



皇璽餐飲

集團控股有限公司

ROYAL CATERING

Group Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8300

Placing

Sole Sponsor

RaffAello
CAPITAL LIMITED

Sole Bookrunner and Sole Lead Manager

RaffAello
Securities (HK) Ltd

IMPORTANT

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

Royal Catering Group Holdings Company Limited

皇璽餐飲集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares : 500,000,000 Shares (subject to the Offer Size Adjustment Option)

Placing Price : Not more than HK\$0.16 per Placing Share and not less than HK\$0.11 per Placing Share plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)

Nominal value : HK\$0.01 per Share

Stock code : 8300

Sole Sponsor



Sole Bookrunner and Sole Lead Manager



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus with the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other document referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" of this prospectus.

The Placing Price is expected to be determined by agreement between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Wednesday, 3 August 2016 (Hong Kong time) or such later date as may be agreed between the parties. The Placing Price will not be more than HK\$0.16 and is currently expected to be not less than HK\$0.11 per Share, unless otherwise announced. If, for any reason, the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Placing Price by the Price Determination Date or such later date as may be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters), the Placing will not proceed and will lapse. In such case, an announcement will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.hkrcg.com.

The Sole Lead Manager (for itself and on behalf of the Underwriters) may, with our consent, reduce the indicative Placing Price range stated in this prospectus at any time on or prior to the Price Determination Date. In such case, a notice of such reduction will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.hkrcg.com. Further details are set out in the section headed "Structure and Conditions of the Placing" of this prospectus.

Prospective investors should take note that the obligations of the Underwriters under the Underwriting Agreement are subject to termination by the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the paragraph headed "Underwriting — Underwriting Agreement and expenses — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. It is important that you refer to that paragraph for further details.

1 August 2016

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.

EXPECTED TIMETABLE

If there is any change to the following expected timetable of the Placing, we will publish an announcement on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.hkrcg.com.

(Note 1)

Price Determination Date (Note 2) Wednesday, 3 August 2016

Announcement of the determination of the Placing Price and the level of indication of interest in the Placing to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.hkrcg.com (Note 3) on or before Friday, 5 August 2016

Allotment of the Placing Shares on or before Friday, 5 August 2016

Deposit of share certificates for the Placing Shares into CCASS on or before (Notes 4 and 5) Friday, 5 August 2016

Dealings in Shares on GEM expected to commence 9:00 a.m. on Monday, 8 August 2016

Notes:

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Placing, including its conditions, are set out in the section headed "Structure and Conditions of the Placing" of this prospectus.
- (2) We expect the Price Determination Date to be on or about Wednesday, 3 August 2016 (Hong Kong time) or such later date as may be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters). If, for any reason, the parties are unable to reach an agreement on the Placing Price by that date, the Placing will not proceed and will lapse.
- (3) None of the websites or any information contained therein form part of this prospectus.
- (4) We expect the share certificates for the Placing Shares to be issued in the name of HKSCC Nominees or in the name of the placees or their agents as designated by the Underwriters and/or the placing agents. We expect the share certificates for the Placing Shares distributed via CCASS to be directly deposited into CCASS on or before Friday, 5 August 2016 for credit to the relevant CCASS Participants' stock accounts designated by the Underwriters, the placees or their agents, as the case may be. We will not issue any temporary documents or evidence of title.
- (5) Share certificates for the Placing Shares will only become valid certificates of title provided that prior to 8:00 a.m. (Hong Kong time) on the Listing Date, (a) the Placing has become unconditional in all respects; and (b) the Underwriting Agreement has not been terminated in accordance with its terms.

For details of the structure of the Placing, including the conditions thereof, please refer to the section headed "Structure and Conditions of the Placing" of this prospectus. If the Underwriting Agreement does not become unconditional or is terminated in accordance with the terms and conditions contained therein, our Company will make an announcement as soon as possible.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus pursuant to the Placing. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or invitation in any other jurisdiction or in any other circumstance.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Lead Manager, the Sole Bookrunner, the Co-Lead Manager and the Underwriters, any of their respective directors, advisers, officers, employees, agents, affiliates or representatives of any of them or any other persons or parties involved in the Placing.

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SUMMARY AND HIGHLIGHTS

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

There are risks associated with any investment in the Placing Shares. Some of the particular risks associated with an investment in the Placing Shares are set out in the section headed “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Placing Shares. Various expressions used in this section are defined in the section headed “Definitions” of this prospectus.

OVERVIEW

We are a food and beverage group in Hong Kong operating casual dining restaurants under a portfolio of brands, specialising in operating restaurants at the Hong Kong International Airport. According to the Frost & Sullivan Report, casual dining restaurants refer to catering establishments that serve moderately priced food with the per capita consumption of approximately HK\$100 in a casual environment and typically provide some table service with longer opening hours and more flexible meal times. It usually takes customers approximately one hour to finish a meal at casual dining restaurants. As at the Latest Practicable Date, we operated four restaurants at the Hong Kong International Airport and one restaurant in the urban area of Hong Kong. We also operated a takeaway kiosk at the Hong Kong International Airport during the Track Record Period, which is expected to re-launch in August 2016 following the award of a new Licence Agreement by the Airport Authority. We operate our restaurants under our self-owned brands “*Taiwan Beef Noodle* (台灣牛肉麵)”, “*Nosh Café & Bar*”, “*Chinese Kitchen* (中國廚房)” and “*Macao Harbour* (阿瑪港澳門餐廳)”. Apart from operating our own restaurants, we have invested in a franchised restaurant under the brand “*Tasty Congee & Noodle Wantun Shop* (正斗)” at the Hong Kong International Airport and franchised our brands “*Taiwan Beef Noodle* (台灣牛肉麵)” and “*Chinese Kitchen* (中國廚房)” to an Independent Third Party for the operation of Taiwan Beef Noodle/Chinese Kitchen (TST).

We aim to serve our customers with quality food at good value and in a cosy and inviting dining atmosphere. We also strive for service efficiency as travellers at the Hong Kong International Airport usually look for quality casual dining in a quick and convenient manner. Our efforts in quality food and services are reflected by the various awards and accreditations that we have received. Our brand “*Taiwan Beef Noodle* (台灣牛肉麵)” was awarded the “King of Catering Award — King of Beef Noodle” organised by King of Catering in 2006 and 2010 and has been a recognised quality restaurant of the Quality Tourism Services (QTS) Scheme accredited by the Hong Kong Tourism Board in 2010 and 2012 to 2016. Our Macao Harbour Restaurant has also been accredited as a recognised quality restaurant under the same scheme in 2008, 2010 and 2011.

Our accumulated experience throughout the years has enabled us to extend our line of business to provide catering management and consultancy services to third-party restaurants through our joint venture Starz Kitchen Management. Since 2013, we have been providing the relevant services to the owner of restaurants under the brand “*Starz Kitchen* (左麟右李)”, which offers a range of traditional Cantonese delicacies in Hong Kong, the PRC, Macau and Kuala Lumpur.

Leveraging our experience in the catering industry, we aim to further expand our restaurant network. We intend to open three new restaurants for each of the years ending 31 March 2017 and 2018. The total planned capital expenditure for opening new restaurants is approximately

SUMMARY AND HIGHLIGHTS

HK\$15.0 million and HK\$14.7 million for the years ending 31 March 2017 and 2018, respectively. We will fund the expansion by the proceeds from the Placing. For details, please refer to the section headed “Future Plans and Use of Proceeds” of this prospectus.

OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers were mainly retail customers and we were not dependent on any single customer.

During the Track Record Period, our suppliers mainly included suppliers of food ingredients, food products, beverages, utensils and other ancillary equipment. We have also engaged external licensing consultants, pest control companies, renovations, repair and maintenance service companies and cleaning companies. For the three years ended 31 March 2014, 2015 and 2016, purchases from our largest supplier accounted for 10.1%, 9.3% and 5.8% of our total purchases, respectively, and the total purchases from our five largest suppliers in aggregate amounted to approximately 32.3%, 33.4% and 27.1%, respectively, of our total purchases.

COMPETITIVE STRENGTHS

We believe that our success and potential for future growth are attributable to the following competitive strengths:

- Leading position in operating restaurants at the Hong Kong International Airport
- Multi-brand strategy with diversified customers
- Quality cuisines and efficient services at an affordable price
- Experienced and energetic managerial team

Please refer to the paragraph headed “Business — Competitive strengths” in this prospectus for more details.

BUSINESS STRATEGIES

Our strategic objective is to continue to strengthen our leading position in operating restaurants at the Hong Kong International Airport while keep looking for suitable opportunities to extend our business in the urban area of Hong Kong, as well as tap into the casual dining market in the PRC. To achieve these goals, we intend to pursue the following principal strategies:

- Leveraging our leading position to expand our operations at the Hong Kong International Airport
- Strategically opening new restaurants in the urban area of Hong Kong
- Streamlining our operation for potential business opportunities
- Tapping into the casual dining market in the PRC
- Continue to enhance comparable restaurant sales growth and profitability

Please refer to the paragraph headed “Business — Business strategies” in this prospectus for more details.

SUMMARY AND HIGHLIGHTS

SHAREHOLDERS' INFORMATION

As far as our Directors are aware, immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme), our Company will be owned as to 75% by Fortune Round, which is wholly owned by Mr. Wong. As Fortune Round and Mr. Wong are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following the Listing, each of Fortune Round and Mr. Wong shall be regarded as our Controlling Shareholder under the GEM Listing Rules.

For details, please refer to the section headed "Relationship with Controlling Shareholders" of this prospectus.

KEY OPERATIONAL AND FINANCIAL DATA

The table below sets forth a summary of the combined results of our Group during the Track Record Period, which have been extracted from, and should be read in conjunction with, the accountants' report set out in Appendix I to this prospectus.

Combined statements of profit or loss and other comprehensive income

	For the year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Revenue	121,791	141,259	125,502
Gross profit	93,231	109,468	98,247
Profit from operations	9,749	18,171	6,260
Profit for the year ^(Note)	13,659	21,254	12,597

Note: For the three years ended 31 March 2014, 2015 and 2016, the profit contributed by Tasty (Airport) to our Group accounted for approximately HK\$6.0 million, HK\$6.6 million and HK\$8.8 million, respectively.

Combined statements of financial position

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Current assets	27,932	56,878	25,082
Non-current assets	17,832	15,408	7,445
Current liabilities	20,819	26,234	17,372
Non-current liabilities	341	194	—
Net current assets	7,113	30,644	7,710
Net assets	24,604	45,858	15,155

Revenue

Our revenue increased from approximately HK\$121.8 million for the year ended 31 March 2014 to approximately HK\$141.3 million for the year ended 31 March 2015, representing an increase of approximately 16.0%. Such increase was mainly attributable to the opening of Chinese Kitchen (Airport) in May 2014 and the increase in average spending per customer of our restaurants.

SUMMARY AND HIGHLIGHTS

Our revenue decreased from approximately HK\$141.3 million for the year ended 31 March 2015 to approximately HK\$125.5 million for the year ended 31 March 2016, representing a decrease of approximately 11.2%. Such decrease was mainly attributable to the disposal of Sunny Echo.

Gross profit

The gross profit was approximately HK\$109.5 million for the year ended 31 March 2015, representing an increase of approximately 17.4% from approximately HK\$93.2 million for the year ended 31 March 2014. Such increase was mainly due to the opening of Chinese Kitchen (Airport) in May 2014.

The gross profit was approximately HK\$98.2 million for the year ended 31 March 2016, representing a decrease of approximately 10.3% from approximately HK\$109.5 million for the year ended 31 March 2015. Such decrease was mainly due to the disposal of Sunny Echo.

Net profit and net profit margin

Our profit increased by 55.6% from HK\$13.7 million for the year ended 31 March 2014 to HK\$21.3 million for the year ended 31 March 2015 and our net profit margin increased from 11.2% for the year ended 31 March 2014 to 15.0% for the year ended 31 March 2015. The increase in profit for the year was mainly attributable to the opening of Chinese Kitchen (Airport) in May 2014 and the increase in average spending per customer of our restaurants.

The net profit decreased by 40.7% from HK\$21.3 million for the year ended 31 March 2015 to HK\$12.6 million for the year ended 31 March 2016 and our net profit margin decreased from 15.0% for the year ended 31 March 2015 to 10.0% for the year ended 31 March 2016. The decrease in profit for the year was mainly attributable to the listing expenses.

Revenue

The table below sets forth the breakdown of the revenue of each of our Group's restaurants/takeaway kiosk during the Track Record Period.

	For the year ended 31 March					
	2014		2015		2016	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Restaurants/takeaway kiosk operating at the Hong Kong International Airport						
Taiwan Beef Noodle (Airport) <i>(Note 1)</i>	26,335	21.6	29,346	20.8	29,134	23.2
Nosh Café & Bar <i>(Note 1)</i>	24,683	20.3	26,779	19.0	23,879	19.0
Chinese Kitchen (Airport) <i>(Note 1)</i>	—	—	15,976	11.3	16,368	13.0
Macao Harbour Restaurant <i>(Note 2)</i>	20,433	16.8	19,440	13.8	20,274	16.2
Coffee Express <i>(Note 1)</i>	—	—	—	—	6,883	5.5
	<u>71,451</u>	<u>58.7</u>	<u>91,541</u>	<u>64.9</u>	<u>96,538</u>	<u>76.9</u>
Restaurants operating in the urban area of Hong Kong						
Taiwan Beef Noodle (Kowloon City) <i>(Note 3)</i>	7,191	5.9	7,157	5.0	7,279	5.8
Taiwan Beef Noodle/Chinese Kitchen (TST) <i>(Note 4)</i>	42,502	34.9	42,561	30.1	21,413	17.1
Mui Chai Kee <i>(Note 5)</i>	647	0.5	—	—	—	—
	<u>50,340</u>	<u>41.3</u>	<u>49,718</u>	<u>35.1</u>	<u>28,692</u>	<u>22.9</u>
Franchise fee income	—	—	—	—	272	0.2
Total	<u>121,791</u>	<u>100.0</u>	<u>141,259</u>	<u>100.0</u>	<u>125,502</u>	<u>100.0</u>

SUMMARY AND HIGHLIGHTS

Notes:

1. Taiwan Beef Noodle (Airport), Nosh Café & Bar, Chinese Kitchen (Airport) and Coffee Express are operated by Airport Catering.
2. Macao Harbour Restaurant is operated by Grand Richest.
3. Taiwan Beef Noodle (Kowloon City) is operated by Deberie.
4. On 31 August 2015, Palace as vendor and an Independent Third Party as purchaser entered into a sale and purchase agreement, pursuant to which Palace sold the entire issued share capital of Sunny Echo to the Independent Third Party. The sale and purchase was completed on 30 October 2015.
5. Mui Chai Kee, a dessert shop operated by our former subsidiary Rich Forever, ceased its operation in June 2013 as it was founded by Mr. Wong's father who was planning to retire while our Group would like to focus on our principal business of operating casual dining restaurants.

Gross profit

The table below sets forth the breakdown of the gross profit and gross profit margin of each of our Group's restaurants/takeaway kiosk during the Track Record Period.

