	Principal amount	Interest rate per annum	Maturity *(year)*
19 December 2014	China Agroforestry Low-Carbon Holdings Limited	1069.HK	HK$35 million	8.0%	3.0
11 December 2014	Quali-Smart Holdings Limited	1348.HK	HK$20 million	5.0%	1.5
9 December 2014	Merdeka Mobile Group Limited	8163.HK	HK$32 million	0.0%	3.5
5 December 2014	Loudong General Nice Resources (China) Holdings Limited	988.HK	HK$60 million	0.0%	3.0
3 December 2014	AVIC Joy Holdings (HK) Limited	260.HK	RMB150 million	1.5%	3.0
13 November 2014	Madex International (Holdings) Limited	231.HK	HK$428 million	5.0%	3.0
13 November 2014	GreaterChina Professional Services Limited	8193.HK	HK$110 million	3.0%	2.0[1] (approx.)
12 November 2014	TLT Lottotainment Group Limited	8022.HK	HK$18 million	2.0%	1.0
3 November 2014	Sinoref Holdings Limited	1020.HK	HK$33 million	3.0%	2.0
21 October 2014	National United Resources Holdings Limited	254.HK	HK$75 million	6.0%	0.5
17 October 2014	Fornton Group Limited	1152.HK	HK$150 million	12.5%	2.0
16 October 2014	China Properties Investment Holdings Limited	736.HK	HK$70 million	8.0%	2.5
30 September 2014	China HealthCare Holdings Limited	673.HK			
	Promissory note I		HK$213 million	0.0%	1.0
	Promissory note II		HK$193 million	0.0%	1.5
19 September 2014	ICube Technology Holdings Limited	139.HK			
	Promissory note I		HK$88 million	2.5%	4.0
	Promissory note II		HK$102 million	2.5%	4.0
19 September 2014	Freeman Financial Corporation Limited	279.HK	HK$88 million	2.5%	4.0
18 September 2014	China Environmental Energy Investment Limited	986.HK	HK$58 million	8.0%	1.0

Date of announcement	Company name	Stock code	Principal amount	Interest rate per annum	Maturity *(year)*
17 September 2014	Sino Resources Group Limited	223.HK	HK$13.9 million (approx.)	0.0%	1.0
29 August 2014	China Oil Gangran Energy Group Holdings Limited	8132.HK	HK$100 million	7.0%, 7.5%, 8.0%[(2)]	3.0, 5.0, 7.0[(2)]
13 August 2014	TLT Lottotainment Group Limited	8022.HK	HK$30 million	2.0%	1.0
11 August 2014	Sino Credit Holdings Limited	628.HK	HK$240 million	0.0%	5.0
24 June 2014	China Environmental Investment Holdings Limited	260.HK	HK$100 million	2.0%	1.0
23 June 2014	Aurum Pacific (China) Group Limited	8148.HK			
	Promissory note I		HK$1 million	0.0%	1.0[(3)] (approx.)
	Promissory note II		HK$1 million	0.0%	2.0[(3)] (approx.)
19 June 2014	VXL Capital Limited	727.HK	HK$120 million	3.0%	1.0
12 May 2014	China Environmental Energy Investment Limited	986.HK	HK$30 million	8.0%	1.0
23 April 2014	Hanny Holdings Limited	275.HK	HK$300 million	5.0%	1.0
23 April 2014	ITC Corporation Limited	372.HK	HK$300 million	5.0%	1.0
8 April 2014	Polyard Petroleum International Group Limited	8011.HK	HK$9.8 million	3.0%	2.0
4 April 2014	China Properties Investment Holdings Limited	736.HK	HK$9 million	8.0%	1.0
2 April 2014	Tian Shan Development (Holding) Limited	2118.HK	US$30 million	15.0%	2.0
28 March 2014	Sino Resources Group Limited	223.HK			
	Promissory note I		HK$52.0 million	0.0%, 3.0%, 6.0%[(4)] (approx.)	1.5
	Promissory note II		HK$8.5 million	0.0%, 3.0%, 6.0%[(4)] (approx.)	1.5
25 February 2014	China Star Entertainment Limited	326.HK	HK$200 million	10.0%	1.0
30 January 2014	Lenovo Group Limited	992.HK	HK$1,500 million	0.0%	3.0
24 January 2014	China Environmental Energy Investment Limited	986.HK	HK$123.2 million	8.0%	1.0
17 January 2014	Shougang Concord Technology Holdings Limited	521.HK	HK$743.1 million	0.0%	3.0
20 December 2013	Jin Bao Bao Holdings Limited	1239.HK	RMB195 million	0.0%	3.0
			Maximum [(5)]	**15.0%**	**5.0**
			Minimum [(5)]	**0.0%**	**0.5**
			Average [(5)]	**4.2%**	**2.1**
19 December 2014	**The Company**	**8179.HK**	**The Final Consideration**	**6.0%** [(6)]	**2.0**

Source: the website of the Stock Exchange

Notes:

(1) As referred to the relevant announcement, the promissory note shall be issued from the date of fulfillment of the last condition as set out in the sale and purchase agreement dated 13 November 2014 in relation to the relevant acquisition to the date falling on the tenth business day from the date of receipt by the purchaser of the auditors' certificate for the year ending 31 December 2016.

(2) As referred to the relevant announcement, the promissory notes shall be issued at the interest rate of 7% per annum for a term of 3 years, at the interest rate of 7.5% per annum for a term of 5 years, or at the interest rate of 8% per annum for a term of 7 years.

(3) As referred to the relevant announcement, the two promissory notes shall be issued on the completion date, being the third business day after the last outstanding conditions precedent of the sale and purchase agreement dated 23 June 2014 in respect of the relevant acquisition shall have been fulfilled or waived on which the completion is to take place, with maturity on 30 April 2015 and 30 April 2016 respectively.

(4) As referred to the relevant announcement, the promissory notes shall be issued at the interest rates as follows: (i) 0% for the first six months from the date of issue of the promissory notes; (ii) 3% per annum for the subsequent six months' period; and (iii) 6% for the remaining period up to the maturity date.

(5) For illustration purpose, the respective average of interest rate and maturity of promissory notes has been used in respect of a Comparable Transaction involving the issue of promissory notes with different interest rates and/or maturities.

(6) Pursuant to the S&P Agreement, the interest rate of the Promissory Note is calculated as the prime rate from time to time quoted from The Hongkong and Shanghai Banking Corporation Limited plus 1% per annum. For illustration purpose, it is assumed the prime rate quoted from The Hongkong and Shanghai Banking Corporation Limited maintains at the same rate as it quoted on the date of the S&P Agreement, being 5.0%, and throughout the terms of the Promissory Note.

- Interest rate

As illustrated in the above table, the interest rate of the promissory notes of the Comparable Transactions ranged from nil to 15.0%, with an average of approximately 4.2%. Among the thirty-five (35) Comparable Transactions, eleven (11) of them involved the issue of promissory note(s) with an interest of not less than 6.0%. Pursuant to the S&P Agreement, the interest rate of the Promissory Note is calculated as the prime rate from time to time quoted from The Hongkong and Shanghai

Banking Corporation Limited plus 1% per annum. We refer to the Hong Kong Dollar Best Lending Rate of The Hongkong and Shanghai Bank Corporation Limited and note that the current rate, with effect from 10 November 2008, is 5.0% as at the date of the S&P Agreement. We assume the prime rate quoted from The Hongkong and Shanghai Banking Corporation Limited maintains at the same rate as it quoted aforesaid, being 5.0%, and throughout the terms of the Promissory Note. It is therefore noted that the interest rate of 6.0% of the Promissory Note, calculated based on the said best lending rate, falls within the range but slightly higher than the interest rates of the Comparable Transactions. We further take into consideration of the Company's solely discretion regarding the early redemption clause under the Promissory Note and the flexibility and benefit of such clause able to bring to the Company as discussed above, and hence consider that the interest rate of the Promissory Note is fair and reasonable.

- Maturity

As illustrated in the above table, the duration of maturity of the promissory notes of the Comparable Transactions ranged from 0.5 to 5.0 years, with an average of around 2.1 years. It is noted that the maturity of the Promissory Note, being the duration of 2.0 years, falls within the said range and is close to the average year of maturity of the Comparable Transactions, we therefore consider that such duration regarding the maturity of the Promissory Note is fair and reasonable.

Based on the above where (i) the interest rate of the Promissory Note falls within the range of interest rates of the Comparable Transactions, where close to one-third of the Comparable Transactions involved the issue of promissory note(s) with interest rates of not less than 6.0%; (ii) the interest rate of the Promissory Note is calculated based on the prime rate from time to time quoted from The Hongkong and Shanghai Banking Corporation Limited plus 1% per annum, however, the early redemption clause of the Promissory Note at the sole discretion of the Company provides the Group with flexibility to early repay the outstanding Final Consideration in the view of its cash position and to save interests; and (iii) the duration of maturity of the Promissory Note falls within the range and is close to the average of that of the Comparable Transactions, we consider that the terms of the Promissory Note are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

VI. Financial effects of the Proposed Acquisition

Based on our discussion with and the representation from the Directors, we understand from the Directors that they have taken into account the following factors when they considered the potential impact of the Proposed Acquisition on the financial positions of the Group, where the Target Company will become a wholly-owned subsidiary of the Company and the financial result of the Target Group will be consolidated to the Enlarged Group's accounts upon Completion:

(i) Net asset value

According to 2014 Interim Report, the Group's unaudited net assets as at 30 June 2014 were approximately HK$134.2 million. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix VII to the Circular, assuming the Proposed Acquisition had taken place on 30 June 2014, the net assets of the Enlarged Group would have increased to approximately HK$138.8 million. Hence, the Proposed Acquisition is expected to have a positive financial effect on the Group's net asset value.

(ii) Earnings

The issue of the Promissory Note by the Group with an interest rate of 6.0% (assuming the prime rate quoted from The Hongkong and Shanghai Banking Corporation Limited maintains at the same rate as it quoted on the date of the S&P Agreement, being 5.0%, and throughout the terms of the Promissory Note) will increase the Group's interest expenses, whereas going forward, based on the Projection relating to the Valuation Report, the Proposed Acquisition is expected to generate profits. Should the Target Group sustain its profitability in the future, the Proposed Acquisition will have a positive financial effect on the earnings of the Group in long run.

(iii) Liquidity

According to 2014 Interim Report, the Group's bank balances and cash as at 30 June 2014 were approximately HK$69.2 million. Save for the Initial Consideration of HK$4.0 million and the payment of related expenses of the Proposed Acquisition, the Proposed Acquisition will not involve other immediate cash outlay of the Group and the liquidity position of the Group is considered to have no immediate effect after the Proposed Acquisition as the Final Consideration is to be settled by the way of issue of the Promissory Note. We were given to understand that the Group intends to settle the Promissory Note by internal resources, and any early repayment of the Final Consideration before maturity will be considered by the Management taking account of the sufficiency of the working capital of the Group.

(iv) Gearing

According to 2014 Interim Report, as the Group's bank balances and cash outweighed its bank borrowings, the gearing ratio of the Group (calculated as net debt, being bank borrowings less bank balances and cash, divided by the total of net debt and total equity) as at 30 June 2014 was not applicable. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix VII to the Circular, assuming the Proposed Acquisition had taken place on 30 June 2014, the net debt of the Enlarged Group would be approximately HK$38.5 million which has taken into the effect of the maximum Consideration payable of HK$96 million (i.e. Remaining Balance), and its total equity would be approximately HK$138.8 million respectively. Accordingly, the gearing ratio of the Enlarged Group would be approximately 21.7%.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion.

VII. Risk factors

However, we would like to reiterate that notwithstanding the foregoing, the Independent Shareholders should take note that (i) the profitability of the Target Group in the future may not be ascertain in case of any changes in its business, including but not limited to, the costing and/or profit margins of the Target Group; (ii) the income stream of the Target Group depends on the progress of its development plan including the opening of dessert catering restaurants and establishing centralised kitchens; and (iii) the sustainability of the Target Group relies on the right to operate under the Trademarks and the obtaining of all the necessary licenses for its dessert catering business in the PRC, and any failure may lead to adversely impact to the financial results of the Target Group. Details regarding the risks relating to the business of the Target Group are set out in the section headed "Risk factors" of the Letter from the Board.

OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, although the Proposed Acquisition is not an ordinary and usual course of business of the Group, we are of the view that the Proposed Acquisition is on normal commercial terms, the terms of the S&P Agreement is fair and reasonable so far as the Independent Shareholders are concerned and the entering into the S&P Agreement is in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Proposed Acquisition and the transactions contemplated under the S&P Agreement.