	For the year ended 31 March					
	2014		2015		2016	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Restaurants/takeaway kiosk operating at the Hong Kong International Airport						
Taiwan Beef Noodle (Airport) ^(Note 1)	22,381	85.0	25,008	85.2	24,683	84.7
Nosh Café & Bar ^(Note 1)	20,694	83.8	23,466	87.6	19,431	81.4
Chinese Kitchen (Airport) ^(Note 1)	—	—	14,152	88.6	14,286	87.3
Macao Harbour Restaurant ^(Note 2)	14,701	71.9	14,087	72.5	14,878	73.4
Coffee Express ^(Note 1)	—	—	—	—	5,847	84.9
Restaurants operating in the urban area of Hong Kong						
Taiwan Beef Noodle (Kowloon City) ^(Note 3)	5,184	72.1	5,147	71.9	5,314	73.0
Taiwan Beef Noodle/Chinese Kitchen (TST) ^(Note 4)	30,123	70.9	27,608	64.9	13,536	63.2
Mui Chai Kee ^(Note 5)	148	22.9	—	—	—	—
Franchise fee income	—	—	—	—	272	100.0
Total	93,231	76.5	109,468	77.5	98,247	78.3

Notes:

1. Taiwan Beef Noodle (Airport), Nosh Café & Bar, Chinese Kitchen (Airport) and Coffee Express are operated by Airport Catering.
2. Macao Harbour Restaurant is operated by Grand Richest.
3. Taiwan Beef Noodle (Kowloon City) is operated by Deberie.
4. On 31 August 2015, Palace as vendor and an Independent Third Party as purchaser entered into a sale and purchase agreement, pursuant to which Palace sold the entire issued share capital of Sunny Echo to the Independent Third Party. The sale and purchase was completed on 30 October 2015.
5. Mui Chai Kee, a dessert shop operated by our former subsidiary Rich Forever, ceased its operation in June 2013 as it was founded by Mr. Wong's father who was planning to retire while our Group would like to focus on our principal business of operating casual dining restaurants.

SUMMARY AND HIGHLIGHTS

Net profit and net profit margin

The table below sets forth the breakdown of the net profit and net profit margin of each of our Group's subsidiaries operating our restaurants during the Track Record Period.

	For the year ended 31 March					
	2014		2015		2016	
	Net (loss)/ profit HK\$'000	Net profit margin %	Net (loss)/ profit HK\$'000	Net profit margin %	Net (loss)/ profit HK\$'000	Net profit margin %
Airport Catering	4,792	12.8	10,714	14.9	9,646	12.1
Grand Richest	2,205	6.5	1,096	5.6	1,244	7.5
Deberie	82	1.1	126	1.8	30	0.4
Sunny Echo	(525)	—	846	2.0	(1,132)	—
Rich Forever	294	12.6	—	—	—	—

Disposal of Sunny Echo

For the two years ended 31 March 2014 and 2015 and the period from 1 April 2015 to 30 October 2015, the revenue contributed by Sunny Echo were approximately HK\$42.5 million, HK\$42.6 million and HK\$21.4 million, respectively. It recorded a net loss of approximately HK\$0.5 million and HK\$1.1 million for the year ended 31 March 2014 and the period from 1 April 2015 to 30 October 2015 and a net profit of approximately HK\$0.8 million for the year ended 31 March 2015. As part of our plan to develop a more asset-light business line, on 31 August 2015, Palace and the general manager of Taiwan Beef Noodle/Chinese Kitchen (TST), who is an Independent Third Party, entered into a sale and purchase agreement, pursuant to which Palace sold the entire share capital of Sunny Echo to the Independent Third Party. The sale and purchase was completed on 30 October 2015. On 30 October 2015, Top Future as franchisor and Sunny Echo as franchisee entered into the TST Franchising Agreement under which Sunny Echo would pay Top Future a monthly service fee calculated based on the monthly sales and an annual fee calculated based on the profit of the relevant financial year for the non-exclusive right to use the brands “*Taiwan Beef Noodle* (台灣牛肉麵)” and “*Chinese Kitchen* (中國廚房)” to operate Taiwan Beef Noodle/Chinese Kitchen (TST) until April 2023. For details of the disposal of the entire issued share capital of Sunny Echo and the TST Franchising Agreement, please refer to the paragraph headed “Business — Franchising business model” in this prospectus.

For the year ended 31 March 2016, our revenue was HK\$125.5 million compared with HK\$141.3 million for the year ended 31 March 2015. The decrease was mainly attributable to the disposal of Sunny Echo.

SUMMARY AND HIGHLIGHTS

SELECTED KEY FINANCIAL RATIOS

The table below sets forth a summary of the key financial ratios of our Group during the Track Record Period.

	For the year ended 31 March		
	2014	2015	2016
Profitability ratios			
Return on assets (%) ^(Note 1)	29.8%	29.4%	38.7%
Return on equity (%) ^(Note 2)	54.0%	45.6%	80.8%
Liquidity ratios			
Current ratio ^(Note 3)	1.3 times	2.2 times	1.4 times
Quick ratio ^(Note 4)	1.3 times	2.2 times	1.4 times
Capital adequacy ratio			
Gearing ratio (%) ^(Note 5)	45.4%	20.8%	53.7%

Notes:

1. Return on assets is calculated based on the net profit for the year divided by the total assets at the end of the respective year and multiplied by 100%.
2. Return on equity is calculated based on the net profit attributable to the owners of our Company for the year divided by the total equity attributable to the owners of our Company at the end of the respective year and multiplied by 100%.
3. Current ratio is calculated based on the total current assets at the end of the year divided by the total current liabilities at the end of the respective year.
4. Quick ratio is calculated based on the total current assets (excluding inventory) at the end of the year divided by the total current liabilities of the respective year.
5. Gearing ratio is calculated based on the total borrowings (including obligation under a finance lease) at the end of the year divided by equity attributable to owner of our Company at the end of the respective year. Total debts represent all borrowings of our Group.

RECENT DEVELOPMENT

Recent development of tourism

According to the Air Traffic Statistics at the Hong Kong International Airport published by the Airport Authority, in 2015, the number of tourists showed an increasing trend starting from June with the peak recorded in August followed by a considerable drop in September. The number of tourists showed an upward trend again in October 2015. Such number of tourists represents the passengers departing from and arriving at the Hong Kong International Airport which also includes the transfer and transit passengers. The revenue generated by most of our restaurants operating at the Hong Kong International Airport and Taiwan Beef Noodle/Chinese Kitchen (TST) in the relevant respective months varied in accordance with the change of the number of tourists throughout the period. Such impact resulting from the changes in the number of tourists was also reflected in the corresponding period in 2014. It also corresponds to our seasonal business fluctuations which we generally record higher monthly revenue during July and August and lower revenue from April to June. According to the Air Traffic Statistics at the Hong Kong International Airport published by the Airport Authority, in the first half year of 2016, the number of tourists recorded a decrease of approximately 3.9% from January to February. The number of tourists increased by approximately 5.6% from February to March. The number of tourists decreased by 2.9% from March to May and showed a slight increase of 0.6% in June. The revenue generated by most of our restaurants operating at the Hong Kong International Airport varied in accordance with the change of the number of tourists in the relevant periods.

SUMMARY AND HIGHLIGHTS

According to the monthly report of the visitor arrivals statistics published by the Hong Kong Tourism Board, the number of visitors coming from the PRC (including visitors passing through Hong Kong by air, land or sea) recorded a decline of 11.8% in the first five months of 2016 as compared to the corresponding period in 2015. The number of visitors coming from other countries (excluding the PRC visitors passing through Hong Kong by air, land or sea) recorded a 3.9% increase as compared to the corresponding period in 2015. Despite the decline in the number of visitors coming from the PRC, there is no deterioration of the financial position of our Group in the first and second quarters of 2016 given the fact that our Taiwan Beef Noodle (Kowloon City) mainly serves the local community while we have disposed of our interest in Taiwan Beef Noodle/Chinese Kitchen (TST), which targets the said visitors, on 30 October 2015. We also consider that such decline in the number of visitors coming from the PRC has limited impact on our restaurants operating at the Hong Kong International Airport as we serve tourists coming from all parts of the world.

Recent development of Licence Agreement

The previous Licence Agreement for the operation of Coffee Express has expired on 28 June 2016. On 13 July 2016, the Airport Authority awarded a new licence to our Group for the operation of Coffee Express at a new premises (which is close to its previous premises) for a tenure of one year ending 31 July 2017. We expect to re-launch Coffee Express in August 2016.

LISTING EXPENSES

No listing expenses was incurred and recorded for the two years ended 31 March 2014 and 2015 as we only started to incur the expenses after 31 March 2015. The financial results of our Group for the year ending 31 March 2017 would be affected by the non-recurring listing expenses. The total listing expenses to be borne by our Company are estimated to be approximately HK\$27.7 million (assuming a Placing Price of HK\$0.135 per Placing Share, being the midpoint of the indicative Placing Price range of HK\$0.11 to HK\$0.16 per Placing Share), of which approximately HK\$8.4 million is directly attributable to the issue of new Shares which is to be accounted for as a deduction from equity. The amount of approximately HK\$8.5 million has been charged to the profit or loss for the year ended 31 March 2016 and approximately HK\$10.8 million is expected to be recognised in the combined statements of profit or loss and other comprehensive income of our Group for the year ending 31 March 2017.

The amount of listing expenses is a current estimate for reference only and the final amount to be recognised to the combined statements of profit or loss and other comprehensive income of our Group for the year ending 31 March 2017 is subject to changes in variables and assumptions.

FUTURE PLANS AND USE OF PROCEEDS

Assuming a Placing Price of approximately HK\$0.135 per Placing Share, being the midpoint of the proposed Placing Price range of HK\$0.11 to HK\$0.16 per Placing Share, the net proceeds to our Company for the issue of the Placing Shares, after deducting underwriting fees and estimated total expenses in the aggregate amount of approximately HK\$27.7 million paid and payable by our Company, in connection thereto, are estimated to be approximately HK\$39.8 million (but not taking into account any Shares that may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option(s) which may be granted under the Share Option Scheme). We intend to apply such proceeds from the Placing as follows:

- approximately 74.6% of the net proceeds, or approximately HK\$29.7 million, for opening new restaurants;
- approximately 17.6% of the net proceeds, or approximately HK\$7.0 million, for the renovation of our restaurants operating at the Hong Kong International Airport;

SUMMARY AND HIGHLIGHTS

- approximately 4.0% of the net proceeds, or approximately HK\$1.6 million, for recruitment and staff training;
- approximately 2.3% of the net proceeds, or approximately HK\$0.9 million, for upgrading existing restaurant system and facilities; and
- approximately 1.5% of the net proceeds, or approximately HK\$0.6 million, for marketing activities to promote brand awareness.

For details, please refer to the section headed “Future Plans and Use of Proceeds” of this prospectus.

REASONS FOR THE PLACING

Our Directors consider that operating restaurants is capital intensive and believe that the listing of the Shares on GEM will facilitate the implementation of our business strategies by accessing the capital market for raising funds both at the time of the Listing and at later stages. As at 30 June 2016, being the date for determining our Group’s indebtedness, our Group’s cash and bank balances was approximately HK\$11.4 million and the borrowings was approximately HK\$6.4 million which has to be settled by August 2017 or on demand. As at the Latest Practicable Date, we did not have any unutilised bank facilities. Our Directors consider that while we maintain a healthy cash level to support our Group’s existing operations, the net proceeds from the Placing are necessary for the implementation of our future plans which requires considerable additional financial resources. According to the implementation plans as disclosed in the section headed “Future Plans and Use of Proceeds” of this prospectus, the total expenditure for the implementation of our future plans is estimated to be approximately HK\$39.8 million (assuming a Placing Price of approximately HK\$0.135 per Share, being the mid-point of the proposed Placing Price range of HK\$0.11 to HK\$0.16 per Share) during the period from the Latest Practicable Date and up to 31 March 2019, which will be entirely financed by the net proceeds from the Placing. For details, please refer to the paragraph headed “Future Plans and Use of Proceeds — Implementation plans” in this prospectus.

As stated in the paragraph headed “Business — Business strategies” in this prospectus, we plan to leverage our leading position to expand our operations at the Hong Kong International Airport. A public listing status will enhance our corporate profile and recognition and assist us in reinforcing our brand awareness and image. We believe that such enhanced corporate image could facilitate us in the tendering processes for operating new restaurants at the Hong Kong International Airport and be conducive to the development of our franchising business line. It will also help maintain business relationships with our Group’s existing suppliers and attract potential suppliers who are more willing to establish business relationships with listed companies.

A public listing status on GEM may also offer our Company a broader shareholder base which could potentially lead to a more liquid market in the trading of our Shares. We also believe that our internal control and corporate governance practices could be further enhanced following the Listing.

DIVIDENDS

For the three years ended 31 March 2014, 2015 and 2016, certain of our subsidiaries declared and paid dividends of approximately HK\$4.0 million, HK\$nil and HK\$43.0 million, respectively, to their then respective shareholder(s). The dividends in the aggregate amount of approximately HK\$4.0 million for the year ended 31 March 2014 had been fully paid to Mr. Wong during the relevant year. On 24 November 2015, an interim dividend of HK\$43.0 million was declared by our Group and subsequently used to set off an outstanding amount due from Mr. Wong to our Group on 9 December 2015. On 31 May 2016, our Group declared an interim dividend of HK\$3.0 million and such amount was paid to Mr. Wong on 1 June 2016.

SUMMARY AND HIGHLIGHTS

After completion of the Placing, our Shareholders shall be entitled to receive dividends only when declared by our Directors. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon various factors including our future operations, earnings, cash flow, financial conditions, capital requirements, investment requirements, contractual restrictions and other conditions which our Directors deem relevant and will be subject to our constitutional documents and the Cayman Companies Law including the approval of our Shareholders.

There is no assurance that we will be able to declare or distribute any dividends in any amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the amount of dividend that may be declared or paid by us in the future. Our Company does not have any predetermined dividend payout ratio.

PLACING STATISTICS

	Based on a Placing Price of HK\$0.11 per Placing Share	Based on a Placing Price of HK\$0.16 per Placing Share
Market capitalisation of our Shares <i>(Note 1)</i>	220,000,000	320,000,000
Unaudited pro forma adjusted net tangible assets of per Share <i>(Note 2)</i>	HK2.59 cents	HK3.79 cents

Notes:

- (1) The calculation of market capitalisation is based on 2,000,000,000 Shares expected to be in issue immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme).
- (2) The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments as referred to under the paragraph headed "Unaudited pro forma statement of adjusted net tangible assets" in Appendix II to this prospectus and on the basis of 2,000,000,000 Shares in issue at the respective Placing Price of between HK\$0.11 and HK\$0.16 per Share immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme).

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. They can be broadly categorised into risks associated with our business, our industry and the Placing, among which the relatively material risks encompass the following:

- We derive most of our revenue from our restaurants operating at the Hong Kong International Airport, therefore our operation may be affected by any future plans of the Airport Authority in respect of the Hong Kong International Airport.
- There is no assurance that we could secure the licences to operate our restaurants at the Hong Kong International Airport through tendering process.
- If our expansion plans prove to be unsuccessful, or if we fail to obtain sufficient funding for our expansion plans, our business and growth prospects may be adversely affected.
- Our business could be adversely affected by difficulties in recruitment and retention of our employees.

SUMMARY AND HIGHLIGHTS

- As we rely on our centralised warehouse to store the food ingredients and other supplies used at our restaurants operating at the Hong Kong International Airport, any disruption of operation at our centralised warehouse could adversely affect our business and operations.
- We face risks relating to instances of food-borne illnesses, health epidemics and other outbreaks or diseases.
- Any failure or perceived failure to deal with customer complaints or adverse publicity involving our food or services could materially and adversely affect our business and results of operations.
- The price of food ingredients may continue to rise and fluctuate.
- Intense competition in the catering industry could prevent us from increasing or sustaining our revenue and profitability.

Details of these risks are set out in the section headed “Risk Factors” of this prospectus.

NON-COMPLIANCE

There were instances where our Group failed to comply with certain applicable laws and regulations in Hong Kong during the Track Record Period, including non-compliance with the: (i) Inland Revenue Ordinance; (ii) Food Business Regulation; (iii) WPCO; (iv) Public Health and Municipal Services Ordinance; and (v) Mandatory Provident Fund Schemes Ordinance. In particular, we had failed to comply with the Inland Revenue Ordinance in filing incorrect tax returns to the Inland Revenue Department, which was identified when the re-issued audited financial statements of some of our Group’s members for the years ended 31 March 2013 and 2014 were prepared to resolve the qualified opinion on their respective audited accounts for the year ended 31 March 2014. We had also failed to comply with the Public Health and Municipal Services Ordinance and Food Business Regulation for not having a general restaurant licence to cover the 5th Floor premises of Taiwan Beef Noodle/Chinese Kitchen (TST), and we had failed to comply with the Food Business Regulation for allowing Nosh Café & Bar to sell food items prepared by Taiwan Beef Noodle (Airport). For details of such non-compliance incidents and the respective rectification actions taken by our Group, please refer to the paragraph headed “Business — Non-compliance” in this prospectus.

Our Directors confirm that, save as disclosed above, we had complied with all relevant laws and regulations in Hong Kong in all material respects during the Track Record Period and up to the Latest Practicable Date.

MATERIAL ADVERSE CHANGE

The impact of the listing expenses in relation to the Placing on our combined statements of profit or loss and other comprehensive income has posted material adverse changes in the financial or trading position or prospect of our Group since 31 March 2016, being the date to which the latest financial statements of our Group were made up. Prospective investors should be aware of the impact of the listing expenses in relation to the Placing on the performance of our Group for the year ending 31 March 2017.

Save as disclosed above, our Directors confirm that since 1 April 2016 and up to the Latest Practicable Date, there had been no material adverse change in our financial or trading position or prospects and no event had occurred that would materially and adversely affect the financial information set forth in the Accountants’ Report set out in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“affiliate(s)”	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Airport Authority”	The Airport Authority Hong Kong
“Airport Catering”	Airport Catering Services Company Limited (機場餐飲服務有限公司), a company incorporated in Hong Kong with limited liability on 12 July 2011 and an indirect wholly-owned subsidiary of our Company
“Airport Staff”	people whose place of work or reporting for duty is at the Hong Kong International Airport
“Articles of Association” or “Articles”	the articles of association of our Company that were conditionally adopted on 21 July 2016, which will take effect on the Listing Date, as amended from time to time, a summary of which is contained in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	our board of Directors
“Business Day(s)”	any day(s) (other than Saturday(s), Sunday(s) or public holiday(s)) in Hong Kong on which licensed banks in Hong Kong are open generally for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 1,499,999,998 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information — A. Further information about our Group — 3. Written resolutions of the sole Shareholder passed on 21 July 2016” in Appendix IV to this prospectus
“Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

DEFINITIONS

“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Champion Catering”	Champion Catering Investment Limited (冠齊餐飲投資有限公司), a company incorporated in Hong Kong with limited liability on 23 May 2011, a former subsidiary of our Group of which 50% of its issued share capital was transferred to Mr. So Chi Keung, a cousin-in-law and a connected person of Mr. Wong, on 2 December 2013 and 50% of its issued share capital was transferred to an Independent Third Party on 17 January 2014
“China” or “PRC”	the People’s Republic of China which, for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Chinese Kitchen (Airport)”	the restaurant under the brand “ <i>Chinese Kitchen</i> (中國廚房)” which is situated at the Hong Kong International Airport, the operation of which is carried out by Airport Catering
“close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Coffee Express”	the takeaway kiosk operated by Airport Catering under the brand “ <i>Coffee Express</i> ” during the Track Record Period, which was situated at the Hong Kong International Airport. We expect to re-launch Coffee Express at the Hong Kong International Airport in August 2016
“Companies Ordinance”	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) effective from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) effective from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “us” or “we”	Royal Catering Group Holdings Company Limited (皇璽餐飲集團控股有限公司), an exempted company incorporated in the Cayman Islands under the Cayman Companies Law with limited liability on 19 August 2015

DEFINITIONS

“Co-Lead Manager”	Koala Securities Limited, a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities) regulated activity as defined in the SFO, being the co-lead manager of the Placing
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and unless the context requires otherwise, refers to Mr. Wong and Fortune Round
“core connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“DCO”	the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“DCR”	the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Deberie”	Deberie Investment Limited (得百利投資有限公司), a company incorporated in Hong Kong with limited liability on 6 July 1993 and an indirect wholly-owned subsidiary of our Company
“Deed of Indemnity”	the deed of indemnity dated 25 July 2016 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries)
“Deed of Non-Competition”	the deed of non-competition undertaking dated 25 July 2016 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries)
“DEP”	the Director of Environmental Protection
“DFEH”	the Director of Food and Environmental Hygiene
“Director(s)” or “our Director(s)”	the director(s) of our Company
“EPD”	the Environmental Protection Department of the HKSAR Government
“FEHD”	the Food and Environmental Hygiene Department of the HKSAR Government
“Fortune Round”	Fortune Round Limited, a company incorporated in BVI with limited liability on 8 May 2015, the entire issued share capital of which is owned by Mr. Wong, one of our Controlling Shareholders

DEFINITIONS

“Friend Limited”	Friend Limited (朋友有限公司), a company incorporated in Hong Kong with limited liability on 5 August 2010 and 20% of its issued share capital was previously held by Palace, which was transferred to an Independent Third Party on 14 September 2015
“Frost & Sullivan Report”	an independent market research report commissioned by our Company and prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. for the purpose of this prospectus
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Golden Royal”	Golden Royal Food Management Limited (金滙食品管理有限公司), a company incorporated in Hong Kong with limited liability on 18 November 2011 and an indirect wholly-owned subsidiary of our Company
“Grand Richest”	Grand Richest Limited (凱豐有限公司), a company incorporated in Hong Kong with limited liability on 22 September 2004 and an indirect wholly-owned subsidiary of our Company
“Group”, “our Group”, “us” or “we”	our Company and our subsidiaries or any of them, or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, our Company’s current subsidiaries or the business operated by such subsidiaries or their predecessors (as the case may be)
“HKFRSs”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSAR Government”	the Government of the HKSAR
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK Star”	HK Star’s Local Delicacy Limited (左麟右李(機場)餐飲有限公司), a company incorporated in Hong Kong with limited liability on 24 October 2013 in which our Company holds 30% shareholding
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollar(s)”, “HK\$” and “cent(s)”	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong

DEFINITIONS

“Independent Third Party(ies)”	person(s) or company(ies) which, to our Directors’ best knowledge, information and belief, having made all reasonable enquiries, is/are not a connected person(s) (as defined in the GEM Listing Rules) of our Company
“Latest Practicable Date”	25 July 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Licence Agreement(s)”	Agreement(s) for Commercial Catering Concession at the Hong Kong International Airport entered into between the Airport Authority and our Group in effect from time to time, under which our Group is granted the right to operate the commercial catering concession at the Hong Kong International Airport
“Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong
“Listing”	the listing of our Shares on GEM
“Listing Date”	the date expected to be on or about 8 August 2016, on which our Shares are listed and from which dealings therein are permitted to take place on GEM
“Listing Division”	the listing division of the Stock Exchange
“LLB”	the Liquor Licensing Board of Hong Kong
“Memorandum of Association” or “Memorandum”	memorandum of association of our Company that were conditionally adopted on 21 July 2016, which will take effect on the Listing Date, as amended from time to time, a summary of which is contained in Appendix III to this prospectus
“Mr. Wong”	Mr. Wong Man Wai (王文威), the Chairman, the chief executive officer and executive Director of our Company, the sole shareholder of Fortune Round and one of our Controlling Shareholders
“Mui Chai Kee”	the dessert shop under the brand “ <i>Mui Chai Kee</i> (妹仔記)”, which was situated in Yaumatei, the operation of which was carried out by Rich Forever and ceased in June 2013
“Offer Size Adjustment Option”	the option expected to be granted by our Company to the Sole Lead Manager under the Underwriting Agreement, pursuant to which the Sole Lead Manager may require us to allot and issue up to an aggregate of 75,000,000 additional new Shares (representing approximately 15% of the total number of the Placing Shares initially available under the Placing), if any, as further described in the paragraph headed “Structure and Conditions of the Placing — Offer Size Adjustment Option” in this prospectus

DEFINITIONS

“Palace”	Palace Corporation Limited (金匱有限公司), a company incorporated in Hong Kong with limited liability on 24 August 2007 and an indirect wholly-owned subsidiary of our Company
“Placing”	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company for cash at the Placing Price (plus a brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on the terms and subject to the conditions described in this prospectus, as further described in the section headed “Structure and Conditions of the Placing” of this prospectus
“Placing Price”	the final Hong Kong dollar price per Placing Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Placing Shares are to be subscribed pursuant to the Placing, as further described in the section headed “Structure and Conditions of the Placing” of this prospectus
“Placing Shares”	500,000,000 Shares (subject to the Offer Size Adjustment Option as further described in the section headed “Structure and Conditions of the Placing” of this prospectus) initially being offered by us for subscription at the Placing Price under the Placing
“Price Determination Agreement”	the agreement to be entered into between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) on or about the Price Determination Date to determine the Placing Price
“Price Determination Date”	the date expected to be on or about 3 August 2016, on which the Placing Price will be fixed, or such later date as may be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters)
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reorganisation”	the reorganisation arrangements undergone by our Group in preparation for the Listing, details of which are set out in the paragraph headed “History, Development and Reorganisation — Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate given to our Directors by our sole Shareholder on 21 July 2016 relating to the repurchase of the Shares, as further described in the paragraph headed “Statutory and General Information — A. Further information about our Group — 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus

DEFINITIONS

“Rich Forever”	Rich Forever Limited (豪展有限公司), a company incorporated in Hong Kong with limited liability on 19 May 1999, a former subsidiary of our Group, the entire issued share capital of which has been held by Mr. Wong’s father, Mr. Wong Shu Pui, since 13 December 2013
“Royal Catering”	Royal Catering Group Company Limited (皇璽餐飲集團有限公司), a company incorporated in Hong Kong with limited liability on 21 July 2010 and an indirect wholly-owned subsidiary of our Company
“Royal Time”	Royal Time Enterprises Limited (時代企業有限公司), a company incorporated in Hong Kong with limited liability on 1 June 1998 and an indirect wholly-owned subsidiary of our Company
“Rules of CCASS”	the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time
“SAFE”	中華人民共和國外匯管理局 (the State Administration of Foreign Exchange in the PRC) or its competent local branches
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 21 July 2016, the principal terms of which are summarised in the paragraph headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Shiny Asia”	Shiny Asia Investment Limited (迅亞投資有限公司), a company incorporated in Hong Kong with limited liability on 5 June 2014 and an indirect wholly-owned subsidiary of our Company
“Simple Future”	Simple Future Investment Ltd., a company incorporated in BVI with limited liability on 29 May 2015 and a direct wholly-owned subsidiary of our Company
“Sole Bookrunner” and “Sole Lead Manager”	RaffAello Securities (HK) Limited, a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined in the SFO, being the sole bookrunner and the sole lead manager of the Placing

DEFINITIONS

“Sole Sponsor”	RaffAello Capital Limited, a licensed corporation registered under the SFO to carry on Type 6 (advising on corporate finance) regulated activity as defined in the SFO, being the sole sponsor of the Placing
“Starz Kitchen Management”	Starz Kitchen Management Limited (星廚管理有限公司), a company incorporated in Hong Kong with limited liability on 16 April 2012 and 50% of its issued share capital is held by Golden Royal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the GEM Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Sunny Echo”	Sunny Echo Limited (信紀有限公司), a company incorporated in Hong Kong with limited liability on 20 July 2010, a former subsidiary of our Group, the entire issued share capital of which was transferred to an Independent Third Party on 30 October 2015
“Taiwan Beef Noodle (Airport)”	the restaurant under the brand “ <i>Taiwan Beef Noodle</i> (台灣牛肉麵)” which is situated at the Hong Kong International Airport, the operation of which is carried out by Airport Catering
“Taiwan Beef Noodle/Chinese Kitchen (TST)”	the restaurant under the brands “ <i>Taiwan Beef Noodle</i> (台灣牛肉麵)” and “ <i>Chinese Kitchen</i> (中國廚房)”, which is situated on the 4th Floor, 5th Floor and 7th Floor, China Hong Kong Centre, 122–126 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, the operation of which is carried out by Sunny Echo
“Taiwan Beef Noodle (Kowloon City)”	the restaurant under the brand “ <i>Taiwan Beef Noodle</i> (台灣牛肉麵)” which is situated on the Ground Floor, Fook Luen Mansion, 40 Lion Rock Road, Kowloon City, Hong Kong, the operation of which is carried out by Deberie
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tasty (Airport)”	the restaurant under the brand “ <i>Tasty Congee & Noodle Wantun Shop</i> (正斗)” which is situated at the Hong Kong International Airport, the operation of which is carried out by Wingo
“The Peak Lookout (Airport)”	the restaurant under the brand “ <i>The Peak Lookout</i> (太平山餐廳)”, which is situated at the Hong Kong International Airport, the operation of which is carried out by Friend Limited

DEFINITIONS

“Top Future”	Top Future Management Ltd., a company incorporated in BVI with limited liability on 20 May 2015 and an indirect wholly-owned subsidiary of our Company
“Track Record Period”	the period comprising the three years ended 31 March 2014, 2015 and 2016
“TST Franchising Agreement”	the franchising agreement dated 30 October 2015 entered into between Top Future as franchisor and Sunny Echo as franchisee in relation to the franchising arrangements of Taiwan Beef Noodle/Chinese Kitchen (TST), details of which are set out in the paragraph “Business — Franchising business model” in this prospectus
“Underwriters”	the underwriters for the Placing as listed in the paragraph headed “Underwriting — Underwriters” in this prospectus
“Underwriting Agreement”	the underwriting agreement dated 1 August 2016 relating to the Placing and entered into, amongst others, our Company, our Controlling Shareholders, the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager, our executive Directors and the Underwriters, as further described in the paragraph headed “Underwriting — Underwriting Agreement and expenses — Underwriting Agreement” in this prospectus
“United States” or “US”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“US dollar(s)” or “US\$”	United States dollar(s), the lawful currency of the United States
“Victor Inc.”	Victor Inc. Limited (宏德興業有限公司), a company incorporated in Hong Kong with limited liability on 5 July 2010 and an indirect non-wholly-owned subsidiary of our Company before its deregistration on 15 April 2016
“Wingo”	Wingo Hong Kong Investment Limited (永高香港投資有限公司), a company incorporated in Hong Kong with limited liability on 5 January 2010 and 42% of its issued share capital is held by Palace
“WPCO”	the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“sq.m.” or “m ² ”	square metre
“%”	per cent

DEFINITIONS

In this prospectus:

- *All dates and times refer to Hong Kong time unless otherwise stated.*
- *Unless otherwise expressly stated or the context otherwise requires, all information is as at the Latest Practicable Date.*
- *Certain amounts and percentage figures included have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*
- *Unless otherwise specified, amounts denominated in RMB and US dollars have been converted into Hong Kong dollars, for the purpose of illustration only, at the rates of RMB1:HK\$1.24 and US\$1.00:HK\$7.85, respectively. No representation is made that any amounts in US\$, RMB or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates or at all.*

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that relate to our current expectations and views of future events. These forward-looking statements are contained principally in the sections headed “Summary and Highlights”, “Risk Factors”, “Future Plans and Use of Proceeds”, “Industry Overview”, “Business” and “Financial Information” of this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed “Risk Factors” of this prospectus, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

The words and expressions such as “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “shall”, “should”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements include statements relating to:

- our business prospects, strategies, plans, objectives and goals;
- our capital expenditure plans and future capital requirements;
- the amount and nature of, and potential for, future development of our business;
- our operations and the business opportunities that we may pursue;
- the general regulatory environment of the industry in which we are operating;
- future developments, trends and conditions in the industry and markets in which we operate;
- the performance of global financial market, including changes in our ability to access the capital markets and changes in the level of interest rates;
- our ability to control costs;
- the actions and developments of our competitors;
- changes in general political, economic, legal, market and business conditions;
- other statements in this prospectus which are not historical facts; and
- certain statements in the section headed “Financial Information” of this prospectus with respect to trends in prices, operations, margins, overall market trends and risk management.