Yours faithfully,
For and on behalf of
NEW SPRING CAPITAL LIMITED

Paul Lui	**Tina Tian**
Managing Director	*Director*

Note: Mr. Paul Lui and Ms. Tina Tian are licensed persons registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and have over 18 years and 7 years of experience in corporate finance industry respectively.

In this letter, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 December 2011, 2012 and 2013, the six month ended 30 June 2014 and the nine months ended 30 September 2014 are disclosed on pages 34-82 of the 2011 annual report published on 30 March 2012, pages 35-88 of the 2012 annual report published on 28 March 2013, pages 39-94 of the 2013 annual report published on 30 March 2014 and pages 3-27 of the 2014 interim report published on 14 August 2014, and pages 3-13 of the 2014 third quarterly report published on 14 November 2014 respectively, which are published on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.gayety.com.hk). Please refer to the hyperlinks as stated below:

2011 annual report:
http://www.hkexnews.hk/listedco/listconews/GEM/2012/0330/GLN20120330004.pdf

2012 annual report:
http://www.hkexnews.hk/listedco/listconews/GEM/2013/0328/GLN20130328131.pdf

2013 annual report:
http://www.hkexnews.hk/listedco/listconews/GEM/2014/0330/GLN20140330003.pdf

2014 interim report:
http://www.hkexnews.hk/listedco/listconews/GEM/2014/0814/GLN20140814023.pdf

2014 third quarterly report:
http://www.hkexnews.hk/listedco/listconews/GEM/2014/1114/GLN20141114083.pdf

2. STATEMENT OF INDEBTEDNESS

Borrowings/Securities/Contingent Liabilities/Disclaimers

As at the close of business on 31 January 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the indebtedness of the Enlarged Group was as follows:

(i) Secured bank borrowings

The Enlarged Group had outstanding bank borrowings of approximately HK$11,275,000, which were secured by the Enlarged Group's certain property, plant and equipment, and pledged deposits guaranteed by non-controlling interest of the Enlarged Group.

(ii) Other Indebtedness

The Enlarged Group had outstanding indebtedness of approximately HK$90,012,000 due to a related party.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or contingent liabilities.

The Directors confirmed that there has been no material adverse change in the indebtedness and contingent liabilities of the Enlarged Group since 31 January 2015, being the date for determining the Enlarged Group's indebtedness up to the date of this circular.

3. ADVERSE MATERIAL CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2013 being the date to which the latest published audited financial statements of the Group was made up.

4. WORKING CAPITAL

The Directors, after due and careful consideration and in the absence of unforeseeable circumstances, are of the opinion that the Enlarged Group will, taking into account the Enlarged Group's business prospects and internal resources, have sufficient working capital for its present operating requirements and for the next twelve months from the date of this circular. To the extent that the Enlarged Group makes any acquisitions or undertakes major asset enhancement initiatives, it may be required to rely on additional external borrowings and/or other additional fund raising exercise to finance such initiatives.

ROMA

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Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

27 March 2015

Gayety Holdings Limited
Shop No. 46, Ground Floor,
Ho Shun Tai Building,
No. 10 Sai Ching Street,
Yuen Long, New Territories,
Hong Kong

Case Ref: AKKY/BVPPA2257/OCT14(a)

Dear Sir/Madam,

Re: Valuation of 100% Equity Interest in Brilliant Forever Limited

We refer recent instructions from Gayety Holdings Limited (hereinafter referred to as the "Company") to us to conduct a business valuation on 100% equity interest in Brilliant Forever Limited (hereinafter referred to as the "Target Company"), we are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing our valuation as at 31 October 2014 (hereinafter referred to as the "Date of Valuation").

The valuation has been performed as if the Target Company held 49% equity interest in Lucky Dessert (China) Holdings Limited (hereinafter referred to as "Lucky Dessert (BVI)"), which directly held the entire issued share capital of Lucky Dessert (China) Limited (hereinafter referred to as "Lucky Dessert (HK)"), which, in turn, directly held the entire equity interest in Lucky Dessert Catering Management (Shenzhen) Limited (hereinafter referred to as "Lucky Dessert (China)"), as at the Date of Valuation (Lucky Dessert (BVI), Lucky Dessert (HK) and Lucky Dessert collectively referred to as the Lucky Dessert Group and together with the Target Company referred to as the "Target Group").

The intended use of our valuation is to provide the Company additional reference on the basis of the consideration for the acquisition of the Target Group before the Target Company's acquisition of 49% equity interest in Lucky Dessert (BVI) on 18 December 2014 (hereinafter referred to as the "Acquisition"). Therefore, the valuation has been performed as if the Target Company held 49% equity interest in Lucky Dessert (BVI). Since there was no material change in the Target Group from the Date of the Valuation to 18 December 2014, we are of the opinion that there would be no significant difference in the values of the Target Group before and after the Acquisition.

This report states the purpose of valuation, scope of work, economic and industry overviews, an overview of the Target Group, basis of valuation, investigation and analysis, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as "Roma Appraisals") acknowledges that this report may be made available to the Company for public documentation purpose and included in the Company's circular only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the Target Group and/or their representative(s) (together referred to as the "Management").

In preparing this report, we have had discussions with the Management in relation to the development and prospect of the catering service industry in China, the development, operations and other relevant information of the Target Group. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Target Group provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

3. ECONOMIC OVERVIEW

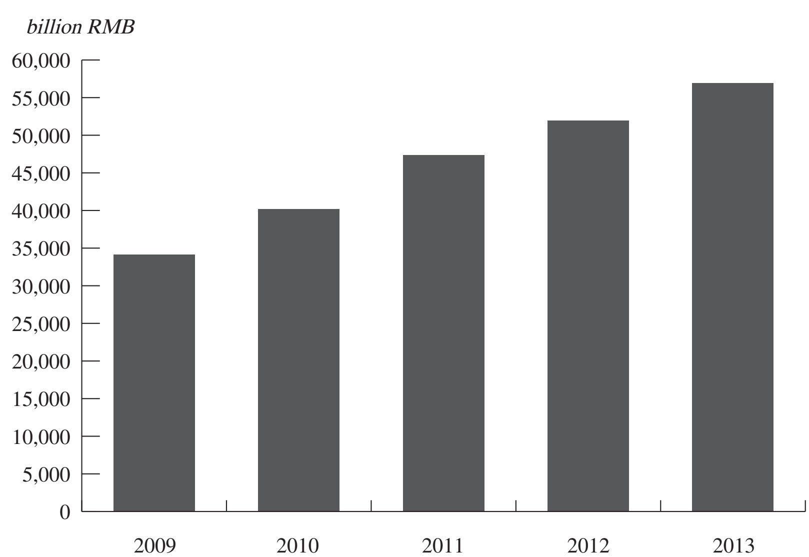
3.1 Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product ("GDP") of China in the third quarter of 2014 was RMB15,086.4 billion, an increase of 8.5% over the same period last year. China was the third largest economy in the world, ranked after the European Union and the United States, in terms of nominal GDP measured by the International Monetary Fund ("IMF") in 2014. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth in 2012 and 2013.

Over the past decade from 2004 to 2013, compound annual growth rate of China's nominal GDP was 15.4% and in the government's latest plan, it is targeted to grow at 7% for the period from 2011 to 2015. Figure 1 further illustrates the nominal GDP of China from 2009 to 2013.

Figure 1 – China's Nominal Gross Domestic Product from 2009 to 2013

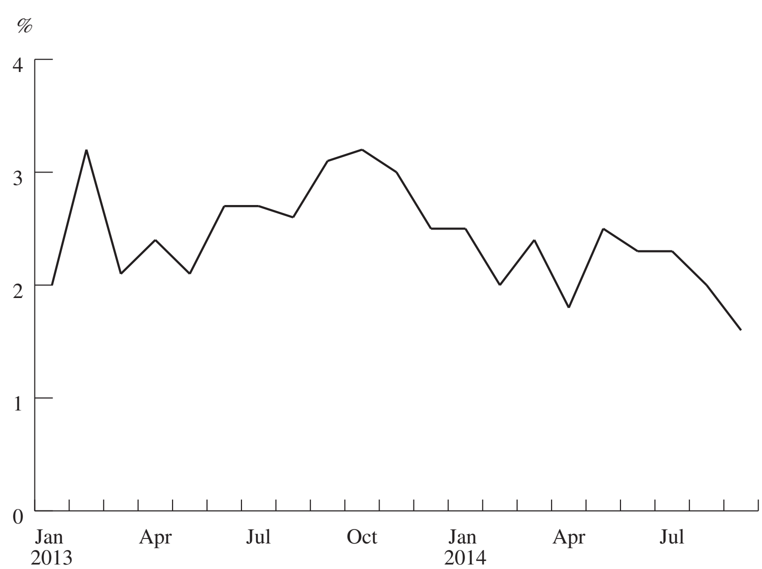


Source: National Bureau of Statistics of China

3.2 Inflation in China

Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class' demand for food and commodities has been rising continuously. Inflation in China has been driven mainly by food prices, which have been stayed high in 2011. According to the National Bureau of Statistics of China, the consumer price index demonstrated an uptrend in the first half of 2011. Thanks to the government's policies in suppressing commodity prices, the inflation slowed in the second half of 2011 and first half of 2012 and maintained at around 2% to 3% during 2013. During the first three quarters of 2014, the inflation slightly decreased and reached 1.6% in September 2014. Figure 2 shows the year-over-year change in consumer price index of China from January 2013 to September 2014.

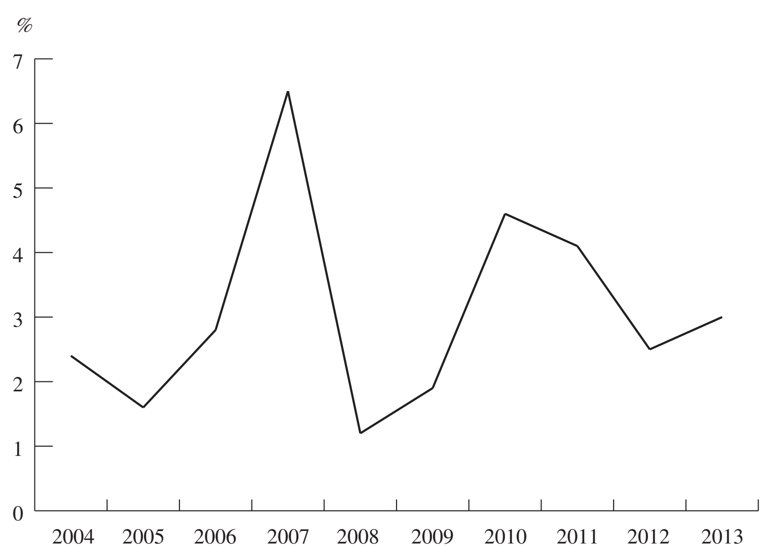
Figure 2 – Year-over-year Change in China's Consumer Price Index from January 2013 to September 2014



Source: National Bureau of Statistics of China

China's inflation rate was volatile during the past decade. According to the IMF, the inflation rate in China increased from 2.8% in 2006 to 6.5% in 2007, and then dropped to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate increased to 4.6% in 2010 and maintained at 4.1% in 2011. The inflation dropped again in 2012 to 2.5% and rose to 3.0% in 2013. According to IMF's forecast, the long-term inflation rate of China is expected to be around 3.0%. Figure 3 shows the historical trend of China's inflation rate from 2004 to 2013.

Figure 3 – China's Inflation Rate from 2004 to 2013



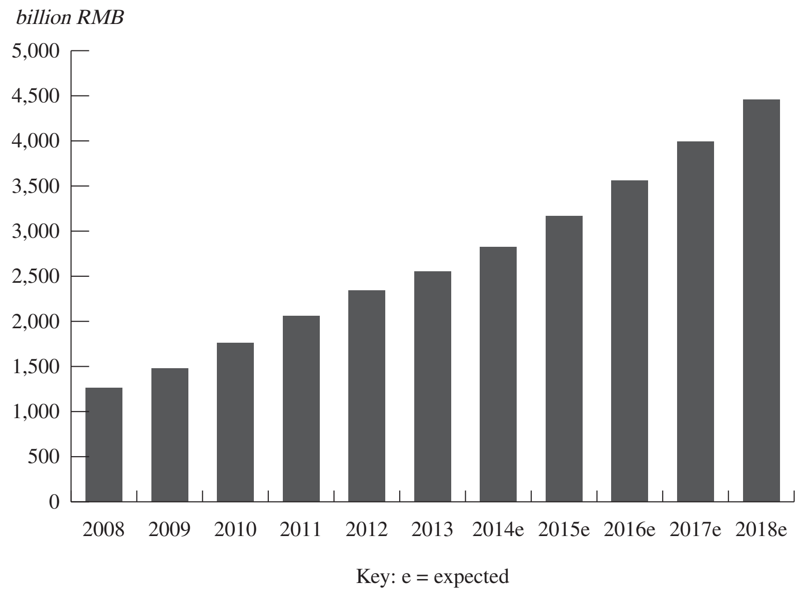
Source: International Monetary Fund

4. INDUSTRY OVERVIEW

4.1 Catering Service Industry in China

Catering service industry in China has been growing steadily in the past years. According to the National Bureau of Statistics of China, revenue generated from dining industry grew from RMB1,265.2 billion in 2008 to RMB2,556.9 billion in 2013 with a compounded annual growth rate higher than 15%. However, the growth has slowed down a little bit since 2013 due to the anti-corruption campaign initiated by President Xi Jinping, leading to a significant reduction in the catering service expenditure from the public sector. Figure 4 illustrates the retail value of catering service industry in China from 2008 to 2018.