These forward-looking statements are subject to certain risks, uncertainties and assumptions, some of which are beyond our control. Further, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of our future performance. Actual results may differ materially from the information contained in the forward-looking statements as a result of a number of uncertainties and factors, including the risk factors set out in the section headed “Risk Factors” of this prospectus.

FORWARD-LOOKING STATEMENTS

The forward-looking statements made in this prospectus relate only to events or information as at the date on which the statements are made in this prospectus. Subject to the requirements of applicable laws and regulations, we undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus (whether as a result of new information, future events or developments or otherwise) after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this prospectus completely with the understanding that our actual future results or performance may be materially different from what we expect.

RISK FACTORS

You should carefully consider all the information set forth in this prospectus, including the risks described below, before making an investment in the Shares. The occurrence of any of the following risks may have a material adverse effect on our business, financial condition, results of operations and future prospects. The trading price of the Placing Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We derive most of our revenue from our restaurants operating at the Hong Kong International Airport, therefore our operation may be affected by any future plans of the Airport Authority in respect of the Hong Kong International Airport.

For the three years ended 31 March 2014, 2015 and 2016, the revenue derived from our restaurants and takeaway kiosk operating at the Hong Kong International Airport accounted for approximately 58.7%, 64.9% and 76.9%, respectively. We derived most of our revenue from our operation at the Hong Kong International Airport. Any disruption of operation of the Hong Kong International Airport, whether due to natural disasters or otherwise, will materially affect our Group's operation and financial performance. A number of air traffic related factors could affect our business and results of operations, such as the number of aircrafts and passengers arriving at and departing from the Hong Kong International Airport. These factors are in turn influenced by a number of variables, many of which are beyond our Group's control. These variables are:

- level of trade, tourism and business travel between Hong Kong and those countries and regions that have established international flight connections with Hong Kong;
- competition from alternative airports, tourist destinations and means of transportation;
- air ticket prices; and
- actual or perceived security threats to air travel.

Any decrease in passenger traffic could have a material and adverse effect on our Group's results of operations.

Any future plans of the Airport Authority in respect of the Hong Kong International Airport may also affect our business operation. There has been news reports that the Airport Authority plans to shut down Terminal 2 of the Hong Kong International Airport in 2019 to support the proposed third runway. As at the Latest Practicable Date, our Directors were not aware of any official confirmation or denial of such news by the HKSAR Government.

In the event that Terminal 2 of the Hong Kong International Airport has to be shut down, we may have to close Macao Harbour Restaurant prior to the expiry of its existing Licence Agreement. We could not assure you that the Airport Authority would be able to find an appropriate alternative location of comparable size and guest traffic for relocation of our restaurant. Even if there is a suitable premises for us to operate our restaurant, we would need to incur relocation expenses for the removal of the plant, equipment, fixtures, fittings, furnishings and furniture to the new premises and there is no guarantee that we would be able to generate a similar level of revenue, or at all, in the new premises. Moreover, as we cannot carry on the business of the relevant restaurant during the period of relocation, this would affect our business and results of operations.

RISK FACTORS

There is no assurance that we could secure the licences to operate our restaurants at the Hong Kong International Airport through tendering process.

We are required to submit tender proposals to obtain the licences to operate our restaurants at the Hong Kong International Airport. Terms of the current Licence Agreements range from one year to five years. Upon expiry of the current Licence Agreements, we are required to submit new tenders to the Airport Authority.

As at the Latest Practicable Date, we operated four restaurants at the Hong Kong International Airport. We also operated a takeaway kiosk at the Hong Kong International Airport during the Track Record Period, which is expected to re-launch in August 2016 following the award of a new Licence Agreement by the Airport Authority. For the three years ended 31 March 2014, 2015 and 2016, these restaurants and the takeaway kiosk contributed approximately 58.7%, 64.9% and 76.9%, respectively, to our revenue. Although we have successfully secured the respective Licence Agreements for the continuing operation of Chinese Kitchen (Airport) and Coffee Express recently, there is no assurance that we will always be able to meet the conditions and pre-requisite requirements for tendering in the future. Even if we are able to meet the pre-requisite requirements for tendering, we could not assure you that:

- we would submit tender proposal in time;
- we would be awarded a licence by the Airport Authority;
- the terms and conditions of the new Licence Agreements would be comparable to the existing Licence Agreements; or
- we could meet the terms and conditions of the licences at all.

Therefore, we could not guarantee that we will always succeed in the tender process. If we fail to tender successfully, we will not be able to continue to carry on the business of our restaurants currently operating at the Hong Kong International Airport, which could result in a material adverse effect on our business and results of operations.

We may not be able to maintain our historical revenue level due to the disposal of the entire issued share capital of Sunny Echo.

As part of our plan to develop a more asset-light business line, on 31 August 2015, Palace and the general manager of Taiwan Beef Noodle/Chinese Kitchen (TST), who is an Independent Third Party, entered into a sale and purchase agreement. Pursuant to the agreement, Palace sold the entire share capital of Sunny Echo to the Independent Third Party. The sale and purchase was completed on 30 October 2015. On 30 October 2015, Top Future as franchisor and Sunny Echo as franchisee entered into the TST Franchising Agreement under which Sunny Echo would pay Top Future a monthly service fee calculated based on the monthly sales and an annual fee calculated based on the profit of the relevant financial year for the non-exclusive right to use the brands “*Taiwan Beef Noodle* (台灣牛肉麵)” and “*Chinese Kitchen* (中國廚房)” to operate Taiwan Beef Noodle/Chinese Kitchen (TST) until April 2023.

For the three years ended 31 March 2014, 2015 and 2016, the revenue derived from Sunny Echo accounted for approximately 34.9%, 30.1% and 17.1% of our total revenue, respectively. We could not assure you that such franchising model would succeed and that we would be able to derive comparable or more revenue from such franchising model. Therefore, we may not be able to achieve and sustain the historical level of revenue and profitability. You should not rely on our historical results to predict the future performance of our Group.

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As we license or lease all of the properties on which our restaurants operate, we are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs.

As at the Latest Practicable Date, we licensed or leased all the properties for our restaurants operating at the Hong Kong International Airport and in the urban area of Hong Kong. In respect of our restaurants operating at the Hong Kong International Airport, the licence fees payable are contingent depending on the gross revenue of the respective restaurants or the monthly average number of passenger trips at the Hong Kong International Airport. As for the current lease of our Taiwan Beef Noodle (Kowloon City), it provides for a fixed rent.

Occupancy costs account for a significant portion of our operating expenses. For the three years ended 31 March 2014, 2015 and 2016, our property rentals and related expenses amounted to approximately HK\$25.4 million, HK\$33.1 million and HK\$32.0 million, respectively, representing 20.9%, 23.4% and 25.5% of our revenue during the respective periods. Our Directors believe that the licence fees for operating restaurants at the Hong Kong International Airport and the rental costs for premises that are suitable for restaurant business in Hong Kong will continue to increase in general. Our substantial operating lease obligations expose us to potentially significant risks, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes.

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

For our restaurants operating at the Hong Kong International Airport, our current Licence Agreements have a term ranging from two to five years. The new Licence Agreement for the operation of our takeaway kiosk under the brand “Coffee Express” has a term of one year. Upon expiry of any of the Licence Agreements, we are required to submit tender proposals to the Airport Authority for a new licence agreement for the same or other appropriate restaurant concession. If we are not awarded a new licence agreement for any of our restaurant sites, we will have to close or relocate the relevant restaurant. This would eliminate the sales that the restaurant would have contributed to our revenue during the period of closure and could subject us to construction and other costs and risks. In addition, the revenue and any profit generated at a relocated restaurant may be less than the revenue and profit previously generated at the closed restaurant. Therefore, any inability to obtain licences for desirable restaurant locations could have a material adverse effect on our business and results of operations.

We had net operating cash outflow from our operating activities for the year ended 31 March 2016. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially and adversely affected.

We had net cash inflow from operating activities of approximately HK\$10.0 million and HK\$26.6 million for the years ended 31 March 2014 and 2015, respectively. We recorded net cash outflow from operating activities of approximately HK\$0.9 million for the year ended 31 March 2016. For further information, please refer to the paragraph headed “Financial Information — Liquidity, financial resources and capital structure — Cash flows from operating activities” in this prospectus.

We cannot assure you that we will not experience net cash outflow in the future. Net operating cash outflow could impair our ability to make necessary capital expenditures and constrain our operational flexibility as well as adversely affect our ability to meet our liquidity

RISK FACTORS

requirements. For example, if we do not have sufficient net cash flow to fund our future capital requirements, pay our trade and bills payables and repay our outstanding debt obligations when they become due, we may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or curtail our development and expansion plans. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our results of operations may experience fluctuations from period to period due to seasonality and other factors.

Our overall results of operations may fluctuate from period to period because of various factors, including:

- the timing of new restaurant openings;
- the incurrence of associated pre-opening costs and expenses, operating costs for our newly opened restaurants; and
- seasonal fluctuations.

During the Track Record Period, we generally derived a relatively higher monthly revenue during July and August. Our revenue during the first fiscal quarter (from April to June) is relatively lower. As a result, our results of operations may experience fluctuations from period to period and a comparison of different periods may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

The state of economy in Hong Kong may adversely affect our performance and financial condition.

During the Track Record Period, we generated all of our revenue in Hong Kong. If Hong Kong experiences any adverse economic condition due to events beyond our control, such as natural disasters, contagious disease outbreaks or terrorist attacks, a local economic downturn, mass civil disobedience movements or if the local authorities place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected. In addition, we have limited experience in operating business in other places, and may have difficulties in relocating our business to other geographic markets. Therefore, if there is any deterioration in the economic, political and regulatory environment in Hong Kong, our business may be materially and adversely affected.

In late September 2014, a civil disobedience movement referred to as Occupy Central began and a number of anti-parallel trader rallies took place in Hong Kong. We cannot assure you that any future occurrence of similar social events would not have an adverse impact on our Group's operations and financial performance.

Our financial results depend on the success of our existing and new restaurants.

Our financial results depend on our ability to increase sales and efficiently manage costs in our existing and new restaurants. In particular, the success of our restaurants depends principally on our ability to increase guest traffic and the average spending per invoice. Significant factors that might adversely impact our guest traffic level and the average spending per invoice include:

- decrease in passenger traffic at the Hong Kong International Airport;

RISK FACTORS

- intensified competition in the casual dining market at the Hong Kong International Airport;
- changes in consumer preference;
- declining economic conditions that may adversely affect discretionary consumer spending in the markets that we serve;
- guest budgeting constraints and choosing not to order high margin items such as beverages;
- customer sensitivity to our menu price increases;
- our reputation and consumer perception of our restaurant brands and our offerings in terms of quality, price, value and service; and
- guest experiences from dining at our restaurants.

The profitability of our restaurants is also subject to cost increases that are either wholly or partially beyond our control, including:

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

We could not guarantee that we will have comparable restaurant sales growth or maintain our growth of revenue in the future. The failure of our existing or new restaurants to perform as expected could have a significant negative impact on our financial condition and results of operations.

The PRC market is different from our existing market in Hong Kong and our planned expansion into the PRC market presents significant risks.

As at the Latest Practicable Date, we had no operation in the PRC. We plan to open one new restaurant in the PRC in each of the years ending 31 March 2017 and 2018. For details, please refer to the paragraph headed “Business — Expansion plans, site selection and development” in this prospectus.

The casual dining market in the PRC may have different business environment, competitive condition, consumer preference and discretionary spending pattern from the casual dining market in Hong Kong. As a result, any new restaurants we open in the PRC may not be successful.

RISK FACTORS

Risks relating to our expansion to the PRC market include:

- consumers in the PRC may not be familiar with our restaurant brands and we may need to build brand awareness through greater investments in advertising and promotional activities than we originally planned;
- we may find it more difficult to hire, train and retain qualified employees who share our business philosophy and culture in the PRC;
- restaurants opened in the PRC may have lower average sales or higher construction, occupancy or operating costs than restaurants in Hong Kong;
- we may have difficulty in finding suppliers for adequate and reliable supplies of food ingredients which meet our quality standards in the PRC; and
- sales at restaurants opened in the PRC may take longer than expected to ramp up and reach, or may never reach, the expected sales and profit levels.

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

If our expansion plans prove to be unsuccessful, or if we fail to obtain sufficient funding for our expansion plans, our business and growth prospects may be adversely affected.

We operated five restaurants as at the Latest Practicable Date. We also operated a takeaway kiosk at the Hong Kong International Airport during the Track Record Period, which is expected to re-launch in August 2016 following the award of a new Licence Agreement by the Airport Authority. Our future growth depends on our ability to open and profitably operate new restaurants. We plan to open three new restaurants in each of the two years ending 31 March 2017 and 2018. In order to open our planned new restaurants, we expect our Group will require approximately HK\$15.0 million and HK\$14.7 million for the two years ending 31 March 2017 and 2018, respectively, in capital expenditures for our expansion plans in Hong Kong and the PRC. For details, please refer to the paragraph headed “Business — Expansion plans, site selection and development” and the section headed “Future Plans and Use of Proceeds” of this prospectus. The number and timing of new restaurants actually opened during any given period and their associated contribution to our growth are subject to a number of risks and uncertainties, including our ability to:

- secure the award of licences by the Airport Authority to operate restaurants at the Hong Kong International Airport;
- find quality locations and secure leases on commercially reasonable terms;
- secure the required government permits and approvals;
- obtain adequate financing for development and opening costs;
- efficiently manage the time and cost involved in the design, construction and pre-opening processes for each new restaurant;

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- accurately estimate expected consumer demand in new locations and markets;
- minimise cannibalisation of sales at our existing restaurants;
- secure adequate suppliers of food ingredients that meet our quality standards;
- hire, train and retain skilled management and other employees on commercially reasonable terms; and
- successfully promote our new restaurants and compete in the markets where our new restaurants are located.

New restaurants also incur expenses before opening, such as rental expenses and staff costs, and require time to ramp up and achieve our target performance. Our progress in opening new restaurants from period to period may also occur at an uneven rate. Accordingly, the number and time of commencement of operations of new restaurants may continue to have an impact on our cash flow and profitability.

We believe that our current cash and cash equivalents, anticipated cash flow from operations and the proceeds from the Placing will be sufficient to meet our anticipated cash needs, including our needs for working capital and capital expenditures, for at least 12 months from the date of this prospectus. We may, however, require additional cash resources to finance our continued growth or other future development, including any investments we may decide to pursue. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing by selling additional equity or debt securities or obtaining a credit facility. Any sale of additional equity securities would result in dilution of our Shareholders' interests. Any incurrence of indebtedness would increase debt service obligations and could result in operating and financing covenants that may, among other things, restrict our expansion plans and operations or our ability to pay dividends. If we fail to satisfy the debt obligations or are unable to comply with any debt covenants, we could be in default under the relevant debt obligations. Our liquidity and financial conditions may be materially and adversely affected.