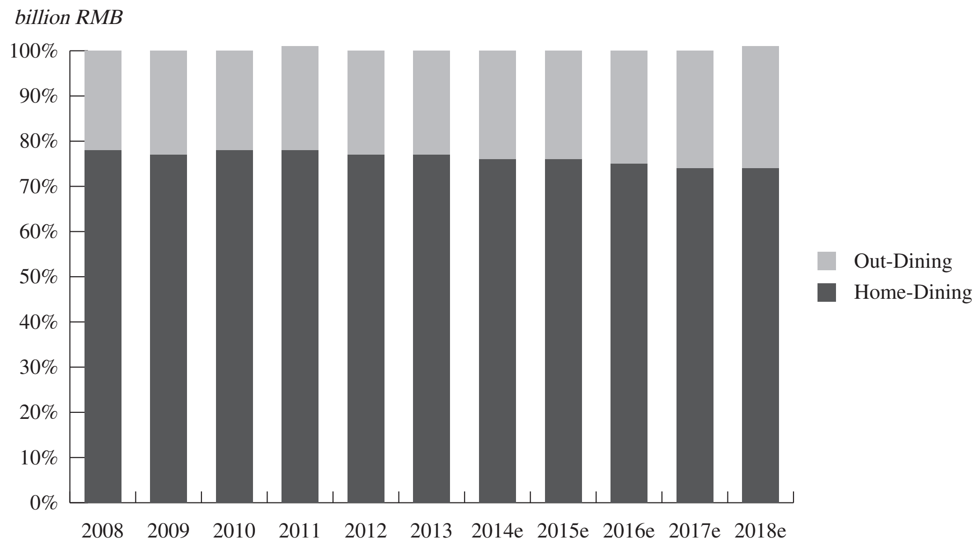
Figure 4 – Retail Value of Catering Service Industry in China from 2008 to 2018



Source: National Bureau of Statistics of China and Frost & Sullivan

The total retail value of catering service market in China is expected to reach RMB4,460.2 billion in 2018, indicating a compounded annual growth rate of nearly 12%. The upward trend is expected to be continued due to several favorable factors, namely economic growth and disposable income, population growth and rapid urbanization and changing consumer behavior. With increasing amount of household choose out-dining instead of home-dining, it further fuels the catering service industry in China. Figure 5 illustrates the composition of total dining expenditure in China from 2008 to 2018.

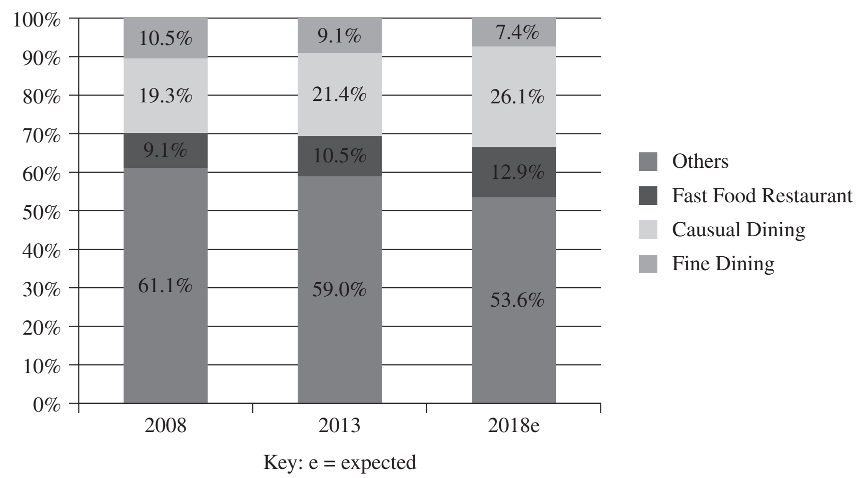
Figure 5 – Composition of Total Dining Expenditure in China from 2008 to 2018



Source: National Bureau of Statistics of China and Frost & Sullivan

The Chinese catering service industry could be further divided into four segments, namely fine dining, casual dining, fast food restaurant and others. The Target Group principally engages in offering dessert to customers, which therefore should be classified into casual dining. Casual dining is the fastest growing segment among the four segments with an expected compounded annual growth rate of around 16% from 2013 to 2018. Figure 6 illustrates the share breakdown of Chinese catering service industry in 2008, 2013 and 2018.

Figure 6 – Share Breakdown of Chinese Catering Service Industry in 2008, 2013 and 2018



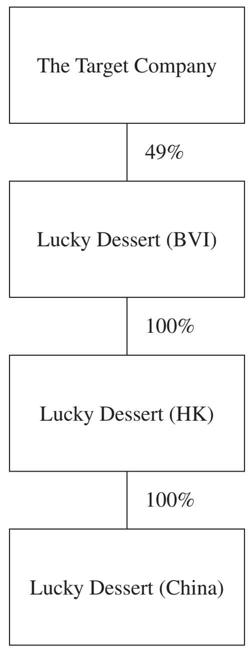
Source: Frost & Sullivan

5. BACKGROUND OF THE TARGET GROUP

The Target Company is incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Target Company holds 49% equity interest in Lucky Dessert (BVI), a company incorporated in the British Virgin Island with limited liability. Lucky Dessert (BVI) in turn holds 100% equity interest in Lucky Dessert (HK), a company incorporated in Hong Kong with limited liability. Lucky Dessert (China), a company established in the People's Republic of China ("PRC") is a wholly-owned subsidiary of Lucky Dessert (HK).

Lucky Dessert (China) entered into a trademark licensing agreement dated 29 September 2014 (as supplemented and amended by two supplemental agreements dated 29 September 2014 and 27 January 2015 respectively) with Mr. Wong Yat Cheung and Mr. Wong Yat Tung (hereinafter referred to as "Wong's Brothers"), the owners of the Trademarks "發記甜品", pursuant to which Wong's Brothers granted Lucky Dessert (China) an exclusive right to use and to grant license to third parties to use the Trademarks and conduct dessert businesses under the Trademarks in the PRC for fifteen years. Thus, the Target Company will become the sole authorised franchisee of the Trademarks in the PRC. It is intended that the Lucky Dessert Group will, under the name of the Trademarks "發記甜品", set up and operate dessert catering restaurants by itself or cooperate with other parties to operate dessert catering restaurants in the PRC. Figure 7 illustrates the ownership structure of the Target Group under the valuation on as-if basis as at the Date of Valuation.

Figure 7 – Ownership Structure of the Target Group under the Valuation on As-if Basis as at the Date of Valuation



Source: Management

6. BASIS OF VALUATION

Our valuation is conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2011, **market value** is defined as "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development and prospect of the catering service industry in China, and the development, operations and other relevant information of the Target Group. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the economy and catering service industry in China from external public sources as we considered necessary for the purpose of the valuation.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Target Group provided to us by the Management and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information.

The valuation of the Target Group requires consideration of all pertinent factors, which may or may not affect the operation of the business. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Target Group;
- The financial condition of the Target Group;
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;
- Relevant licenses and agreements;
- The business risks of the Target Group such as the ability in maintaining competent technical and professional personnel; and
- Investment returns and market transactions of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the Target Group, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities in companies that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

8.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("equity and long term debt"). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity ("equity") and investors who lend money to the business entity ("debt"). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

8.4 Business Valuation

As advised by the Management, the Target Company was an investment holdings company without any business operations as at the Date of Valuation. Therefore, we first estimated the market value of 100% equity interest of the Lucky Dessert Group in our valuation.

In the process of valuing the Lucky Dessert Group, we have taken into account of the uniqueness of its operation and the nature of the catering service industry it is participating. Also, we have considered the accessibility to available data and relevant market transactions in choosing among the valuation approaches.

The Market-Based Approach was not adopted in this case because most of the important assumptions of the comparable transactions, such as discount or premium on the transaction prices or considerations, were hidden. The Asset-Based Approach was also not adopted because it could not capture the future earning potential of the Lucky Dessert Group. We have therefore considered the adoption of the Income-Based Approach in arriving at the market value of the Lucky Dessert Group.

8.4.1 Discounted Cash Flow

Under the Income-Based Approach, we have adopted the discounted cash flow ("DCF") method, which is based on a simple reversal calculation to restate all future cash flows in present terms. The expected free cash flow for each year was determined as follows:

Expected Free Cash Flow = Net Profit + Depreciation + After-Tax Interest Expenses – Change in Net Working Capital – Capital Expenditure

The present value of the expected free cash flows was calculated as follows:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + \ldots + CF_n/(1+r)^n$$

In which
PVCF = Present value of the expected free cash flows;
CF = Expected free cash flow;
r = Discount rate; and
n = Number of years.

To adopt this method, we obtained the weighted average cost of capital ("WACC") of the Lucky Dessert Group as a basic discount rate. The WACC is the minimum required return that the Lucky Dessert Group must earn to satisfy its various capital providers including shareholders and debt holders. WACC calculation takes into account the relative weights of debt and equity. It is computed using the formula below:

$$WACC = W_e \text{ x } R_e + W_d \text{ x } R_d \text{ x } (1 - T_c)$$

In which
R_e = Cost of equity;
R_d = Cost of debt;
W_e = Weight of equity value to enterprise value;
W_d = Weight of debt value to enterprise value; and
T_c = Corporate tax rate.

8.4.2 Cost of Debt

The cost of debt was determined by the expected borrowing rate of the Lucky Dessert Group. Since the interest expenses paid on debts are tax-deductible for the Lucky Dessert Group, the cost of the Lucky Dessert Group to get debt funds is less than the required rate of return of the suppliers of the debt capital. The after-tax cost of debt was calculated by multiplying one minus the corporate tax rate by the cost of debt.

8.4.3 Cost of Equity

The cost of equity was determined using the Capital Asset Pricing Model ("CAPM"), which describes the relationship between the risk of the Lucky Dessert Group and expected return to investors. It is calculated by the following formula:

$R_e = R_f + \beta$ x Market Risk Premium + Other Risk Premium

In which
R_e = Cost of equity;
R_f = Risk-free rate; and
β = Beta coefficient.

8.4.4 Discount Rate

In the process of determining the WACC, we adopted several listed companies with business scopes and operations similar to those of the Lucky Dessert Group as comparable companies. However, we noticed that there are not any listed companies operating dessert-related businesses in the PRC. Since the Management expected that franchising fees would be the main revenue stream of the Lucky Dessert Group, we made reference to the listed companies with food and beverage franchising businesses in Asia Pacific. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in food and beverage franchising businesses in Asia Pacific;
- The companies have sufficient listing and operating histories (both not less than three years); and
- The financial information of the companies is available to the public.

According to the aforementioned criteria and under best-effort basis, nine comparable companies were adopted in the valuation and we are of the opinion that they are fair and representative. Details of the exhaustive list of the comparable companies adopted were illustrated as follows:

Company Name	Stock Code	Listing Location	Business Description
Max's Group Incorporated	MAXS.PM	Malaysia	Max's Group Incorporated is an operator in the casual dining full-service restaurant industry with a chain of company owned stores, franchise outlets and grab and go establishments under numerous brands. The company is also licensed to operate certain international food brands in the Philippines.
McDonald's Holdings Company (Japan), Ltd.	2702.JP	Japan	McDonald's Holdings Company (Japan), Ltd. operates a hamburger fast food restaurant chain throughout Japan. The company operates its own stores and franchise stores.
ASRAPPORT DINING CO. LTD.	3069.JP	Japan	ASRAPPORT DINING CO. LTD. manages restaurants, develops new franchises and oversees the activities of affiliated restaurants.
ATOM CORPORATION	7412.JP	Japan	ATOM CORPORATION operates revolving sushi restaurant chain known as Atom Boy. The company also has BBQ and pork cutlet restaurants and started Italian food business. The company operates its own restaurants and also has franchise in Aichi, Fukui, and Ishikawa prefectures.

Company Name	Stock Code	Listing Location	Business Description
Kozosushi CO., LTD.	9973.JP	Japan	Kozosushi CO., LTD. operates take-out sushi franchise stores in Japan. The company operates larger-scale sushi related “Sushi Hanakan” shops, and also stores which provide only boxed meals, known as “Bento Hanakan”.
Japan Foods Holding Ltd.	JFOOD.SP	Singapore	Japan Foods Holding Ltd. operates Japanese restaurants in Singapore, Malaysia, and Indonesia. The company franchises some of its restaurants in Malaysia and Indonesia, and serves fried rice and pan-fried noodles.
Sakae Holdings Ltd.	SAKAE.SP	Singapore	Sakae Holdings Ltd. owns and operates restaurants, cafes, and kiosks. The company also offers food and beverages catering services and franchises its food and beverages brands.
Jollibee Foods Corporation	JFC.PM	Philippines	Jollibee Foods Corporation owns, franchises and manages a network of fast food restaurants under the trade name Jollibee. The company was incorporated in 1978.
Yum! Brands, Inc,	YUM.US	United States	Yum! Brands, Inc, owns and franchises quick-service restaurants worldwide. The company develops, operates, franchises and licenses a worldwide system of restaurants which prepare, package and sell a menu of food items.

Source: Bloomberg

Below is the summary of the key parameters of the WACC of the Lucky Dessert Group adopted as at the Date of Valuation:

	Key Parameters	As at 31 October 2014
a)	Risk-free Rate	3.83%
b)	Market Risk Premium	10.69%
c)	Beta Coefficient	0.64
d)	Size Premium	3.87%
e)	Other Risk Premium	1.00%
f)	Cost of Equity	15.49%
g)	Cost of Debt	6.55%
h)	Weight of Equity Value to Enterprise Value	91.88%
i)	Weight of Debt Value to Enterprise Value	8.12%
j)	Corporate Tax Rate	25.00%
	WACC	14.63%

Notes:

a) The risk-free rate adopted was the yield rate of China 10-year Government Bond as at the Date of Valuation as extracted from Bloomberg.

b) The market risk premium adopted was the difference between the market expected return in China and the risk-free rate adopted as at the Date of Valuation as extracted from Bloomberg.

c) The beta coefficient adopted was the median beta of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

d) The size premium adopted was the size premium for micro-cap companies with reference to the size premium study conducted by Duff & Phelps, LLC.

e) The other risk premium adopted is an unsystematic risk specific to the Lucky Dessert Group, as compared to the comparable companies selected, which have operated more than five years in food and beverage franchising business. Due to the fact that the Lucky Dessert Group has not yet commenced any operation as at the Date of Valuation, a risk factor should be applied to reflect this start-up risk of the Lucky Dessert Group. According to general market practice, it is reasonable to apply 1% to 2% for each risk factor, depending on the operating status of the valuation target. As advised by the Management, the Lucky Dessert Group has entered into the Cooperation Agreement and the Strategic Cooperation MOU (as defined in the circular) with several business partners to facilitate the future operations. This would certainly reduce the uncertainties of the Lucky Dessert Group when developing its businesses, such that 1% of start-up risk was determined for the other risk premium.

f) The cost of equity was determined based on Capital Asset Pricing Model ("CAPM").

g) The cost of debt adopted was the China above 5-year best lending rate as at the Date of Valuation as extracted from Bloomberg.

h) The weight of equity value to enterprise value adopted was derived from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

i) The weight of debt value to enterprise value adopted was derived from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

j) The corporate tax rate adopted was the corporate tax rate in China.

Hence, we adopted the WACC of 14.63% as the discount rate of the Lucky Dessert Group as at the Date of Valuation.

Under the ownership structure shown in figure 7, the Target Company held 49% equity interest of the Lucky Dessert Group as at the Date of Valuation. In order to reflect the absence of control, a minority discount was applied when estimating 49% equity interest of the Lucky Dessert Group from its 100% equity interest. We then obtained the market value of 100% equity interest of the Target Group by adding non-operating assets/liabilities of the Target Company as at the Date of Valuation to the market value of 49% equity interest of the Lucky Dessert Group. Lastly, in order to reflect the lack of marketability, a marketability discount was applied to the market value of 100% equity interest of the Target Group to arrive at our opinion of value.

8.4.5 Minority Discount

The minority discount represents a downward adjustment to the fair value of a minority and non-controlling investment to reflect its reduced level of control. Since the Target Company holds 49% equity interest in the Lucky Dessert Group, a minority discount of 22.48% was also adopted with reference to the Mergerstat Control Premium Study (3rd Quarter 2014).

8.4.6 Marketability Discount

Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. With reference to the 2014 edition of the Companion Guide to the FMV Restricted Stock Study, a marketability discount of 16.15% was adopted in the valuation.

8.4.7 Sensitivity Analysis

To determine how the different values of an independent variable would impact a particular dependent variable under a given set of assumptions, we carried out a sensitivity analysis on the market value of the Target Group in respect of the discount rate used in the valuation model. The results of the sensitivity analysis were as follows:

Absolute Change in Discount Rate	Applied Discount Rate	Market Value of the Target Group *(HKD)*
+2%	16.63%	94,000,000
+1%	15.63%	102,000,000
0%	14.63%	111,000,000
–1%	13.63%	121,000,000
–2%	12.63%	132,000,000

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- The valuation has been performed as if the Target Company held 49% equity interest in Lucky Dessert (BVI), which directly held the entire issued share capital of Lucky Dessert (HK), which, in turn, directly held the entire equity interest in Lucky Dessert (China), as at the Date of Valuation;

- The valuation was mainly based on the 15-year projections of the future cash flows as provided by the Management. The projections outlined in the financial information provided by the Management are reasonable, reflecting market conditions and economic fundamentals, and will be materialized;

- The Lucky Dessert Group will be operated and developed as planned;

- The number of shops of the Lucky Dessert Group from 2015 to 2029 will follow the Target Group's business plan in relation to the estimated investment in the dessert catering business in the PRC, as disclosed in "Letter from the Board" of this circular;

- The valuation was based on the unaudited management accounts of the Target Group as at the Date of Valuation;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained and renewable upon expiry;
- There will be sufficient supply of technical staff in the industry in which the Target Group operates, and the Target Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group; and
- Interest rates and exchange rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing.

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Target Group. The factors considered included, but were not necessarily limited to, the following:

- Unaudited management accounts of the Target Group;
- Business plan and financial projections of the Target Group;
- Market trends of the catering services industry in China;
- General descriptions in relation to the Target Group; and
- Economic outlook in China.

We have discussed the details with the Management. We have also conducted research from various sources to verify the reasonableness and fairness of information provided and we believe that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied to a considerable extent on such information in arriving at our opinion.

11. LIMITING CONDITIONS

The valuation reflects the facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We have not investigated the title to or any legal liabilities of the Target Group and have assumed no responsibility for the title to the Target Group appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The title of this report shall not pass to the Company until all professional fee has been paid in full.

12. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HKD). The exchange rate adopted in the valuation is approximately RMB1 = HKD1.2686, which was the prevailing exchange rate as extracted from Bloomberg as at the Date of Valuation.

We hereby confirm that we have neither present nor prospective interests in the Company, the Target Group, and their subsidiaries and associated companies, or the values reported herein.

13. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of 100% equity interest in the Target Group as at the Date of Valuation, in our opinion, was reasonably stated as **HKD111,000,000 (HONG KONG DOLLARS ONE HUNDRED AND ELEVEN MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited
Kelvin Luk
ICVS
Director

Note:

Mr. Luk is a member of the International Association of Consultants, Valuators and Analysts (IACVA). Mr. Luk has over nine years of experience in valuation and consultation. Mr. Luk has conducted and supervised several valuation projects on various assets of companies, both listed and private, in food and beverage related industry.

27 March 2015

The Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

We refer to the valuation report dated 27 March 2015 prepared by Roma Appraisal Limited ("**Valuer**") in relation to the valuation of the fair value of 100% equity interest in Brilliant Forever Limited and its associates as at 31 October 2014 (the "**Valuation**"). The Valuation, which is prepared based on discounted cash flow method, is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

We have discussed with the Valuer about different aspects including the bases and assumptions upon which the Valuation has been prepared, and reviewed the Valuation for which the Valuer is responsible. We have also considered the report from our reporting accountant, SHINEWING (HK) CPA Limited, regarding whether the Valuation was compiled properly so far as the calculations are concerned.

On the basis of the foregoing, we are of the opinion that the Valuation prepared by the Valuer has been made after due and careful enquiry.

By Order of the Board
Gayety Holdings Limited
Wong Kwan Mo
Chairman and executive Director

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

27 March 2015

The Board of Directors
Gayety Holdings Limited
Shop 46, G/F
Ho Shun Tai Building
10 Sai Ching Street
Yuen Long, New Territories

Dear Sirs,

INDEPENDENT ASSURANCE REPORT

We have examined the accounting policies adopted and calculations of the underlying profit forecast (the "Underlying Forecast") to the business valuation dated 27 March 2015 prepared by Roma Appraisals Limited (the "Valuer") in respect of the valuation on Brilliant Forever Limited (the "Target Company") (as if the Target Company had 49% equity interest in Lucky Dessert (China) Holdings Limited ("Lucky Dessert (BVI)") as of 31 October 2014 in connection with the proposed acquisition of the entire equity interest in the Target Company by Food Idea Group Limited, a wholly-owned subsidiary of Gayety Holdings Limited (the "Company") as of 31 October 2014 as set out in Appendix II to the circular relating to the proposed acquisition of the entire equity interest in the Target Company dated 27 March 2015 (the "Circular").

Responsibilities

The directors of the Company, the Target Company and Lucky Dessert (BVI) (the "Directors") are solely responsible for the preparation of the Underlying Forecast including the assumptions, for the purpose of business valuation of the Target Company (as if the Target Company had 49% equity interest in Lucky Dessert (BVI) as of 31 October 2014) based on discounted cash flow method. The Underlying Forecast has been prepared using a set of assumptions (the "Assumptions") that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Even if the events anticipated occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. The Directors are responsible for the reasonableness and validity of the assumptions.

It is our responsibility to form an opinion, based on our work on the Underlying Forecast and to report our opinion solely to you, as a body, solely for the purpose of reporting under Rule 19.62 of Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and for no other purpose. We have not reviewed, considered or conducted any work on the reasonableness and the validity of the assumptions and express no opinion on the reasonableness and validity of the Assumptions on which the Underlying Forecast is based. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Summary of our work

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the procedures specified in Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecast, Statements of Sufficiency of Working Capital and Statements of Indebtedness" issued by the Hong Kong Institute of Certified Public Accountants. We examined the consistency of accounting policies adopted and the arithmetical accuracy of the Underlying Forecast. Our work has been undertaken solely to assist the Directors in evaluating whether the Underlying Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of the Target Company.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Underlying Forecast has been properly compiled in accordance with the Assumptions made by the Directors as set out in Appendix II to the Circular and is presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Tang Kwan Lai
Practising Certificate Number: P05299
Hong Kong

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

27 March 2015

The Board of Directors
Gayety Holdings Limited
Shop 46, G/F
Ho Shun Tai Building
10 Sai Ching Street
Yuen Long, New Territories

Dear Sirs,

We set out below our report on the financial information regarding Brilliant Forever Limited (the "Target Company"), which comprise the statement of financial position as at 31 October 2014 and the statement of profit or loss and other comprehensive income and statement of changes in equity for the period from 2 January 2014 (date of incorporation) to 31 October 2014 (the "Relevant Period") and notes thereto (the "Financial Information") for inclusion in Appendix V to the circular (the "Circular") dated 27 March 2015 issued by Gayety Holdings Limited (the "Company") in connection with the proposed acquisition of the entire equity interest of the Target Company by Food Idea Group Limited, a wholly-owned subsidiary of the Company.

The Target Company was incorporated in the British Virgin Islands with limited liability on 2 January 2014. The Target Company is principally engaged in investment holding.

The Target Company had adopted 31 December as its financial year end date. At the date of this report, no audited financial statements have been prepared for the Target Company since its date of incorporation as there are no statutory audit requirements under the relevant rules and regulations in the British Virgin Islands. We have, however, reviewed all relevant transactions of the Target Company since its incorporation to 31 October 2014 and carried out such procedures as we considered necessary for inclusion of the financial information relating to the Target Company in the Financial Information.