We did not fully comply with the licensing and other statutory requirements and may face prosecution.

During the Track Record Period, our Group has failed to fully comply with the (i) Inland Revenue Ordinance; (ii) Food Business Regulation; (iii) WPCO; (iv) Public Health and Municipal Services Ordinance; and (v) Mandatory Provident Fund Schemes Ordinance. In particular, we had failed to comply with the Inland Revenue Ordinance in filing incorrect tax returns to the Inland Revenue Department, which was identified when the re-issued audited financial statements of some of our Group's members for the years ended 31 March 2013 and 2014 were prepared to resolve the qualified opinion on their respective audited accounts for the year ended 31 March 2014. We had also failed to comply with the Public Health and Municipal Services Ordinance and Food Business Regulation for not having a general restaurant licence to cover the 5th Floor premises of Taiwan Beef Noodle/Chinese Kitchen (TST), and we had failed to comply with the Food Business Regulation for allowing Nosh Café & Bar to sell food items prepared by Taiwan Beef Noodle (Airport). Please refer to the paragraph headed "Business — Non-compliance" in this prospectus for more details.

It is possible that prosecution may be taken against our Group and/or the relevant Directors for the non-compliance. As at the Latest Practicable Date, the relevant authorities had not issued any complaints or warnings, nor taken any action against the relevant subsidiaries of our Group. We could not assure you that the relevant authorities will not prosecute our Group and/or the relevant Directors for the non-compliance during the Track Record Period.

RISK FACTORS

Liquor licences of our restaurants are held by our Controlling Shareholder or employees.

As at the Latest Practicable Date, all liquor licences of our restaurants were held by Mr. Wong or our full-time employees. Please refer to the paragraph headed “Business — Licences and permits” in this prospectus for more details of the current liquor licences of our restaurants.

Under regulation 15 of the DCR, any transfer of a liquor licence must be made on the form as determined by the LLB. For a transfer application, consent of the holder of a liquor licence is required. Under regulation 24 of the DCR, in case of illness or temporary absence of the holder of a liquor licence, the secretary to the LLB may in his/her discretion authorise any person to manage the licensed premises. The application under such regulation is required to be made by the holder of the relevant liquor licence. Under section 54 of the DCO, in case of death or insolvency of the holder of a liquor licence, his/her executor or administrator or trustee may carry on the business in the licensed premises until the expiration of the licence.

Our restaurants may need to suspend or cease the sale of liquor for a certain period if:

- the relevant licence holders refuse to give consent to a transfer application when a transfer is required by our Group;
- our Group fails to make an application in respect of illness or temporary absence of any relevant licence holders;
- the relevant licence holders make a cancellation application without our Group's consent; or
- our Group is in the process of making an application for the issue of a new liquor licence in case of death or insolvency of the relevant licence holders.

Such suspension or cessation of the sale of liquor may adversely affect the business and profitability of our Group.

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

We believe our success depends substantially on the popularity of our brands. In particular, we have invested efforts and financial resources to establish the recognition and reputation of our “*Taiwan Beef Noodle* (台灣牛肉麵)” brand for Taiwanese cuisines and our “*Chinese Kitchen* (中國廚房)” brand for Chinese cuisines. As at the Latest Practicable Date, we operated three restaurants under our self-owned brands “*Taiwan Beef Noodle* (台灣牛肉麵)” and “*Chinese Kitchen* (中國廚房)”. As part of our multi-brand strategy, we also operate restaurants and a take-away kiosk under other brands. These other brands target different markets with different consumer groups. We believe that our continued success will depend largely on our ability to protect and enhance the value of all our brands. Any incident that erodes consumer trust in or affinity for our brands could significantly reduce our value. As we continue to grow in size, expand our menu offerings and services and extend our geographic reach, maintaining quality and consistency may become more difficult. We could not assure you that customer confidence in our brands will not diminish. If consumers perceive or experience a reduction in food quality, service, ambiance or believe in any way that we are failing to deliver a consistently positive experience, our brand value could suffer, which could have a material adverse effect on our business.

RISK FACTORS

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

Our customers may file complaints or claims against us regarding our food products or services, including the food prepared and served in and taken away by our customers from our restaurants.

Being in the catering industry, we face an inherent risk of food contamination and liability claims. Our food quality depends partly on the quality of the food ingredients provided by our suppliers and we may not be able to detect all defects in our supplies. For instance, the widely reported “gutter oil” incident in early September 2014 affected the food industry business in Taiwan, Hong Kong and Macau. Our Directors confirm, to the best of their knowledge, that we had not used any “gutter oil” in any of our restaurants during the Track Record Period and up to the Latest Practicable Date. Nevertheless, the widely reported “gutter oil” incident or any other similar incidents in the future may adversely affect customers’ confidence in dining-out, thereby affecting the catering industry in Hong Kong as a whole.

We also face the risk that certain of our employees may not adhere to our mandated procedures and requirements. Any failure to detect defective food supplies, or observe proper hygiene, cleanliness and other quality control requirements or standards in our operations could adversely affect the quality of the food we served in or taken away by our customers from our restaurants. This could lead to liability claims, complaints and related adverse publicity, reduced customer traffic at our restaurants, the imposition of penalties against us by relevant authorities and compensation awards by the court. During the Track Record Period and up to the Latest Practicable Date, we had no material non-compliances with food and health-related laws and regulations which resulted in any material penalty to our Group. We could not assure you that we will not receive any material orders or claims or penalty in relation to food and health-related matters in the future. Any such incidents could materially harm our reputation, results of operations and financial condition. In addition, as we are required under the Licence Agreements to offer clean and high-quality food and beverages safe for human consumption, in the event of such allegations, the Airport Authority may terminate the relevant Licence Agreements due to our purported breach of the relevant provisions contained therein. If any relevant Licence Agreement is terminated by the Airport Authority, we would not be able to continue to operate our restaurant, which could result in a material adverse effect on our business and results of operations.

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

The quality of the food we serve is critical to our success. Maintaining consistent food quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our Group’s quality control systems and our ability to ensure that our employees adhere to those quality control policies and guidelines. Please refer to the paragraph headed “Business — Quality control” in this prospectus for more details of our quality control standards. However, we could not assure you that our quality control standards will prove to be effective. Any significant failure or deterioration of our Group’s quality control standards could have a material adverse effect on our reputation, results of operations and financial condition.

RISK FACTORS

Any failure or perceived failure to deal with customer complaints or adverse publicity involving our food or services could materially and adversely affect our business and results of operations.

Our 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 our restaurants, restaurants operated by other food service providers or others across the food industry supply chain. Any such negative publicity could materially harm our business and results of operations and result in damage to our brands.

During the Track Record Period, we had received three complaints filed by our customers to the Airport Authority which involved food taste and price and service quality of our staff of our restaurants operating at the Hong Kong International Airport. We have not received any complaints filed by our customers to the Consumer Council and Hong Kong Tourism Board. We are not aware of any customer complaints seeking material compensation that could have a material adverse effect on our business and results of operations during the Track Record Period and up to the Latest Practicable Date.

Significant number of complaints or claims against us, even if meritless or unsuccessful, could force us to divert management and other resources from other business concerns, which may adversely affect our business and operations. Adverse publicity resulting from such allegations, even if meritless or unsuccessful, could cause customers to lose confidence in us and our brands. As a result, we may experience significant decline in our revenues and customer traffic from which we may not be able to recover.

Minimum wage requirements in Hong Kong may further increase and affect our staff costs in the future.

Our operations in Hong Kong are required to comply with the statutory minimum wage requirements, which came into force on 1 May 2011. The statutory minimum wage rate increased from HK\$28 per hour to HK\$30 per hour effective from 1 May 2013 and has been further increased to HK\$32.5 since 1 May 2015. Our staff costs increase as a result of the higher statutory minimum wage rate in Hong Kong. Higher statutory minimum wage rate may increase competition for qualified employees, which may indirectly result in higher salaries of our employees.

Further, the salary level of employees in the catering industry in Hong Kong has been increasing in recent years. For the three years ended 31 March 2014, 2015 and 2016, our costs on the employees amounted to approximately HK\$35.9 million, HK\$40.7 million and HK\$36.4 million, respectively, representing approximately 29.4%, 28.8% and 29.0% of our total revenue for the respective periods.

We may not be able to increase our prices to pass these increased costs onto our customers, in which case our business and results of operations would be materially and adversely affected.

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

We believe hiring, motivating and retaining qualified employees, including restaurant staff, cooks and kitchen assistants, are a critical part of our success as a restaurant operator. As at the Latest Practicable Date, we employed approximately 106 full-time employees and 44 part-time employees, with 7 of the full-time employees being head office personnel and 143 of whom

RISK FACTORS

were restaurant and centralised warehouse staff. Highly service-oriented and qualified individuals are in relatively short supply in Hong Kong and competition for these employees is intense. Any failure to employ and retain enough qualified employees could delay planned new restaurant openings or result in higher employee turnover, either of which could have a material adverse effect on our business and results of operations. In addition, competition for qualified employees could also require us to pay higher wages, which could result in higher labour costs.

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

Our future success depends on the ability of our key management personnel to work together to implement our growth strategies and maintain the reputation of our brands. Our future success also depends heavily on the continuing services and performance of our key management personnel, in particular our executive Directors and senior management. We must continue to attract, retain and motivate a sufficient number of qualified management and operating personnel, including restaurant managers and head chefs, to maintain consistency in the quality of our restaurants to meet our planned expansion requirements. If our key management personnel fails to work together successfully, or if one or more of our key management personnel is unable to effectively implement our business strategies, we may be unable to expand our business at the speed or in the manner as we expect. Competition for experienced management and operating personnel in the catering industry is intense and the pool of qualified candidates is limited. We may not be able to retain the services of our key management and operating personnel or attract and retain high-quality senior executives or key personnel in the future.

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

As we rely on our centralised warehouse to store the food ingredients and other supplies used at our restaurants operating at the Hong Kong International Airport, any disruption of operation at our centralised warehouse could adversely affect our business and operations.

We store most of the food ingredients and other supplies used at our restaurants operating at the Hong Kong International Airport in our centralised warehouse in Tsing Yi. There may be disruption of operation at our centralised warehouse, such as interruption by fires, floods, typhoons, power failures, electricity suspension, hardware and software failures and other events beyond our control, whether due to natural disasters or otherwise. This may result in delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation, which may render the perishable food ingredients unusable and inedible. Our restaurants operating at the Hong Kong International Airport may need to suspend or remove popular items or signature dishes from their menus, whether temporarily or on a permanent basis. If we remove popular items or signature dishes from our menu offerings, we may experience a significant reduction in revenue and our brand value may suffer, resulting in a material adverse effect on our business and results of operations. During the Track Record Period, there was no significant disruption of operation at our centralised warehouse. However, we could not assure you that the centralised warehouse will always operate normally in the future.

RISK FACTORS

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

As we operate in the catering industry, we usually receive and handle large amounts of cash in our daily operations. Some of our purchases are settled by cash at the time of delivery to the centralised warehouse in Tsing Yi or to Taiwan Beef Noodle (Kowloon City). We are not aware of any instances of fraud, theft and other misconduct involving employees and other third parties that had any material adverse impact on our business and results of operations during the Track Record Period and up to the Latest Practicable Date. However, we could not assure you that there will not be any such instances in the future. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

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

During the Track Record Period, we had obtained insurance policies that we believe are customary for business of our size and type and in line with the standard commercial practice in Hong Kong. Please refer to the paragraph headed “Business — Insurance” in this prospectus for more details of our insurance policies. However, there are types of losses that could not be insured against or that we believe are not commercially reasonable to insure, such as loss of reputation. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business and results of operations may be materially and adversely affected.

We may not be able to adequately protect our intellectual property, which, in turn, could harm the value of our brands and adversely affect our business.

We believe that the success of our business and the strength of our competitive position depend to a large extent on our customer awareness and recognition of the qualities for which our brands stand. Our ability to implement our business plans successfully depends in part on our ability to further build brand recognition using our proprietary knowhow, recipes, trade secrets and other intellectual property, including our names and logos.

We enter into confidentiality agreements with head chefs and key management to protect our proprietary knowhow, recipes and trade secrets. However, we could not prevent others from independently developing or otherwise obtaining access to our proprietary knowhow, concepts, recipes and trade secrets despite our efforts. This could reduce the appeal of our restaurants and adversely affect our business and results of operations.

If our efforts to maintain and protect our intellectual property are inadequate, or if any third party misappropriates, dilutes or infringes our intellectual property, the value of our brands may be harmed, which could have a material adverse effect on our business and might prevent our brands from achieving or maintaining market acceptance. Even if the use by an infringing restaurant of identical or similar brands and logos does not confuse customers, the distinctive nature of our restaurants’ brand image could be blurred because our brands and logos may lose the distinctive association with our restaurants that we are trying to establish with customers. Furthermore, negative publicity or customer disputes and complaints regarding any infringing parties’ unauthorised use of our or similar brands and logos could dilute or tarnish our restaurants’ brand appeal.

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Despite our efforts, we may not be able to prevent third parties from infringing upon our intellectual property rights, including our brands and logos. Any failure to protect or safeguard our intellectual property rights could materially and adversely affect our business, financial condition and results of operations. We may also be required to institute litigation, arbitration or other proceedings to enforce our intellectual property rights from time to time, which would likely to be time-consuming and expensive to resolve and would divert our management's time and attention regardless of its outcome. Even if we are able to successfully enforce our rights, any harm done to our brands could materially reduce sales, profitability and business prospects.

If we fail to secure the registration of our Group's material trademarks, we may be subject to infringement claim by third party and our business and results of operations may be adversely affected.

We have made various applications for the registrations of a number of our Group's trademarks with the Trade Marks Registry of the Intellectual Property Department. Please refer to the paragraph headed "Business — Intellectual property rights" in this prospectus for more details.

We could not guarantee the successful registrations of all or any of our Group's material trademarks. If we are unable to register our trademarks, we may face claims of infringement of third parties' proprietary rights or claims for indemnification resulting from infringement. In addition, we may be unaware of intellectual property registrations or applications relating to our brands that may give rise to potential infringement claims against us. Intellectual property litigation is expensive and time-consuming and could divert management's attention from our business. A successful infringement claim against us could, among other things, make us pay substantial damages and cease using our brands that have infringed a third party's intellectual property rights. Any intellectual property claim or litigation, regardless of whether we ultimately win or lose, could damage our reputation and have a material adverse effect on our business, results of operations or financial condition.

Unforeseeable business interruptions could adversely affect our business.

Accidents and unforeseeable events such as natural disasters, adverse weather conditions, fires, power failures, hardware and software failures, computer viruses, labour strikes, severe traffic accidents or delays or other events beyond our control may interrupt our operations. It may lead to delay in or failure of deliveries of food ingredients to our restaurants, resulting food product contamination or spoilage. In addition, there may also be incidents such as malfunction of refrigeration facilities or inappropriate handling during transportation which could also lead to food deterioration. This may result in failure on our part to provide quality food and services to customers, thereby affecting our business and damaging our reputation.

In addition, since we depend on our information technology system to manage our operations, including our point-of-sale and accounts systems, any failure or damage of our information technology system could lead to interruptions in our operations and adversely affect our business.