BASIS OF PREPARATION

For the purpose of this report, the sole director of the Target Company has prepared the financial statements of the Target Company for the Relevant Period in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have carried out independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the sole director of the Target Company based on the Underlying Financial Statements with no adjustments thereto, and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance, which for the Relevant Period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

RESPECTIVE RESPONSIBILITIES OF SOLE DIRECTOR AND REPORTING ACCOUNTANTS

The sole director of the Target Company is responsible for the preparation of the Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32) and the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the sole director of the Target Company determines is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error. The directors of the Company are responsible for the contents of the Circular in which this report is included.

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion thereon to you.

BASIS FOR OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

We have not audited any financial statements of the Target Company in respect of any period subsequent to 31 October 2014.

OPINION

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Target Company as at 31 October 2014 and of its loss for the Relevant Period.

A. FINANCIAL INFORMATION

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**For the period from 2 January 2014 (date of incorporation) to 31 October 2014** *HK$*
Turnover	*8*	–
Administrative expenses		(13,200)
Loss before tax		(13,200)
Income tax	*10*	–
Loss and total comprehensive expense for the period attributable to owner of the Target Company		(13,200)

Loss per share of the Target Company for the Relevant Period is not presented as such information is not considered meaningful in the context of this report.

STATEMENT OF FINANCIAL POSITION

		As at 31 October 2014
	Notes	*HK$*
Current liabilities		
Accrual		(1,000)
Amount due to a shareholder	*12*	(12,192)
		(13,192)
Capital and reserve		
Share capital	*13*	8
Accumulated loss		(13,200)
		(13,192)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated loss	Total
	HK$	*HK$*	*HK$*
At 2 January 2014 (date of incorporation)	–	–	–
Loss and total comprehensive expense for the period	–	(13,200)	(13,200)
Issuance of share *(Note 13)*	8	–	8
At 31 October 2014	8	(13,200)	(13,192)

B. NOTES TO THE FINANCIAL INFORMATION

1. General information

The Target Company was incorporated in the British Virgin Islands with limited liability on 2 January 2014. The principal activity of the Target Company during the Relevant Period is investment holding.

At the date of this report, the Target Company did not have any holding company. The address of the registered office of the Target Company is at Sertus Chambers, P.O. Box 905, Quastisky Building, Road Town, Tortola, British Virgin Island and its principal place of business is at Shop 46, G/F, Ho Shun Tai Building, 10 Sai Ching Street, Yuen Long, New Territories, Hong Kong.

The financial information of the Target Company is presented in Hong Kong Dollar ("HK$") which is the same as its functional currency.

No statement of cash flows was presented as the Target Company did not maintain any bank account and did not have any cash transaction during the Relevant Period.

2. Basis of preparation of financial information

As at 31 October 2014, the Target Company had net current liabilities and capital deficiencies of HK$13,192. The financial statements have been prepared on a going concern basis as the sole shareholder will continue to support the Target Company financially and operationally as a going concern and agree to provide additional funds to the Target Company to meet in full its financial obligation as they fall due in foreseeable future. In addition, the sole shareholder agreed not to demand the repayment of amount due to him of HK$12,192 as at 31 October 2014 until such time the Target Company is in a position to do so.

The sole director of the Target Company considers that the Target Company will have sufficient working capital to finance its operations in the foreseeable future and accordingly is satisfied that it is appropriate to prepare the financial statements on a going concern basis.

3. Application of new and revised HKFRSs

For the purpose of preparing and presenting the Financial Information during the Relevant Period, the Target Company has consistently applied all of the new and revised HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and Interpretations ("Ints") (hereinafter collectively referred to as "new and revised HKFRSs"), issued by the HKICPA which are effective since the date of incorporation of the Target Company (2 January 2014).

New and revised HKFRSs issued but not yet effective

At the date of this report, the Target Company has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]
Amendments to HKFRS 10, HKFRS 12, and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
HKFRS 9 (2014)	Financial Instruments[4]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

[1] *Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.*

[2] *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*

[3] *Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.*

[4] *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.*

The sole director of the Target Company anticipates that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Target Company.

Annual Improvements to HKFRSs 2010-2012 Cycle

The *Annual Improvements to HKFRSs 2010-2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The sole director of the Target Company anticipates that the application of the amendments included in the *Annual Improvements to HKFRSs 2010-2012 Cycle* will not have a material effect on the Financial Information.

Annual Improvements to HKFRSs 2011-2013 Cycle

The *Annual Improvements to HKFRSs 2011-2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The sole director of the Target Company anticipates that the application of the amendments included in the *Annual Improvements to HKFRSs 2011-2013 Cycle* will not have a material effect on the Financial Information.

Annual Improvements to HKFRSs 2012-2014 Cycle

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

The sole director of the Target Company anticipates that the application of the amendments included in the *Annual Improvements to HKFRSs 2012-2014 Cycle* will not have a material effect on the Financial Information.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The sole director of the Target Company anticipates that the adoption of HKFRS 9 (2014) in the future will not have significant impact on amounts reported in respect of the Target Company's financial assets and financial liabilities.

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Target Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Target Company is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the Financial Information in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information.

4. Significant accounting policies

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance, which for the Relevant Period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The significant accounting policies adopted are set out below.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Period. Taxable profit differs from profit or loss as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable and deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Financial instruments

Financial liabilities are recognised on the statement of financial position when the Target Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities are deducted from the fair value of the financial liabilities on initial recognition.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Target Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities including amount due to a shareholder are subsequently measured at the amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the Relevant Period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Target Company after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Derecognition

The Target Company derecognises financial liability when, and only when, the Target Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. Critical accounting judgement

In the application of the Target Company's accounting policies which are described in Note 4, the sole director of the Target Company is required to make judgments, estimates and assumptions about the carrying amounts of liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the critical judgment that the sole director of the Target Company has made in the process of applying the entity's accounting policies and that has the most significant effect on the amounts recognised in Financial Information.

Going concern basis

Although the Target Company had net current liabilities and capital deficiencies at the end of the Relevant Period, the Target Company manages its liquidity risk by monitoring its current and expected liquidity requirements regularly and ensuring sufficient liquid cash to meet the Target Company's liquidity requirements in the short and long term. Details of the factor that may cast doubt on the Target Company's ability to continue as a going concern and the measure taken are disclosed in Note 2.

6. Capital risk management

The Target Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged during the Relevant Period.

The capital structure of the Target Company consists of equity attributable to the owner of the Target Company, comprising share capital and accumulated loss.

The management of the Target Company reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with each class of capital and balance its overall capital structure through new share issues as well as the issue of new debt.

The director of the Target Company also endeavors to ensure the steady and reliable cash flow from normal business operation. The factors that may cast doubt on the Company's ability to act as a going concern and the related measures taken are set out in Note 2.

7. Financial instruments

a. *Category of financial instruments*

	As at 31 October 2014 *HK$*
Financial liabilities at amortised cost	13,192

b. *Financial risk management objectives and policies*

The Target Company's major financial instruments include amount due to a shareholder and accrual.

The management monitors and manages the financial risks relating to the operations of the Target Company through internal risk assessment which analyses exposures by degree and magnitude of risks. The main risk of the Target Company is liquidity risk. The policies on how to mitigate these risks are sets out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Liquidity risk

As at 31 October 2014, the Target Company had net current liabilities and capital deficiencies of HK$13,192 which exposed the Target Company to liquidity risk. In the management of the liquidity risk, the Target Company obtains financing deemed adequate by the management to finance the Target Company's operations. The factors that may cast doubt on the Target Company's ability to continue as a going concern and the measures taken are set out in Note 2.

The Target Company's remaining maturity for its non-derivative financial liabilities, based on the undiscounted cash flows of financial liabilities on the earliest date on which the Target Company can be required to pay, as at 31 October 2014 is within one year or repayable on demand.

c. Fair value

The fair value of financial liability is determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

The sole director of the Target Company considers that the carrying amounts of financial liabilities recorded at amortised cost in the statement of financial position approximate their fair values due to their short-term maturities.

8. Turnover

The Target Company did not derive any turnover from its activities during the Relevant Period.

9. Emoluments of directors, chief executive and five-highest paid employees

The emoluments of the sole director, who is also the chief executive, of the Target Company for the Relevant Period are set out below:

For the period from 2 January 2014 (date of incorporation) to 31 October 2014

	Fees	**Salaries, allowances and benefits in kind**	**Contributions to defined contribution retirement benefits scheme**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Wong Tai Chun	–	–	–	–

No emoluments have been paid by the Target Company to the sole director and chief executive as an inducement to join or upon joining the Target Company, or as compensation for loss of office for the Relevant Period.

The sole director and chief executive did not waive or agree to waive any emolument during the Relevant Period.

Other than the sole director, the Target Company did not have any other employee during the Relevant Period.

10. Income tax

No provision for Hong Kong Profits Tax had been made as the Target Company had no assessable profit for the Relevant Period.

The income tax for the period can be reconciled to the loss before tax per the statement of profit or loss and other comprehensive income as follows:

	For the period from 2 January 2014 (date of incorporation) to 31 October 2014
	HK$
Loss before tax	(13,200)
Tax at the domestic income tax rate of 16.5%	(2,178)
Tax effect of expenses not deductible for tax purpose	2,178
Income tax for the period	–

11. Dividend

No dividend was paid or proposed during the Relevant Period, nor has any dividend been proposed since 31 October 2014.

12. Amount due to a shareholder

The amount is unsecured, interest-free and repayable on demand.

13. Share capital

	As at 31 October 2014	
	US$	*HK$*
Ordinary shares of US$1 each		
Authorised:		
50,000 ordinary shares of US$1 each	50,000	387,500
Issued and fully paid:		
1 ordinary share	1	8

On 2 January 2014, the Target Company was incorporated in the British Virgin Islands with limited liability with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the date of incorporation, the Target Company issued and allotted 1 ordinary share of US$1 at par to the shareholder to provide for initial capital to the Target Company.

14. Related party disclosures

Save as disclosed elsewhere in the Financial Information, the Target Company had the following related party transaction:

Key management personnel compensation

No compensation was paid to the key management personnel (being the sole director of the Target Company) during the Relevant Period.

C. EVENT AFTER THE RELEVANT PERIOD

Subsequent to the end of the Relevant Period, the Target Company entered into an agreement with an independent third party to acquire 49% equity interest in Lucky Dessert (China) Holdings Limited ("Lucky Dessert (BVI)") for a cash consideration of HK$90,000,000. Such acquisition was completed on 18 December 2014 and will be accounted for as acquisition of an associate by the Target Company. Lucky Dessert BVI and its subsidiaries (the "Lucky Dessert Group") are principally engaged in the operation of dessert catering restaurants in the PRC.

Further details of the above acquisition were set out in the Company's announcement dated 19 December 2014.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to 31 October 2014.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Tang Kwan Lai
Practising Certificate Number: P05299

Hong Kong
27 March 2015

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

27 March 2015

The Board of Directors
Gayety Holding Limited
Shop 46, G/F
Ho Shun Tai Building
10 Sai Ching Street
Yuen Long, New Territories
Hong Kong

Dear Sirs,

We set out below our report on the financial information regarding Lucky Dessert (China) Holdings Limited ("Lucky Dessert (BVI)") and its subsidiaries (hereinafter collectively referred to as the "Lucky Dessert Group"), which comprises the consolidated statement of financial position of the Lucky Dessert Group as at 31 October 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Lucky Dessert Group for the period from 16 December 2013 (date of incorporation of Lucky Dessert (BVI)) to 31 October 2014 (the "Relevant Period") and notes thereto (the "Financial Information") for inclusion in Appendix VI to the circular (the "Circular") dated 27 March 2015 issued by Gayety Holdings Limited (the "Company") in connection with the proposed acquisition of the entire equity interest of Brilliant Forever Limited by Food Idea Group Limited, a wholly-owned subsidiary of the Company.

Lucky Dessert (BVI) was incorporated in the British Virgin Islands with limited liability on 16 December 2013. Lucky Dessert (BVI) is principally engaged in investment holding.

During the Relevant Period and at the date of this report, Lucky Dessert (BVI) has 100% interest in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Principal activity
Direct			
Lucky Dessert (China) Limited (the "Lucky Dessert (HK)")	Hong Kong 6 January 2014	HK$100	Investment holding
Indirect			
幸運甜品餐飲管理（深圳）有限公司 Lucky Dessert Catering Management (Shenzhen) Limited* (the "Lucky Dessert (China)")	the People's Republic of China (the "PRC") 10 April 2014	HK$150,000	Operation of dessert catering restaurants

All the companies comprising the Lucky Dessert Group have adopted 31 December as their financial year end date.

At the date of this report, no audited financial statements have been prepared for Lucky Dessert (BVI) since its date of incorporation as there are no statutory audit requirements under the relevant rules and regulations in the British Virgin Islands. At the date of this report, no audited financial statements of Lucky Dessert (HK) and Lucky Dessert (China) have been prepared as they are not yet due to be issued. We have, however, reviewed all relevant transactions of the Lucky Dessert Group since their dates of incorporation to 31 October 2014 and carried out such procedures as we considered necessary for inclusion of the financial information relating to the Lucky Dessert Group in the Financial Information.

BASIS OF PREPARATION

For the purpose of this report, the directors of Lucky Dessert (BVI) has prepared the consolidated financial statements of the Lucky Dessert Group for the Relevant Period in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have carried out independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

* *English translation for identification purpose only*

The Financial Information has been prepared by the directors of Lucky Dessert (BVI) based on the Underlying Financial Statements with no adjustments thereto, and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance, which for the Relevant Period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of Lucky Dessert (BVI) are responsible for the preparation of the Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32) and the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the directors of Lucky Dessert (BVI) determine are necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error. The directors of the Company are responsible for the contents of the Circular in which this report is included.

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion thereon to you.

BASIS FOR OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

We have not audited any financial statements of the Lucky Dessert Group in respect of any period subsequent to 31 October 2014.

OPINION

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Lucky Dessert Group as at 31 October 2014 and of its loss and cash flows for the Relevant Period.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**For the period from 16 December 2013 (date of incorporation) to 31 October 2014** *HK$*
Turnover	*8*	–
Administrative expenses		(250,837)
Loss before tax		(250,837)
Income tax	*10*	–
Loss for the period	*11*	(250,837)
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of a foreign operation		805
Total comprehensive expense for the period attributable to owners of the Company		(250,032)

Loss per share of the Lucky Dessert Group for the Relevant Period is not presented as such information is not considered meaningful in the context of this report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 October 2014** *HK$*
Current assets		
Other receivables		2,524
Amounts due from shareholders	*13*	29,575
Bank balances	*14*	215,303
		247,402
Current liabilities		
Accruals		92,434
Amount due to a shareholder	*13*	404,225
		496,659
		(249,257)
Capital and reserves		
Share capital	*15*	775
Reserves		(250,032)
		(249,257)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Exchange Reserve	Accumulated loss	Total
	HK$	*HK$*	*HK$*	*HK$*
At 16 December 2013 (date of incorporation)	–	–	–	–
Loss for the period	–	–	(250,837)	(250,837)
Other comprehensive income for the period	–	805	–	805
Total comprehensive income (expense) for the period	–	805	(250,837)	(250,032)
Issuance of shares *(Note 15)*	775	–	–	775
At 31 October 2014	775	805	(250,837)	(249,257)

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the period from 16 December 2013 (date of incorporation) to 31 October 2014
	HK$
OPERATING ACTIVITIES	
Loss before tax	(250,837)
Increase in other receivables	(2,524)
Increase in accruals	92,434
NET CASH USED IN OPERATING ACTIVITIES	(160,927)
NET CASH USED IN INVESTING ACTIVITY	
Advance to shareholders	(29,575)
FINANCING ACTIVITIES	
Proceeds from issuance of shares	775
Advance from a shareholder	404,225
NET CASH FROM FINANCING ACTIVITIES	405,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	214,498
Effect of foreign exchange rate changes	805
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances	215,303

B. NOTES TO THE FINANCIAL INFORMATION

1. General information

Lucky Dessert (BVI) was incorporated in the British Virgin Islands with limited liability on 16 December 2013. The principal activity of Lucky Dessert (BVI) during the Relevant Period is investment holding.

As at 31 October 2014, the immediate and the ultimate holding company of Lucky Dessert (BVI) was Ample Chance Limited, a company incorporated in the British Virgin Islands. At the date of this report, Lucky Dessert (BVI) did not have any holding company. The address of the registered office of Lucky Dessert (BVI) is at Sertus Chambers, P.O. Box 905, Quastisky Building, Road Town, Tortola, British Virgin Island and its principal place of business is at Shop 46, G/F, Ho Shun Tai Building, 10 Sai Ching Street, Yuen Long, New Territories, Hong Kong.

The financial information of the Lucky Dessert Group is presented in Hong Kong Dollar ("HK$") which is same as the functional currency of Lucky Dessert (BVI).

2. Basis of preparation of financial information

As at 31 October 2014, the Lucky Dessert Group had net current liabilities and capital deficiencies of HK$249,257. The Financial Information has been prepared on a going concern basis as a shareholder and the Company (commence from the date of completion of acquisition of Brilliant Forever Limited by the Company) will continue to support the Lucky Dessert Group financially and operationally as a going concern and agree to provide additional funds to the Lucky Dessert Group to meet in full its financial obligation as they fall due in foreseeable future. In addition, a shareholder had agreed not to demand the repayment of amount due to him of HK$404,225 as at 31 October 2014 until such time the Lucky Dessert Group is in a position to do so.

The directors of Lucky Dessert (BVI) consider that the Lucky Dessert Group will have sufficient working capital to finance its operations in the foreseeable future and accordingly are satisfied that it is appropriate to prepare the Financial Information on a going concern basis.

3. Application of new and revised HKFRSs

For the purpose of preparing and presenting the Financial Information during the Relevant Period, the Lucky Dessert Group has consistently applied all of the new and revised HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and Interpretations ("Ints") (hereinafter collectively referred to as "new and revised HKFRSs"), issued by the HKICPA which are effective since the date of incorporation of Lucky Dessert (BVI) (16 December 2013).

New and revised HKFRSs issued but not yet effective

At the date of this report, the Lucky Dessert Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
Amendments to HKFRS 10, HKFRS 12, and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 9 (2014)	Financial Instruments[5]
HKFRS 15	Revenue from Contracts with Customers[4]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)*-lnt 21	Levies[1]

* *IFRIC represents the International Financial Reporting Interpretations Committee.*

[1] *Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.*

[2] *Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.*

[3] *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*

[4] *Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.*

[5] *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.*

The directors of Lucky Dessert (BVI) anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of Lucky Dessert Group.

Annual Improvements to HKFRSs 2010-2012 Cycle

The *Annual Improvements to HKFRSs 2010-2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of Lucky Dessert (BVI) anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010-2012 Cycle* will not have a material effect on the Financial Information.

Annual Improvements to HKFRSs 2011-2013 Cycle

The *Annual Improvements to HKFRSs 2011-2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of Lucky Dessert (BVI) anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2011-2013 Cycle* will not have a material effect on the Financial Information.

Annual Improvements to HKFRSs 2012-2014 Cycle

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

The directors of Lucky Dessert (BVI) anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2012-2014 Cycle* will not have a material effect on the Financial Information.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of Lucky Dessert (BVI) anticipate that the adoption of HKFRS 9 (2014) in the future will not have significant impact on amounts reported in respect of the Lucky Dessert Group's financial assets and financial liabilities.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Lucky Dessert (BVI) do not anticipate that the investment entities amendments will have any effect on the Lucky Dessert Group's Financial Information as the Lucky Dessert (BVI) is not an investment entity.

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from Lucky Dessert (BVI)'s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Lucky Dessert Group is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the Financial Information in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information.

4. Significant accounting policies

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by GEM Listing Rules and by the Hong Kong Companies Ordinance, which for the Relevant Period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The significant accounting policies adopted are set out below.

Basis of consolidation

The Financial Information incorporates the financial information of Lucky Dessert (BVI) and entities controlled by Lucky Dessert (BVI) (i.e. its subsidiary). If a subsidiary prepares its financial information using accounting policies other than those adopted in the consolidated financial information for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial information in preparing the consolidated financial information to ensure conformity with the Lucky Dessert Group's accounting policies.

Control is achieved where the Lucky Dessert Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Lucky Dessert Group's returns. When the Lucky Dessert Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Lucky Dessert Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

Lucky Dessert (BVI) reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Lucky Dessert Group obtains control of the subsidiary and ceases when the Lucky Dessert Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Lucky Dessert Group gains control until the date when the Lucky Dessert Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Lucky Dessert Group are eliminated in full on consolidation.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Period. Taxable profit (loss) differs from profit or loss as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable and deductible. The Lucky Dessert Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Lucky Dessert Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Lucky Dessert Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Lucky Dessert Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, amounts due from shareholders and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly with the exception of other receivables and amounts due from shareholders where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an other receivable or amount due from a shareholder is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment loss not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity within the Lucky Dessert Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities, including accruals and amount due to a shareholder are subsequently measured at the amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the Relevant Period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Lucky Dessert (BVI) are recognised at the proceeds received, net of direct issue costs.

Derecognition

The Lucky Dessert Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

The Lucky Dessert Group derecognises financial liability when, and only when, the Lucky Dessert Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefits costs

Payments to state-managed retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Cash and cash equivalents

Bank balances in the consolidated statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of cash and short-term deposits as defined above.

Foreign currencies

In preparing the financial information of each individual group entity, transactions in currencies other than functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the Financial Information, the assets and liabilities of the Lucky Dessert Group's foreign operation is translated into the presentation currency of Lucky Dessert (BVI) (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

5. Critical accounting judgement

In the application of the Lucky Dessert Group's accounting policies which are described in Note 4, the directors of Lucky Dessert (BVI) are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the critical judgement that the directors of Lucky Dessert (BVI) have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in Financial Information.

Going concern basis

Although the Lucky Dessert Group had net current liabilities and capital deficiencies at the end of the Relevant Period, the Lucky Dessert Group manages its liquidity risk by monitoring its current and expected liquidity requirements regularly and ensuring sufficient liquid cash to meet the Lucky Dessert Group's liquidity requirements in the short and long term. Details of the factor that may cast doubt on the Lucky Dessert Group's ability to continue as a going concern and the measure taken are disclosed in Note 2.

6. Capital risk management

The Lucky Dessert Group manages its capital to ensure that entities with the Lucky Dessert Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Lucky Dessert Group's overall strategy remains unchanged during the Relevant Period.

The capital structure of the Lucky Dessert Group consists of bank balances and equity attributable to owners of Lucky Dessert (BVI), comprising capital and reserves.

The management of the Lucky Dessert Group reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with each class of capital and balance its overall capital structure through new share issues as well as the issue of new debt.

The directors of Lucky Dessert (BVI) also endeavor to ensure the steady and reliable cash flow from normal business operation. The factors that may cast doubt on the Lucky Dessert Group's ability to act as a going concern and the related measures taken are set out in Note 2.

7. Financial instruments

a. *Categories of financial instruments*

	At 31 October 2014
	HK$
Financial asset	
Loans and receivables	247,402
Financial liabilities	
Financial liabilities at amortised cost	496,659

b. *Financial risk management objectives and policies*

The Lucky Dessert Group's major financial instruments include other receivables, bank balances, amounts due from (to) shareholders and accruals.

The management monitors and manages the financial risks relating to the operations of the Lucky Dessert Group through internal risk assessment which analyses exposures by degree and magnitude of risks. These risks include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are sets out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk

The Lucky Dessert Group's monetary assets and liabilities are denominated in the respective functional currency of the group entity holding the assets/liabilities. All the expenses of the group entities are transacted in the respective functional currency. As such, currency risk is minimal and no sensitivity analysis is presented.

Interest rate risk

The Lucky Dessert Group is exposed to cash flow interest rate risk in relation to bank balances. Details of bank balances are disclosed in Note 13. It is the Lucky Dessert Group's policy to keep its bank balances at floating rate of interests so as to minimise the fair value interest rate risk. The Lucky Dessert Group's bank deposits are short-term in nature and the exposure of the interest rate risk is minimal and no sensitivity analysis to interest rate risk is presented.

Credit risk

At the end of each reporting period, the Lucky Dessert Group's maximum exposure to credit risk which will cause a financial loss to the Lucky Dessert Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Lucky Dessert Group's reviews the recoverable amount of amounts due from shareholders to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on liquid funds is limited because the counterparties are banks in the Hong Kong and PRC with high credit ratings.

Liquidity risk

As at 31 October 2014, the Lucky Dessert Group had net current liabilities and capital deficiencies of HK$249,257 which exposed it to liquidity risk. In the management of the liquidity risk, the Lucky Dessert Group obtains financing deemed adequate by the management to finance its operations. The factors that may cast doubt on the Lucky Dessert Group's ability to continue as a going concern and the measures taken are set out in Note 2.

The Lucky Dessert Group's remaining maturity for its non-derivative financial liabilities, based on the undiscounted cash flows of financial liabilities on the earliest date on which the Lucky Dessert Group can be required to pay, as at 31 October 2014 is within one year or repayable on demand.

c. ***Fair value***

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

The directors of Lucky Dessert (BVI) consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values due to their short-term maturities.