RISKS RELATING TO OUR INDUSTRY

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

The catering industry is susceptible to food-borne illnesses, health epidemics and other outbreaks. Furthermore, our reliance on third party food suppliers increases the risk that food-borne illness incidents could be caused by third party food suppliers outside our control and

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could affect multiple restaurants of our Group. New illnesses resistant to any precautions currently in place may develop in the future, or diseases with long incubation periods could arise, such as pig flu (swine influenza) and mad cow disease, that could give rise to claims or allegations on a retroactive basis. Reports in the media of instances of food-borne illnesses could, if highly publicised, negatively affect our industry in general and us in particular, impacting our restaurant sales, forcing the closure of some of our restaurants and conceivably having a significant impact on our operations. This risk exists even if it were later determined that the illness in fact was not caused by our restaurants.

We also face risks related to health epidemics. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the economy in Hong Kong. For example, in 2003, the Asian region, including the PRC, Hong Kong and Taiwan, encountered an outbreak of severe acute respiratory syndrome (SARS), a highly contagious form of atypical pneumonia; in 2013 and 2014, human infected cases of influenza A (H7N9) were discovered in the PRC and Hong Kong. A recurrence of SARS or an outbreak of any other epidemics or pandemics, including influenza A (H1N1 or H7N9) and avian flu (H5N1) in Hong Kong may result in quarantine, temporary closure of our restaurants, travel restrictions or the sickness or death of our key personnel and our guests. Any of the above may cause a material decrease in guest traffic and disruption to our operations, which may in turn materially and adversely affect our business and results of operations. Our Group does not have any specific insurance coverage for any loss of our Group as a result of any outbreak of the abovementioned contagious diseases.

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

For our restaurants operating in Hong Kong, we are required to obtain a number of licences and permits for our restaurant operations, including general restaurant licences, water pollution control licences, liquor licences, hygiene permits, polluting materials discharge permits and fire protection approvals. We are also required to comply with the environmental protection regulations. As we plan to open one new restaurant in the PRC in each of the years ending March 2017 and 2018, we will also be subject to the relevant PRC laws and regulations in relation to restaurant operation in the PRC. We could not assure you that the licensing requirements and environmental protection regulations for our restaurant operations in Hong Kong and the PRC will not become more stringent in the future. In addition, there is no assurance that we could obtain or renew all the required licences and permits for our restaurant operations.

Furthermore, if the relevant government authority concludes that any of our restaurants is not able to meet the required hygiene standards, we may be required to take steps to comply with the relevant laws and regulations or it may result in suspension of the operation of the relevant restaurant. Any failure to comply with the existing or future regulations could cause our Group to incur significant compliance costs or expenses in damages. Imposition of fines against us or suspension of some or all of our restaurants could materially and adversely affect our financial condition and results of operations.

The price of food ingredients may continue to rise and fluctuate.

Our business depends on reliable sources of large quantities of food ingredients such as vegetable and meat. Our ability to maintain consistent quality and menu offerings at our restaurants depends in part on our ability to acquire fresh food ingredients and related supplies from reliable sources that meet our quality specifications and are in sufficient quantities. A

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disruption of our food supplies could occur for a variety of reasons, many of which are beyond our control, including unanticipated demand, adverse weather conditions, natural disasters, diseases, a supplier ceasing its operations or unexpected production shortages.

For the three years ended 31 March 2014, 2015 and 2016, our Group's costs of goods sold accounted for approximately 23.5%, 22.5% and 21.7%, respectively, of our total revenue. We could not assure you that our Group's key suppliers will continue to provide us with food ingredients at reasonable prices, or the relevant food ingredient prices will remain stable in the future. If our Group is unable to manage these costs or to increase our prices to pass any increased costs onto our customers, our business and results of operations may be adversely affected.

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

The catering industry is affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment rate and consumer spending patterns. In particular, our Group is operating restaurants in Hong Kong and accordingly our results of operations are directly affected by the macro-economic conditions in Hong Kong. Events with adverse impact on investors' confidence and risk appetites, such as a general deterioration of the Hong Kong economy or mass civil disobedience movements, may affect our business. Any deterioration in the Hong Kong economy, decrease in disposable consumer income, fear of a recession and decrease in consumer confidence may lead to a reduction of guest traffic and average spending per invoice at our restaurants, which could materially and adversely affect our financial condition and results of operations.

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

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

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

Any inability to successfully compete with other restaurants may prevent us from increasing or sustaining our revenues and profitability and we may lose our market share. This could have a material adverse effect on our business, financial condition, results of operations or cash flow. We may also need to modify or refine elements of our restaurant system to evolve our dining

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concepts in order to compete with popular new restaurant styles or concepts which may develop from time to time. We could not ensure that we will be successful in implementing these modifications or that these modifications will have the intended effect.

RISKS RELATING TO THE PRC

Adverse changes in economic and political 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 our business and results of operations.

As at the Latest Practicable Date, we had no business operation in the PRC. We plan to open a new restaurant in the PRC in each of the years ending 31 March 2017 and 2018, respectively. Accordingly, our business, financial condition, results of operations and prospects could be affected by economic, political and legal developments in the PRC. The PRC economy differs from the economies of the most developed countries in many respects, including the degree of government involvement, level of development, growth rate, control in foreign exchange, access to financing and allocation of resources. Restaurant dining is discretionary to customers and tends to be higher during periods in which favourable economic conditions prevail. Customers' tendency to become more cost-conscious as a result of an economic slowdown or decreases in disposable income may reduce our customer traffic or average spending per customer, which may adversely affect our revenue.

While the PRC economy has experienced significant growth in the past 30 years, growth has been uneven geographically, across various sectors of the economy and during different periods. We cannot assure you that the PRC economy will continue to grow and any growth will be steady and uniform, or that if there is a slowdown, such slowdown will not have a negative impact on our business. In addition, we cannot assure you that the various macro-economic measures, monetary policies and economic stimulus packages that may be adopted by the PRC government will be effective in sustaining the recent growth rates of the PRC economy. In addition, such measures, even if they benefit the overall PRC economy in the long term, may adversely affect us if they reduce the disposable income of our customers or dampen their willingness to dine at restaurants.

Uncertainties with respect to the PRC legal system could materially and adversely affect us.

Our business in the PRC is expected to be conducted through our subsidiaries or joint ventures/associates to be established under the PRC laws. Thus, our operations in the PRC would be governed by the PRC laws and regulations. Our future PRC subsidiaries will generally be subject to the laws and regulations applicable to foreign investments in the PRC and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes and regulations. Prior court decisions may be cited for reference but have limited precedential value.

Since 1979, the PRC laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system and the recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. In particular, as these laws and regulations are relatively new, and published court decisions are limited in number and non-binding, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

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

We are a company incorporated under the laws of the Cayman Islands. During the Track Record Period and as at the Latest Practicable Date, all of our businesses, assets and operations were located in Hong Kong. All of our Directors and senior management reside in Hong Kong. As at the Latest Practicable Date, we operated all of our restaurants in Hong Kong. We plan to open new restaurants in Hong Kong and the PRC in the future. Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. In addition, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. As a result, recognition and enforcement in Hong Kong or the PRC of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter not subject to binding arbitration awards may be difficult or impossible.

Although we will be subject to the GEM Listing Rules and the Takeovers Code upon the Listing, our Shareholders will not be able to bring actions on the basis of violations of the GEM Listing Rules, which do not have the force of law in Hong Kong, and must rely on the Stock Exchange to enforce its rules. The Takeovers Code also does not have the force of law in Hong Kong and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share purchases in Hong Kong.

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

Governmental control of currency conversion may affect the value of your investment.

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

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

The change in value of the Renminbi against the Hong Kong dollar, US dollar and other currencies may fluctuate and is affected by changes in the PRC's political and economic conditions. In respect of our planned expansion in the PRC, a majority of our revenue and costs are expected to be denominated in RMB. We are also expected to partially rely on dividends

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and other fees paid to our Company by our subsidiaries to be established in the PRC. Any significant revaluation of RMB may materially and adversely affect our cash flows, revenue, earnings and financial position, and the value of, and any dividends payable on our Shares in Hong Kong dollars. For example, any appreciation of Renminbi against the Hong Kong dollar or US dollar or any other currencies may result in the decrease in the Renminbi-equivalent value of the proceeds from the Placing and our foreign currency-denominated assets. Conversely, any devaluation of Renminbi may adversely affect the value of, and any dividends payable on, our ordinary Shares in foreign currency terms.

RISKS RELATING TO THE PLACING

There has been no prior public market for our Shares, and the liquidity, market price and volume of our Shares may be volatile.

Prior to the completion of the Capitalisation Issue and the Placing, there has been no public market for our Shares. An active trading market for our Shares may not develop after the Placing and this may adversely affect the market price and liquidity of our Shares.

The indicative Placing Price range stated in this prospectus was determined as a result of negotiations between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters). As such, the Placing Price may not be an indicative price at which our Shares will be traded on the Stock Exchange. Future sales by our Group or its existing Shareholders of substantial amounts of our Shares after the Placing could adversely affect the prevailing market prices from time to time.

In view of the aforesaid, we could not assure you that an active trading market for our Shares will develop, or, if it does develop, that it will sustain after the Listing Date, or that the market price of our Shares will not fall below the Placing Price.

Volatility in the trading volume and price of our Shares may be caused by factors beyond our control and may be unrelated or disproportionate to our Group's operating results. Factors affecting the volatility of the trading volume and price of our Shares include:

- investors' perception of our Group and our business plans;
- fluctuations in our Group's operating results, such as revenue, earnings and cash flows;
- announcements of new investments, strategic alliances and/or acquisitions by our Group;
- fluctuations in market prices for services of our Group or any of our Group's comparable companies;
- changes in pricing policy adopted by us and our competitors;
- changes in our senior management personnel; and
- general economic factors.

We could not assure you that such factors will not occur and it is difficult to quantify their impact on our Group and the trading volume and price of our Shares. Any of these factors may result in substantial or sudden change in the volume and trading price of our Shares.

RISK FACTORS

Investors for our Shares may experience dilution in shareholding if our Group issues additional Shares in the future.

We are required to comply with Rule 17.29 of the GEM Listing Rules, which specifies that no further Shares or securities convertible into our equity securities (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from the Listing Date.

Having said that, upon expiry of such six-month period, we may raise additional funds by issue of new equity or equity-linked securities of our Company and such fund raising exercises may not be conducted on a pro-rata basis to the then existing Shareholders. As a result, the shareholding of the then Shareholders may be reduced or diluted and subject to the terms of the issue of the new securities, which may confer rights and privileges that have priority over those conferred by the issued Shares.

In addition, we may consider offering and issuing additional Shares in the future for expansion of our business or pursuant to the exercise of share options under the Share Option Scheme. In this regard, the then Shareholders may experience further dilution in the net tangible asset book value per Share if we issue additional Shares in the future at a price which is lower than the net tangible book value per Share.

Our Controlling Shareholders may have interests different from that of other Shareholders.

Our Controlling Shareholders will, upon completion of the Capitalisation Issue and the Placing, be beneficially interested in a total of approximately 75% of our Shares, assuming the Offer Size Adjustment Option is not exercised and no option would be granted under the Share Option Scheme. Our Controlling Shareholders will therefore have significant influence over our operations and business strategies, and may have the ability to require us to effect corporate actions according to their own desires.

The interests of our Controlling Shareholders may not always coincide with the interests of other Shareholders. We could not assure you that our Controlling Shareholders would act completely in the interests of our Group or that conflicts of interest would be resolved in favour of our Group.

If the interests of any of our Controlling Shareholders conflict with the interest of other Shareholders, or if any of our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, we or those Shareholders may be adversely affected as a result.

Future sale or perceived sale of substantial amount of our Shares by our Controlling Shareholders in the public market may affect the prevailing market price of our Shares.

We could not assure that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. We could not predict the effect, if any, that any future sale of our Shares by our Controlling Shareholders, or the availability of our Shares for sale by our Controlling Shareholders on the market price of our Shares.

Sale of substantial amount of our Shares by our Controlling Shareholders in the public market, or the perception that such sale may occur, could materially and adversely affect the prevailing market price of the Shares.

RISK FACTORS

We may experience a material adverse change in our financial results for the year ending 31 March 2017 which is mainly attributable to the expenses incurred in relation to the Listing.

No listing expenses was incurred and recorded for the two years ended 31 March 2014 and 2015 as we only started to incur the expenses after 31 March 2015. The financial results of our Group for the year ending 31 March 2017 would be affected by the non-recurring listing expenses. The estimated listing expenses for the year ending 31 March 2017 is approximately HK\$10.8 million (based on the mid-point of the indicative Placing Price range stated in this prospectus).

The amount of listing expenses is a current estimate for reference only and the final amount to be recognised in the combined statements of profit or loss and other comprehensive income of our Group for the year ending 31 March 2017 is subject to changes in variables and assumptions.

Based on the aforesaid, our financial performance for the year ending 31 March 2017 may or may not be comparable to our financial performance in the past. Our Directors expect that we may experience a material adverse change in our financial results for the year ending 31 March 2017, which is mainly attributable to this significant non-recurring item of expenses in relation to the Listing.

Historical dividend distributions are not an indication of our future dividend policy.

For the three years ended 31 March 2014, 2015 and 2016, we declared and paid dividends of approximately HK\$4.0 million, HK\$nil and HK\$43.0 million, respectively, to the then respective shareholder(s). On 24 November 2015, an interim dividend of HK\$43.0 million was declared by our Group and subsequently used to set off an outstanding amount due from Mr. Wong to our Group on 9 December 2015. On 31 May 2016, our Group declared an interim dividend of HK\$3.0 million and such amount was paid to Mr. Wong on 1 June 2016.

You should not rely on historical dividend distribution as a guide to the future dividend policy of our Group or as a reference or basis to determine the amount of dividends payable in the future. We could not assure you that dividends will be declared or paid in the future at a similar level or at all. A decision to declare and pay any dividends would require the recommendations of our Board and the approval of our Shareholders. The amount of dividends actually declared and paid will also depend on our future operations, earnings, cash flow, financial conditions, capital and investment requirements, contractual restrictions and other conditions which our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and the Cayman Companies Law.

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

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

RISK FACTORS

Issue of new Shares under the Share Option Scheme may decrease our Shareholders' value of investment.

We have conditionally adopted the Share Option Scheme. Any exercise of the options to be granted under the Share Option Scheme in the future and issue of Shares thereunder would result in the reduction in the shareholding proportion of our Shareholders and may result in a dilution in the earnings per Share and net asset value per Share due to the increase in the number of Shares outstanding after such issue.

Under HKFRSs, the costs of the share options to be granted under the Share Option Scheme will be recognised as expense in our combined statements of profit or loss and other comprehensive income over the vesting periods by reference to the fair value at the date on which the options are granted under the Share Option Scheme. As a result, our profitability and financial results may be adversely affected.

Investors should not place any reliance on any information contained in the press articles or other media regarding us and the Placing.

There may have been press and media coverage about us and the Placing, which may contain references to certain events or information such as financial information, projections, and other information about us that do not appear in this prospectus.

You should only rely on the information contained in this prospectus and any formal announcement made by us in Hong Kong when making any investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, the fairness, appropriateness or reliability of any forecast, or the views or opinions expressed by the press or other media regarding our Shares, the Placing, or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication by the press or media. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it.

Accordingly, prospective investors are cautioned against making their investment decisions in reliance on any other information, reports or publications other than this prospectus.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Investors should not place undue reliance on facts and other statistics contained in this prospectus.

Certain facts and publicly available statistical information in this prospectus that do not relate to our operations have been derived or extracted from various publicly available official governmental sources.

Whilst our Directors have taken reasonable care in the selection and reproduction of such information in this prospectus, neither our Group, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters nor any other parties involved in the Placing has independently verified such information, and it may be inaccurate, incomplete or out-of-date. We make no representation as to the accuracy or completeness of such information. We could not assure you that such information contained in this prospectus is prepared to the same standard or level of accuracy and is comparable with similar kind of information available in other publications or jurisdictions.

RISK FACTORS

As such, prospective investors should not place undue reliance on the information contained from various official governmental sources contained in this prospectus. In all cases, prospective investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

Forward-looking statements in this prospectus may prove inaccurate.

This prospectus contains certain forward-looking statements and information and adopts forward-looking terms such as “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward” “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “shall”, “should”, “will”, “would” and the negative of these terms and other similar expressions. Those statements include the discussion of our plans, objectives, expectations and intentions. Prospective investors should be cautious against placing undue reliance on any forward-looking statement as it may involve risks and uncertainties, and the assumptions on which the forward-looking statements are based could turn out to be inaccurate although we are of the belief that the assumptions are reasonable. The uncertainties in this aspect include those disclosed in this section, many of which are not within our control.

As such, the inclusion of forward-looking statements in this prospectus that our plans, objectives or estimates will be achieved, should not be regarded as representations by us, and prospective investors should not place undue reliance on such forward-looking statements. We are not obliged to update or revise any forward-looking statement in this prospectus, whether by reason of new information, future events or otherwise.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; and
- there are no other matters the omission of which would make any statement in this prospectus misleading.

Printed copies of this prospectus are available, for information purpose only, from 5:00 p.m. to 6:00 p.m. on Monday, 1 August 2016 and during normal office hours from 9:00 a.m. to 6:00 p.m. on Tuesday, 2 August 2016 at the offices of (i) RaffAello Securities (HK) Limited at Rooms 2002 and 2002B, 20th Floor, Tower Two, Lippo Centre, 89 Queensway, Admiralty, Hong Kong and (ii) Koala Securities Limited at Room 803, 8th Floor, Hong Kong Chinese Bank Building, 61 Des Voeux Road Central, Hong Kong.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing which is sponsored by the Sole Sponsor. The Placing Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreement, subject to the determination on the Placing Price agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) on or about the Price Determination Date. Further details of the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" of this prospectus.

DETERMINATION OF THE PLACING PRICE

The Placing Price is expected to be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) on or about the Price Determination Date. The Price Determination Date is expected to be on or about Wednesday, 3 August 2016 (Hong Kong time) or such later date as may be agreed between the parties.

If, for any reason, our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price by the Price Determination Date or such later date as may be agreed between the parties, the Placing will not proceed and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE PLACING SHARES

Each person acquiring the Placing Shares will be required to, or be deemed by his/her acquisition of the Placing Shares to, confirm that he/she is aware of the restrictions on the placing of the Placing Shares described in this prospectus and that he/she is not acquiring, and has not been offered, any Placing Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

constitute, an offer or invitation in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

We have not authorised anyone to provide any information or to make any representation in connection with the Placing not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager, the Underwriters or any of our or their respective directors, agents, advisers, employees, personnel or any other persons or parties involved in the Placing. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

Prospective investors should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. They should inform themselves of the relevant legal requirements for applying for the Placing Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

STRUCTURE AND CONDITIONS OF THE PLACING

Further details of the structure and conditions of the Placing are set out in the paragraph headed “Structure and Conditions of the Placing — Conditions of the Placing” in this prospectus.

APPLICATION FOR LISTING OF SHARES ON GEM

We have applied to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Placing as mentioned herein (including the additional Shares which may be issued upon full exercise of the Offer Size Adjustment Option and the Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme).

Save as disclosed in this prospectus, no part of our share or loan capital is listed, traded on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as at the date of this prospectus.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, we must maintain the minimum prescribed percentage of at least 25% of the our total issued share capital in the hands of the public.

Accordingly, a total of 500,000,000 Placing Shares representing 25% of our enlarged issued share capital immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme) will be made available under the Placing.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application list, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us by or on behalf of the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

Only securities registered on our branch register of members kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Monday, 8 August 2016. Shares will be traded in board lots of 20,000 Shares and are freely transferable.

We will not issue any temporary documents or evidence of title.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for listing of and permission to deal in the Shares in issue and to be issued. Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the Rules of CCASS. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements will affect their rights and interests.

OFFER SIZE ADJUSTMENT OPTION

Details of the arrangements relating to the Offer Size Adjustment Option are set out in the section headed “Structure and Conditions of the Placing” of this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Placing are recommended to consult their professional advisers for the taxation implications of subscribing for, purchasing, holding, disposal of or dealing in the Shares or exercising rights attached to them. We, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager, the Underwriters or any of our or their respective directors, agents, advisers, employees, personnel or any other persons or parties involved in the Placing do not accept responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Shares or exercising any rights attached to them.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by Maples Fund Services (Cayman) Limited in the Cayman Islands and our Hong Kong branch register of members will be maintained by Tricor Investor Services Limited in Hong Kong.

Dealings in the Shares registered on our branch register of members will be subject to stamp duty in Hong Kong.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIVIDENDS

Unless we determine otherwise, dividends (if any) will be paid in Hong Kong dollars to our Shareholders, as recorded in our branch register of members, by ordinary post at our Shareholders' risk, to the registered address of each Shareholder, or if joint Shareholders, to the first-named Shareholder therein in accordance with the Articles.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Wong Man Wai (王文威先生)	Flat A, 27th Floor The Colonnade 152 Tai Hang Road Happy Valley Hong Kong	Chinese
Mr. Chan Chak To Raymond (陳澤濤先生)	2nd Floor, Lot No. 12F Sheung Ling Pei Tsuen Tung Chung, New Territories Hong Kong	Chinese
Ms. Lam Wai Kwan (林慧君女士)	Room 1012, 10th Floor Lok Yiu House, Lai Yiu Estate Kwai Chung, New Territories Hong Kong	Chinese
Independent non-executive Directors		
Mr. Ma Yiu Ho Peter (馬遙豪先生)	Flat C, 8th Floor Tower 3, 1 Yuk Tai Street Sausalito Ma On Shan, New Territories Hong Kong	Chinese
Mr. Cheng Wing Hong (鄭永康先生)	Flat H, 41st Floor Tower 8, Phase 2, Tierra Verde 33 Tsing King Road Tsing Yi, New Territories Hong Kong	Chinese
Mr. Cai Chun Fai (蔡振輝先生)	Flat B, 21st Floor Block 1, Sun Yuen Long Centre 8 Long Yat Road Yuen Long, New Territories Hong Kong	Chinese

For further information on the profile and background of our Directors, please refer to the section headed “Directors and Senior Management” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED

Sole Sponsor

RaffAello Capital Limited

Room 2002, 20th Floor
Tower Two, Lippo Centre
89 Queensway
Admiralty, Hong Kong

Sole Bookrunner and Sole Lead Manager

RaffAello Securities (HK) Limited

Rooms 2002 and 2002B, 20th Floor
Tower Two, Lippo Centre
89 Queensway
Admiralty, Hong Kong

Co-Lead Manager

Koala Securities Limited

Room 803, 8th Floor
Hong Kong Chinese Bank Building
61 Des Voeux Road Central
Hong Kong

Underwriters

RaffAello Securities (HK) Limited

Rooms 2002 and 2002B, 20th Floor
Tower Two, Lippo Centre
89 Queensway
Admiralty, Hong Kong

Koala Securities Limited

Room 803, 8th Floor
Hong Kong Chinese Bank Building
61 Des Voeux Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law

CFN Lawyers

in association with Broad & Bright

27th Floor, Neich Tower
128 Gloucester Road
Wanchai, Hong Kong

As to PRC law

Broad & Bright

Suite 2904
Poly V North Tower
11-2 Xiancun Road
Zhujiang New Town
Guangzhou 510623
PRC

As to Cayman Islands law

Maples and Calder

53rd Floor
The Center
99 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

**Legal advisers to the Sole
Sponsor and the
Underwriters**

ONC Lawyers
19th Floor, Three Exchange Square
8 Connaught Place
Central, Hong Kong

**Auditors and reporting
accountants**

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

Compliance adviser

RaffAello Capital Limited
Room 2002, 20th Floor
Tower Two, Lippo Centre
89 Queensway
Admiralty, Hong Kong

Internal control adviser

**HLB Hodgson Impey Cheng Risk Advisory Services
Limited**
31st Floor, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

Industry Consultant

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
Room 1018, Tower B
No. 500 Yunjin Road
Xuhui District
Shanghai, 200232
China

CORPORATE INFORMATION

Registered office	Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
Headquarters, head office and principal place of business in Hong Kong	Room 1207, 12th Floor Wing On Kowloon Centre No. 345 Nathan Road Kowloon, Hong Kong
Company's website	www.hkrcg.com <i>(Note: information on the website does not form part of this prospectus)</i>
Company secretary	Mr. Ng Shing Kin (<i>FRM, HKICPA</i>)
Audit committee	Mr. Ma Yiu Ho Peter (<i>Chairman</i>) Mr. Cheng Wing Hong Mr. Cai Chun Fai
Remuneration committee	Mr. Cheng Wing Hong (<i>Chairman</i>) Mr. Wong Man Wai Mr. Cai Chun Fai
Nomination committee	Mr. Wong Man Wai (<i>Chairman</i>) Mr. Cheng Wing Hong Mr. Cai Chun Fai
Authorised representatives <i>(for the purpose of the GEM Listing Rules)</i>	Mr. Wong Man Wai Mr. Ng Shing Kin
Compliance officer	Mr. Wong Man Wai
Principal bankers	Chong Hing Bank Limited Ground Floor, Chong Hing Bank Centre 24 Des Voeux Road Central Hong Kong Nanyang Commercial Bank, Ltd. 151 Des Voeux Road Central, Hong Kong Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong

CORPORATE INFORMATION

**Principal share registrar and
transfer office**

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102, Cayman Islands

**Hong Kong branch share
registrar and transfer office**

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

INDUSTRY OVERVIEW

Certain information and statistics in this section have been derived from a commissioned report by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (“Frost & Sullivan”), an Independent Third Party. We believe that this source is appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics are false or misleading or that any fact has been omitted that would render such information or statistics false or misleading. However, such information and statistics have not been independently verified by us, any of our Directors, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager, the Underwriters, any of our or their respective directors, advisers, officers, employees, agents, affiliates or representatives of any of them or any other person or parties involved in the Placing. No representation is given as to their correctness or accuracy. Such information may not be consistent with the information compiled by other sources. Accordingly, you should not place undue reliance on such information or statistics.

SOURCE OF INFORMATION

In connection with the Placing, we have engaged Frost & Sullivan, an Independent Third Party, to conduct a study of the catering industry in Hong Kong and China. Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. Frost & Sullivan’s services include technology research, independent market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Frost & Sullivan has been covering Hong Kong market and the PRC market since the 1990’s. Frost & Sullivan has four offices in China and direct access to the most knowledgeable experts and market participants in the catering industry and its industry consultants have an average of more than five years of experience.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe such information facilitates the prospecting investors’ understanding of the casual dining market in Hong Kong and the PRC. The methodology used by Frost & Sullivan in gathering the relevant market data in compiling the Frost & Sullivan Report included secondary research and primary interviews. Secondary research involves integration of data and publication from publicly available resources, including the official data and announcements from Hong Kong government departments and the PRC government agencies, and market research on the industry and information released by our major competitors. Primary interviews are conducted with relevant institutions to obtain objective and factual data and prospective predictions. Frost & Sullivan considers the source of information as reliable because (i) it is the general market practice to adopt official data and announcements from various Hong Kong government departments and the PRC government agencies; and (ii) the information obtained from interviews is for reference only and the findings in the Frost & Sullivan Report are not based on the results of these interviews. Frost & Sullivan has proven track records in providing market research studies to government departments/agencies and private clients in the regions where the Frost & Sullivan Report covers. In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) the economies of Hong Kong and the PRC are assumed to maintain steady growth across the forecast period; (ii) the social, economic and political environments of Hong Kong and the PRC are likely to remain stable in the forecast period, which ensure the stable and healthy development of the casual dining market; and (iii) there is no war or large scale disaster during the forecast period.

We agreed to pay Frost & Sullivan a fee of RMB820,000 for the preparation of the Frost & Sullivan Report, all of which was paid as at the Latest Practicable Date.

INDUSTRY OVERVIEW

ECONOMIC GROWTH IN HONG KONG AND THE PRC

Except the economic downturn resulting from the global financial crisis in 2009, Hong Kong's economy grew at a rate of 8.9% per annum in 2011. This was due to the rapid growth in many Asian economies and moderate recoveries in Europe and the United States that allowed Hong Kong's external trade to remain competitive. The growth was also supported by the expanding domestic market due to the increasing intra-regional production activities and growing number of tourists from the PRC.

According to the Census and Statistics Department of Hong Kong, the nominal GDP in Hong Kong grew from approximately HK\$1,776.3 billion in 2010 to approximately HK\$2,402.5 billion in 2015.

According to the International Monetary Fund (the "IMF"), the nominal GDP in Hong Kong is expected to reach HK\$3,019.0 billion in 2020, representing a CAGR of 4.7% from 2015 to 2020.

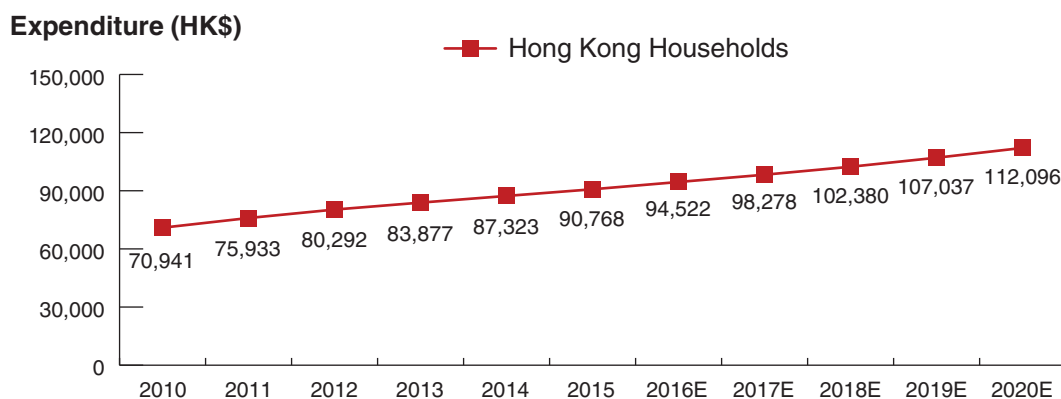
Over the past years, the PRC economy has maintained a steady growth rate even under the shock of the world financial crisis. During the time of global financial crisis, the PRC government has taken effective stimulant policies to prevent a huge decline in the economy. Going forward, the PRC authorities are likely to maintain the consistency and stability of the macroeconomic policies so as to maintain the economic stability. The PRC economy is likely to pivot from an investment-driven model to a consumption-driven model with a final upturn in the consumption in GDP. According to IMF, the PRC economy is expected to keep growing at a CAGR of 7.7% from 2015 to 2020.

PER HOUSEHOLD EXPENDITURE ON FOOD IN HONG KONG

Along with the increase in income, the Hong Kong household expenditure on food is growing accordingly. From 2010 to 2015, the per household expenditure on food in Hong Kong reached a CAGR of 5.1%.

There are diversified food choices in Hong Kong, from western cuisine to local flavours. Besides, instead of preparing and having meals at home, people dine out more frequently in recent years. Such dining habit is likely to continue in the coming years and this leads to the growing expenditure on food. From 2015 to 2020, per household expenditure on food in Hong Kong is expected to reach HK\$112,096 in 2020, with a CAGR of 4.3% during the period.