8. Turnover

The Lucky Dessert Group did not derive any turnover from its activities during the Relevant Period.

9. Emoluments of directors, chief executive and five-highest paid employees

The emoluments of the directors and chief executive of Lucky Dessert (BVI) for the Relevant Period are set out below:

For the period from 16 December 2013 (date of incorporation) to 31 October 2014

	Fees	Salaries, allowances and benefits in kind	Contribution to defined contribution retirement benefits scheme	Total
	HK$	*HK$*	*HK$*	*HK$*
Wong Yat Tung*	–	–	–	–
Li Kwok Wai	–	–	–	–

* *Mr. Wong Yat Tung is also the chief executive of Lucky Dessert (BVI).*

No emoluments have been paid by the Lucky Dessert Group to the directors and chief executive as an inducement to join or upon joining the Lucky Dessert Group, or as compensation for loss of office for the Relevant Period.

The directors and chief executive did not waive or agree to waive any emolument during the Relevant Period.

During the Relevant Period, the Lucky Dessert Group only had four employees, two were directors and the chief executive of Lucky Dessert (BVI) whose emoluments were included above. The emoluments of the remaining two non-director individuals are included in Note 11 and fell within the band of nil to HK$1,000,000.

No emoluments have been paid by the Lucky Dessert Group to the two non-director highest paid employees as an inducement to join or upon joining the Lucky Dessert Group, or as compensation for loss of office for the Relevant Period.

10. Income tax

No provision for Hong Kong Profits Tax had been made as the Lucky Dessert Group had no assessable profit for the Relevant Period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of Lucky Dessert (China) is 25%.

No provision for PRC Enterprise Income Tax has been made in the Financial Information, as there were no assessable profits for the Relevant Period.

The income tax for the period can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	For the period from 16 December 2013 (date of incorporation) to 31 October 2014
	HK$
Loss before tax	(250,837)
Tax at the domestic income tax rate of 16.5%	(41,388)
Tax effect of expenses not deductible for tax purpose	53,939
Effect of different tax rate of subsidiaries operating in other jurisdiction	(12,551)
Income tax for the period	–

11. Loss for the period

	For the period from 16 December 2013 (date of incorporation) to 31 October 2014
	HK$
Loss for the period has been arrived at after charging:	
Staff cost (including directors' emoluments):	
– Salaries, allowances and other benefits in kind	43,026
– Contributions to defined contribution retirement benefit scheme	3,754
	46,780

12. Dividend

No dividend was paid or proposed during the Relevant Period, nor has any dividend been proposed since 31 October 2014.

13. Amount due from (to) shareholders

The amounts are unsecured, interest-free and repayable on demand.

14. Bank balances

Bank balances carry interests at prevailing market rates for the Relevant Period.

15. Share capital

	As at 31 October 2014	
	US$	*HK$*
Ordinary shares of US$1 each		
Authorised:		
50,000 ordinary shares of US$1 each	50,000	387,500
Issued and fully paid:		
100 ordinary shares	100	775

On 16 December 2013, Lucky Dessert (BVI) was incorporated in British Virgin Islands with limited liability with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the date of incorporation, Lucky Dessert (BVI) issued and allotted 100 ordinary shares of US$1 each at par to the shareholder to provide for initial capital to Lucky Dessert (BVI).

16. Retirement benefit scheme

The employees of the Lucky Dessert Group are members of a state-managed retirement benefit scheme operated by the government in the PRC. The Lucky Dessert Group is required to contribute certain percentage of applicable payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Lucky Dessert Group with respect to the retirement benefit scheme is to make the specified contributions.

17. Related party disclosures

Save as disclosed elsewhere in the Financial Information, the Lucky Dessert Group had the following related party transactions/balances.

(a) Related party balances

Disclosures pursuant to section 161B of the Hong Kong Companies Ordinance (Cap. 32) are as follows:

	At as 31 Oct 2014	**Maximum amount outstanding during the period**
	HK$	*HK$*
Amount due from a shareholder		
Wealth Power Group Limited	13,330	13,330

Wealth Power Group Limited is a shareholder of Lucky Dessert (BVI) and is owned and controlled by Mr. Wong Yat Tung, a director of Lucky Dessert (BVI).

(b) Other related party transaction

During the Relevant Period, the Lucky Dessert Group entered into a trademark license agreement with certain beneficial shareholders at nil consideration pursuant to which the Lucky Dessert Group is granted an exclusive right to use a trademark in the PRC.

(c) Key management personnel compensation

No compensation was paid to the key management personnel (being the directors of Lucky Dessert (BVI)) during the Relevant Period.

C. EVENT AFTER THE RELEVANT PERIOD

No event after the Relevant Period that requiring disclosures occurred up to the date of this report.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Lucky Dessert Group or any entities within the Lucky Dessert Group have been prepared in respect of any period subsequent to 31 October 2014.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Tang Kwan Lai
Practising Certificate Number: P05299

Hong Kong

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

ACCOUNTANT'S REPORT ON PRO FORMA FINANCIAL INFORMATION

27 March 2015

The Board of Directors
Gayety Holdings Limited
Shop 46, G/F
Ho Shun Tai Building
10 Sai Ching Street
Yuen Long, New Territories

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Gayety Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2014 and related notes as set out on pages VII-4 to VII-8 of the circular in connection with the acquisition of the entire equity interests in Brilliant Forever Limited (the "Target Company") (together with the Group hereinafter referred to as the "Enlarged Group") (the "Acquisition") issued by the Company dated 27 March 2015 (the "Circular"). The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are described in pages VII-4 to VII-8 of the Circular.

The pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Acquisition on the Group's financial position at 30 June 2014 as if the Acquisition had taken place at 30 June 2014. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2014.

Directors' Responsibility for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the pro forma financial information in accordance with paragraph 31(7) of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the pro forma financial information in accordance with paragraph 31(7) of Chapter 7 of the GEM Listing Rules and with reference to AG7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 31(7) of Chapter 7 of the GEM Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Tang Kwan Lai
Practising Certificate Number: P05299

Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma assets and liabilities of Gayety Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Brilliant Forever Limited (the "Target Company") (the Target Company together with the Group, hereinafter referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information") has been prepared on the basis as set out in the notes below to illustrate the effect of the proposed acquisition of the entire equity interests in the Target Company (the "Acquisition").

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of illustrating the effect of the Acquisition as if the Acquisition had been completed on 30 June 2014.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only and based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group as at 30 June 2014 or at any future date had the Acquisition been completed on 30 June 2014.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the Company's published interim report for the six months ended 30 June 2014 and the historical financial information of the Target Company and the Lucky Dessert Group sets out in Appendices V and VI to the circular respectively and other financial information included elsewhere in the circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 JUNE 2014

	The Group as at 30 June 2014	The Target Company as at 31 October 2014	Pro forma adjustment	The Target Group as at 31 October 2014	Sub-total	Pro forma adjustments				The Enlarged Group as at 30 June 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*			*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Non-current assets										
Property, plant and equipment	68,030	–	–	–	68,030	–	–	–	–	68,030
Goodwill	5,138	–	–	–	5,138	–	–	–	–	5,138
Investment/interest in an associate	–	–	90,000	90,000	90,000	–	11,113	4,605	–	105,718
Investment in subsidiary	–	–	–	–	–	10,000	(10,000)	–	–	–
Interest in a joint venture	1	–	–	–	1	–	–	–	–	1
Prepayment for acquisition of property, plant and equipment	1,488	–	–	–	1,488	–	–	–	–	1,488
Rental deposit	10,692	–	–	–	10,692	–	–	–	–	10,692
Deferred tax assets	2,467	–	–	–	2,467	–	–	–	–	2,467
	87,816	–		90,000	177,816					193,534
Current assets										
Inventories	8,682	–	–	–	8,682	–	–	–	–	8,682
Trade receivables	9,420	–	–	–	9,420	–	–	–	–	9,420
Amount due from a subsidiary	–	–	–	–	–	90,000	(90,000)	–		–
Prepayment, deposits and other receivables	18,758	–	–	–	18,758	–	–	–	–	18,758
Income tax receivables	532	–	–	–	532	–	–	–	–	532
Pledged bank deposits received	5,020	–	–	–	5,020	–	–	–	–	5,020
Bank balances and cash	69,223	–	–	–	69,223	(4,000)	–	–	–	65,223
	111,635	–		–	111,635					107,635
Current liabilities										
Trade and bills payables	13,751	–	–	–	13,751	–	–	–	–	13,751
Other payables, accruals and deposits received	34,411	1	–	1	34,412	–	1,100	–	–	35,512
Amount due to a shareholder	–	12	90,000	90,012	90,012	–	(90,000)	–	(12)	–
Amount due to a related party	–	–	–	–	–	–	–	–	12	12
Provision for reinstatement costs	545	–	–	–	545	–	–	–	–	545
Income tax payable	4,003	–	–	–	4,003	–	–	–	–	4,003
Bank borrowings, secured	8,867	–	–	–	8,867	–	–	–	–	8,867
	61,577	13		90,013	151,590					62,690
Net current assets (liabilities)	50,058	(13)		(90,013)	(39,955)					44,945
Total assets less current liabilities	137,874	(13)		(13)	137,861					238,479
Non-current liabilities										
Consideration payable	–	–	–	–	–	96,000	–	–	–	96,000
Provision for reinstatement costs	3,322	–	–	–	3,322	–	–	–	–	3,322
Deferred tax liabilities	369	–	–	–	369	–	–	–	–	369
	3,691	–		–	3,691					99,691
Net assets (liabilities)	134,183	(13)		(13)	134,170					138,788

Notes:

1. The financial information of the Group is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2014 as set out in the Company's published interim report for the six months ended 30 June 2014.

2. The financial information of the Target Company is extracted from audited statement of financial position of the Target Company as at 31 October 2014 as set out in Appendix V of the circular.

3. As further disclosed in section headed "Letter from the Board" of this circular, the Target Company acquired 49% equity interests in Lucky Dessert (BVI) from Ample Chance Limited at a cash consideration of HK$90,000,000 on 18 December 2014. Such acquisition is financed by a shareholder's loan of HK$90,000,000 provided by the sole shareholder of the Target Company, Mr. Wong Tai Chun.

   Upon completion of the acquisition of Lucky Dessert (BVI) by the Target Company, Lucky Dessert (BVI) is accounted for as an associate of the Target Company.

   The pro forma adjustment represents the recognition of the investment cost in Lucky Dessert (BVI) by the Target Company as if the acquisition was completed on 30 June 2014.

4. The pro forma adjustment represents the recognition of the investment cost in the Target Company by the Group. Pursuant to the sale and purchase agreement in relation to the Acquisition (the "Agreement"), the Group will acquire the entire equity interest of the Target Company as well as the entire shareholder's loan of HK$90,000,000 at a total maximum consideration of HK$100,000,000 (the "Consideration"). The Consideration will be satisfied by:

   (a) HK$4,000,000 in cash as an initial consideration;

   (b) The remaining part of the Consideration is capped at HK$96,000,000 and is subject to downward adjustment in proportion to a valuation of the Target Company (including the 49% equity in the Lucky Dessert Group and collectively referred to as the "Target Group) as of 31 December 2015 (the "2015 Valuation") compared to the valuation of the Target Group as at 31 October 2014 (the "2014 Valuation") and shall be payable by the issuance of promissory note of the Company. The promissory note will only be issued after obtaining the 2015 Valuation which as estimated by the directors of the Company, will only be available in early 2016.

   Based on the estimation made by the directors of the Company and in view of the current market development of dessert industry in the PRC, management, having discussed with the independent valuer, considered that it is highly probable that the 2015 Valuation will be no less than the 2014 Valuation. Thus, HK$96,000,000 is recognised as the fair value of the contingent consideration at the date of completion of the acquisition. As such contingent consideration will be settled by the issuance of promissory notes which meet the definition of a financial liability one year after 30 June 2014, the date of completion of acquisition for the purpose of presenting the Unaudited Pro Forma Financial Information, the contingent consideration is presented as a non-current liability.

   Upon completion of the acquisition, the shareholder's loan of HK$90,000,000 of the Target Company will become amount due to Food Idea Group Limited, the then immediate holding company of the Target Company and a wholly owned subsidiary of the Company.

5. The pro forma adjustment represents the adjustment to the Group's investment cost in Lucky Dessert (BVI).

On consolidation of the Target Company by the Group, the cost of investment in Lucky Dessert (BVI) (including the Consideration and the estimated transaction costs of approximately HK$1,100,000) is allocated to the asset and liabilities of the Target Company as follows:

	HK$'000
Investment in an associate	101,113
Accrual	(1)
Amount due to a shareholder	(12)
	101,100

The Consideration is allocated to the asset and liabilities of the Target Company based on the respective fair values.

6. The pro forma adjustment represents the recognition of gain on acquisition of Lucky Dessert (BVI).

The acquisition of Lucky Dessert (BVI) is accounted for in the consolidated financial statements of the Group in accordance with HKAS 28.

The gain arising from the acquisition of Lucky Dessert (BVI) as if the acquisition was completed on 30 June 2014 is calculated as follows:

	Notes	*HK$'000*
Investment in Lucky Dessert (BVI)		101,113
Less: Share of net assets of the Lucky Dessert Group	*(i)*	(105,718)
Gain on acquisition	*(v)*	(4,605)

(i) The share of net assets of the Lucky Dessert Group as at 31 October 2014 is calculated as follows:

	HK$'000
Net liabilities of the Lucky Dessert Group *(note ii)*	(249)
Add: Fair value increase of the Lucky Dessert Group's assets *(note iii)*	288,000
Less: Deferred tax liabilities arising from the fair value adjustment *(note iv)*	(72,000)
Fair value of assets and liabilities of the Lucky Dessert Group	215,751
Share of fair value of assets and liabilities of Lucky Dessert Group (49%) *(note vi)*	105,718

(ii) The amount is extracted from the audited statement of financial position of the Lucky Dessert Group as at 31 October 2014 as set out in Appendix VI of this circular.

(iii) For the purpose of preparation of the unaudited pro forma assets and liabilities, it is assumed that the fair values of the identifiable assets and liabilities of the Target Company and the Lucky Dessert Group, except for the trademark license agreement, approximate to their respective carrying amounts as reported in the respective accountant's reports.

For the purpose of preparation of the unaudited pro forma assets and liabilities, the directors of the Company have estimated the fair value of the trademark licensing agreement dated 29 September 2014 entered into with Wong's Brothers, the owners of the Trademarks "發記甜品" based on a valuation prepared by Roma Appraisals Limited, an independent professional qualified valuer, using the excess earnings approach at 31 October 2014 and amounted to HK$288,000,000.

The fair values of the identifiable assets and liabilities of the Target Company and the Lucky Dessert Group determined on the completion date may be materially different from their respective values used in the preparation of the unaudited pro forma assets and liabilities. Accordingly, the finalised carrying mounts of assets or liabilities and goodwill or gain on bargain purchase, if any, to be recognised in the consolidated financial statements of the Group upon completion of the Acquisition may be different from the amounts adopted in this unaudited pro forma assets and liabilities.

(iv) The deferred tax liability was calculated at the PRC tax rate of 25% on the fair value adjustment on the trademark license agreement.

(v) In accordance with HKAS 28, such gain shall be included as share of profit from an associate in the period the acquisition is completed.

(vi) For the purpose of presenting the Unaudited Pro Forma Financial Information, the directors of the Company have conducted an impairment assessment over the Enlarged Group's interest in Lucky Dessert (BVI) in accordance with HKAS 36 and consider that no impairment is required to be recognised.

7. The pro forma adjustment represents the reclassification of amounts due to a shareholder of Target Company of approximately HK$12,000 will be reclassified as "amount due to a related party" upon the completion of the Acquisition as that shareholder will become a related party to the Group.

8. Apart from the above, no adjustments have been made to the unaudited pro forma assets and liabilities of the Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2014 where applicable.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares and underlying Shares of the Company

Name of Directors	Capacity/nature of interest	Number of Shares	Approximate percentage of interest
Mr. Wong Kwan Mo *(Note)*	Interest in a controlled corporation	1,280,000,000	40%
Ms. Lau Lan Ying *(Note)*	Interest in a controlled corporation	1,280,000,000	40%

Note:

1,030,000,000 and 250,000,000 Shares are owned by KMW Investments Limited and Strong Light Investments Limited respectively. KMW Investments Limited and Strong Light Investments Limited are companies incorporated in the British Virgin Islands and Hong Kong respectively. The entire issued share capital of KMW Investments Limited and Strong Light Investments Limited are beneficially owned as to 50% by Mr. Wong Kwan Mo and 50% by Ms. Lau Lan Ying.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long positions in Shares and underlying Shares of the Company

Name of Shareholders	Capacity/nature of interest	Number of Shares	Approximate percentage of interest
KMW Investments Limited *(Note)*	Beneficial owner	1,030,000,000	32.19%
Strong Light Investments Limited *(Note)*	Beneficial owner	250,000,000	7.81%

Note:

1,030,000,000 and 250,000,000 Shares are owned by KMW Investments Limited and Strong Light Investments Limited respectively. KMW Investments Limited and Strong Light Investments Limited are companies incorporated in the British Virgin Islands and Hong Kong respectively. The entire issued share capital of KMW Investments Limited and Strong Light Investments Limited are beneficially owned as to 50% by Mr. Wong Kwan Mo and 50% by Ms. Lau Lan Ying.

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. QUALIFICATIONS AND CONSENT OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
New Spring Capital Limited	A licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO
SHINEWING (HK) CPA Limited	Certified Public Accountants
Roma Appraisals Limited	Independent professional valuer
GFE Law Office	PRC legal advisers

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, valuation certificate, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, each of above experts did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2013 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware of, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(i) the conditional sale and purchase agreement dated 15 April 2014 entered into between Lucky Great Investment Limited, and Mr. Ho Yat Ming in relation to the sale and purchase of 58% of the entire issued share capital of Nicecity Limited and 58% of the entire issued share capital of Excellent Catering Management Limited for a total cash consideration of HK$3,750,000;

(ii) the renewal of a tenancy agreement dated 12 December 2014 entered into between Red Seasons Corporation Limited, an indirect wholly owned subsidiary of the Company and U Investments Limited in relation to the lease of for a term of Shop No. 33, Level 1 and Level 2, Garden Rivera, No. 20-30 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong and a covered carparking space with a total saleable area of approximately 879.41 square meters for the operation of a Chinese restaurant under the trade name of Red Seasons Aroma Restaurant（季季紅風味酒家）for the monthly rent of HK$350,000; and

(iii) the S&P Agreement.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in a business which competed or might compete with the businesses of the Group or had any other conflicts of interest with the Group.

8. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2013 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. AUDIT COMMITTEE

Audit committee

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions in the Corporate Governance Code of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and accounts, interim reports and quarterly reports and to provide advices and comments thereon to the Board. The audit committee is also responsible for reviewing the accounting principles and practices adopted by the Group and also the auditing, internal control and financial reporting matters.

The audit committee of the Company comprises three independent non-executive Directors, namely Mr. Li Fu Yeung, Ms. Chiu Man Yee and Mr. Kwan Wai Yin, William.

Mr. Li Fu Yeung (**李富揚先生**), aged 35, was appointed as an independent non-executive Director on 25 June 2011. He is also the chairman of the nomination committee and audit committee of the Company and a member of the remuneration committee of the Company. Mr. Li has over 9 years of experience in the financial industry. Since 2004, Mr. Li has worked in Manulife (International) Limited and his current position is Unit Manager and is responsible for the sales and marketing of insurance related product. Mr. Li obtained a diploma in computer science from the Sydney Institute of Business and Technology in 2001.

Ms. Chiu Man Yee (**趙曼而女士**), aged 34, was appointed an independent non-executive Director on 25 June 2011. She is also the chairman of the remuneration committee of the Company and a member of the audit committee and nomination committee of the Company. Ms. Chiu has over 11 years of accounting and financial experience accumulated from working for various professional accounting firms. She is currently working in Prudential Hong Kong Limited and Prudential General Insurance Hong Kong Limited as business manager. Ms. Chiu obtained a bachelor's degree in finance and marketing from The Hong Kong University of Science and Technology in 2002. She is currently a member of Hong Kong Institute of Certified Public Accountants.

Mr. Kwan Wai Yin, William (**關偉賢先生**), aged 39, was appointed as an independent non-executive Director on 2 September 2013. He is also a member of the audit committee, nomination committee and remuneration committee of the Company. Mr. Kwan possesses extensive experience in marketing and sales. He was the Vice President of the corporate sales department of Sun Hung Kai Financial Group from August 2006 to November 2008. From February 2009 to August 2012, he was a sales manager of a private trading company. After which, Mr. Kwan has been operating a tailor business since August 2012. Mr. Kwan obtained his Bachelor of Arts Degree in Economics from York University, Ontario, Canada.

10. MISCELLANEOUS

(1) Ms. Lau Lan Ying, an executive Director, is the compliance officer of the Company.

(2) Mr. Wong Tin King, Richard is the company secretary. He is a member of the Hong Kong Institute of Certified Public Accountant.

(3) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(4) The head office and principal place of business of the Company in Hong Kong is at Shop 46, Ground Floor, Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories, Hong Kong.

(5) The principal share registrar and transfer office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111,Cayman Islands.

(6) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at A18/F, Asia Orient Tower, 33 Lockhart Road, Wanchai, Hong Kong.

(7) This circular and the accompanying proxy form have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the head office and principal place of business in Hong Kong of the Company at Shop No. 46, Ground Floor, Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the two years ended 31 December 2012 and 2013;

(c) the interim report of the Company for the six months ended 30 June 2014;

(d) the third quarterly report of the Company for the nine months ended 30 September 2014;

(e) the letter from the Independent Board Committee, the text of which is set out in pages 61 to 62 in this circular;

(f) the letter of advice from New Spring Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 63 to 113 in this circular;

(g) the valuation report on the Target Group from Roma Appraisals Limited, the text of which is set out in Appendix II to this circular;

(h) the letter from the Board in relation to the profit forecast, the text of which is set out in Appendix III to this circular;

(i) the independent assurance report on business valuation, the text of which is set out in Appendix IV to this circular;

(j) the accountants' reports on the Target Company and the Lucky Dessert Group from SHINEWING (HK) CPA LIMITED, the texts of which are set out in Appendix V and VI to this circular;

(k) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix VII to this circular;

(l) the PRC legal opinion issued by GFE Law Office;

(m) copy of each of the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(n) the written consents referred to under the paragraph headed "Qualifications and consents of experts" in this Appendix; and

(o) this circular.

喜尚控股有限公司

GAYETY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8179)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Gayety Holdings Limited (the "**Company**") will be held on Thursday, 16 April 2015 at 4:00 p.m. at Plentiful Delight Banquet Restaurant situated at First Floor, Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Terrorities, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolution:

ORDINARY RESOLUTION

"**THAT**

(a) the sale and purchase agreement dated 19 December 2014 (as amended and supplemented by the supplemental agreements dated 13 February 2015 and 24 March 2015 respectively) and entered into between Mr. Wong Tai Chun as the vendor (the "**Vendor**") and Food Idea Group Limited as the purchaser in relation to the acquisition of (i) the sale and purchase of 1 share in the share capital of Brilliant Forever Limited (the "**Target Company**"), representing the entire issued share capital of the Target Company; and (ii) all the obligations, liabilities and indebtedness owing or incurred by the Target Company to the Vendor, whether actual, contingent or deferred and irrespective whether or not the same is due and payable as at completion of the S&P Agreement for a maximum consideration of HK$100,000,000 subject to adjustment (the "**Proposed Acquisition**", (copies of sale and purchase agreement dated 19 December 2014, supplemental agreement dated 13 February 2015 and supplemental agreement dated 24 March 2015 (collectively the "**S&P Agreements**") been produced to the meeting and marked "**A**" "**B**" and "**C**" respectively and initialed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder, including but not limited to the issue of promissory note to settle the consideration, be and are hereby approved, confirmed and ratified; and

(b) any one Director be and is hereby authorised to sign and execute such documents, including under seal where applicable, and do all such acts and things as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the S&P Agreements and the transactions contemplated thereunder."

By the order of the Board
Gayety Holdings Limited
Wong Kwan Mo
Chairman and executive Director

Hong Kong, 27 March 2015

Registered office:
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Shop No. 46, Ground Floor
Ho Shun Tai Building
No. 10 Sai Ching Street
Yuen Long, New Territories
Hong Kong

Notes:

(1) A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(2) A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon.

(3) In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar in Hong Kong, Union Registrars Limited, at A18/F., Asia Orient Tower, 33 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

(4) Completion and return of a proxy form shall not preclude a member from attending and voting in person at the EGM or any adjournment thereof and in such event, the proxy form appointing a proxy shall be deemed to be revoked.

(5) In the case of joint registered holders of shares of the Company ("**Shares**"), any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

(6) Pursuant to the GEM Listing Rules, the voting on the ordinary resolution at the EGM will be conducted by way of poll.