Per Household Expenditure on Food (Hong Kong), 2010–2020E



Source: Census and Statistics Department of Hong Kong; Frost & Sullivan Report

INDUSTRY OVERVIEW

OVERVIEW OF THE HONG KONG AND THE PRC CATERING INDUSTRY

MARKET SEGMENTATION

According to Frost & Sullivan, the catering industry is commonly divided into the following four categories:

Full-service restaurants. Full-service restaurants refer to restaurants with full table service provided by waiters, where customers are served their meals at the table and typically pay at the end of the meal. The per capita consumption in a full-service restaurant is generally above HK\$200. Some full-service restaurants charge about 10% to 20% service fees. Full-service restaurants are characterised by table service, higher food quality, generally more comfortable dining ambience and a wider range of cuisines compared to fast food restaurants, and they mainly serve business banquets, wedding banquets, group banquets and family dinners. Full-service restaurants generally offer food at set lunch and dinner times rather than all day. Their target customers are those with higher spending power, who prefer food and service with high quality in a comfortable dining ambience. The customers usually spend approximately two hours to dine at the full-service restaurants.

Fast food restaurants. Fast food restaurants refer to restaurants that provide fast and consistent food service, with no or little table service and simple dining ambience. Fast food restaurants typically have order taking and cooking platforms designed specifically for ordering, preparing and serving menu items with speed and efficiency. Customers usually order the food, settle the bills and take their meals at the service counter. In general, customers do not spend too much at fast food restaurants and the per capita consumption is approximately HK\$50. The target customers include the young generation and the working class. Fast food restaurants usually open long hours. Some western fast food restaurants even open 24 hours. Customers usually take around half an hour to finish a meal at the fast food restaurants.

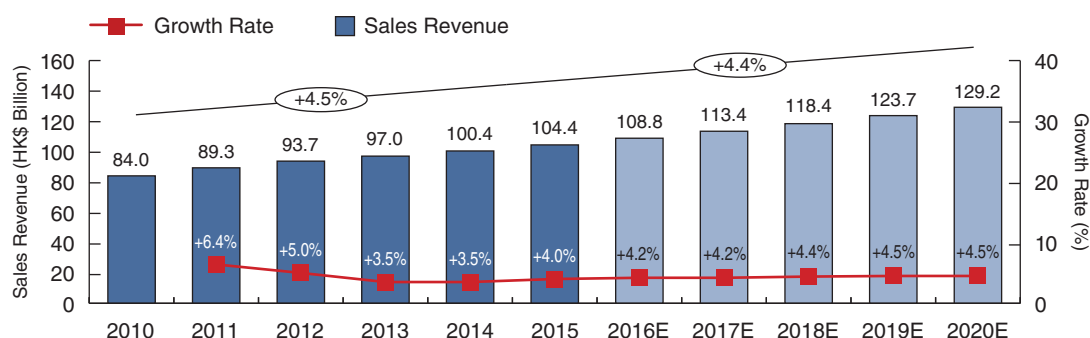
Casual dining restaurants. Casual dining restaurants refer to catering establishments that serve moderately priced food in a casual dining ambience. Casual dining restaurants typically provide some table service and the opening hours are longer with more flexible meal times as compared with full-service restaurants. This segment comprises casual Chinese restaurants, casual western dining establishments, cafés, teahouses and bars serving drinks along with snacks. Customers usually finish their meals in an hour at casual dining restaurants. The per capita consumption is generally around HK\$100. Casual dining restaurants target mass market customers, including white collars and tourists.

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

INDUSTRY OVERVIEW

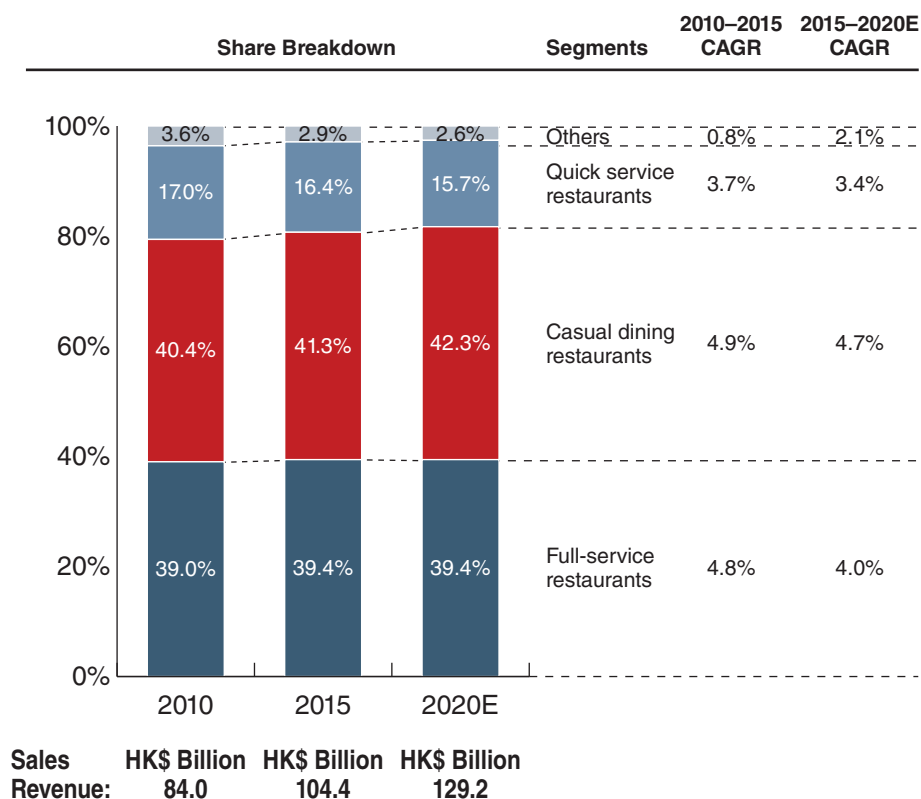
MARKET SIZE OF THE HONG KONG CATERING INDUSTRY

Sales Revenue of Catering Industry (Hong Kong), 2010–2020E



Source: Frost & Sullivan Report

Sales Revenue Split and Growth (Hong Kong), 2010, 2015 & 2020E

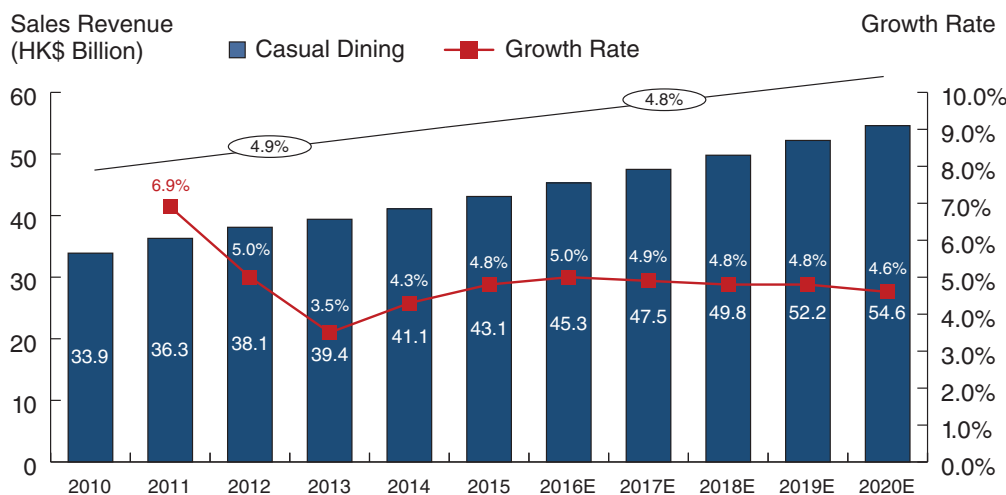


Source: Frost & Sullivan Report

Given the general consumption ability in Hong Kong and the wide variety of cuisine offerings, the casual dining restaurants segment is the predominant market segment in the catering industry, accounting for 41.3% of total sales revenue of Hong Kong catering industry in 2015 and constituting the largest target customer base. Casual dining establishments generally have flexible and longer service hours and can serve a larger number of customers. This segment is expected to grow further to account for 42.3% of the total sales revenue of the Hong Kong catering industry in 2020.

INDUSTRY OVERVIEW

Sales Revenue of Casual Dining Market (Hong Kong), 2010–2020E



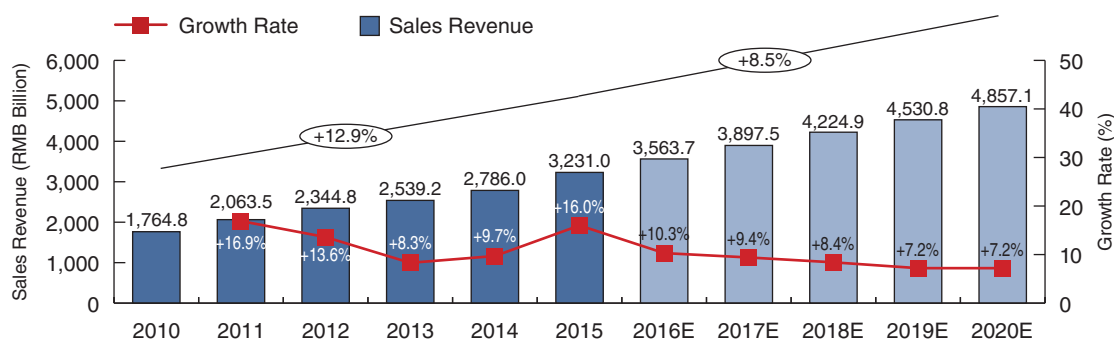
Source: Frost & Sullivan Report

Thanks to the government's encouragement on tourism industry, the increased dine-out expenditure and a variety of innovative dishes in the market, the Hong Kong casual dining market grew at a CAGR of 4.9% in the period of 2010 to 2015, amounted to HK\$43.1 billion in 2015 with the highest share among the four segments of the Hong Kong catering industry. Comparing with other segments of the Hong Kong catering industry, the casual dining market has been developing at the fastest rate.

In the following years, with the favourable government policy, further development in the catering industry and high level of standardisation, the Hong Kong casual dining market is expected to continue to maintain an upward trend. From 2015 to 2020, the sales revenue of the Hong Kong casual dining market is projected to grow at a CAGR of 4.8%, reaching HK\$54.6 billion in 2020. The sales revenue of this segment is estimated to account for approximately 42.3% of the overall sales revenue of the Hong Kong catering industry.

MARKET SIZE OF THE PRC CATERING INDUSTRY

Sales Revenue of Catering Industry (China), 2010–2020E



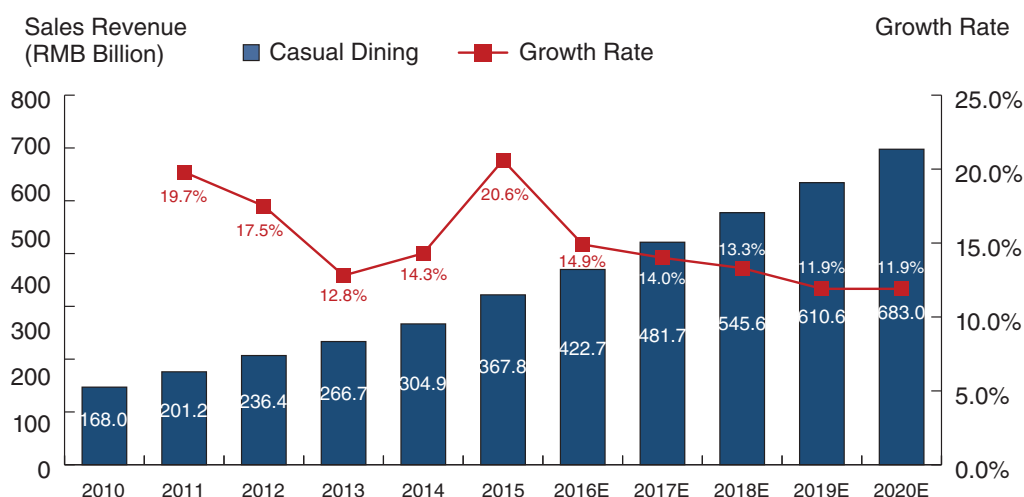
Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

The PRC catering industry kept a high growth rate at a CAGR of 12.9% from 2010 to 2015. Key factors that drive the development of the catering industry include the improvement of consumers' purchasing power, advancing urbanisation and the growing preference to dine out.

In the following years, with the expansion of the middle-class population, continuing improvement of the annual disposable income per capita and the growing preference to dine out, it is believed that the PRC catering industry is anticipated to maintain a sustainable growth along with the steady economic growth in the PRC. Frost & Sullivan forecasts that the sales revenue of the PRC catering industry is likely to reach RMB4,857.1 billion in 2020, growing at a CAGR of 8.5% from 2015 to 2020.

Sales Revenue of Casual Dining Market (China), 2010–2020E



Source: Frost & Sullivan Report

Thanks to the government's encouragement in policy on the catering industry for the mass market and the changing consumers' taste, the sales revenue of the PRC casual dining market grew at a CAGR of 17.0% in the period of 2010 and 2015, increasing from RMB168.0 billion in 2010 to RMB367.8 billion in 2015. Comparing with other segments of the PRC catering industry, the casual dining market experienced the strongest growth in the PRC.

Bolstered by the PRC government's measures including the *Outline for National Catering Industry Development Programs (2009–2013)* and the *Restrictions on Three Public Consumption* to encourage the development of the catering industry for the mass market, further development of the catering industry as a whole and the changing consumers' lifestyle, the PRC casual dining market is likely to maintain an upward trend. From 2015 to 2020, the sales revenue of the market is expected to obtain a CAGR of 13.2%, reaching RMB683.0 billion in 2020. The sales revenue of the PRC casual dining market is estimated to account for approximately 14.1% of the overall PRC catering industry.

Coupled with the improvement of consumers' purchasing power, the expansion of the middle-class population and the growing preference to dine out, the casual dining market in the first-tier cities in the PRC (such as Shanghai, Beijing, Guangzhou and Shenzhen) developed rapidly, reaching RMB79.0 billion of sales revenue in 2015, with a CAGR of 17.5% from 2010 to 2015. The sales revenue of the PRC casual dining market is expected to experience a CAGR of 14.3%, reaching RMB153.8 billion in 2020. The sales revenue of the casual dining market in the first-tier cities in the PRC is estimated to account for approximately 22.5% of the overall casual dining market in the PRC.

INDUSTRY OVERVIEW

LABOUR AND RENTAL COSTS IN HONG KONG AND THE PRC

The labour costs in Hong Kong and the PRC recorded a steady growth since 2010. According to the Labour Department of Hong Kong, the statutory minimum wage increased from HK\$28.0 per hour in 2010 to HK\$32.5 per hour in 2015, with a CAGR of 3.0% during the period. According to the Ministry of Human Resources and Social Security of the PRC, the minimum wages in Shanghai, Beijing, Guangzhou and Shenzhen have increased to RMB18.0 per hour, RMB18.7 per hour, RMB18.3 per hour, RMB18.5 per hour, respectively, in 2015, representing CAGRs of 14.9%, 11.2%, 13.1% and 13.6%, respectively. The labour costs in Hong Kong and the first-tier cities in the PRC are likely to rise further in the forecast period.

According to the Rating and Valuation Department of Hong Kong, the average monthly rents for private retail in Hong Kong recorded a CAGR of 5.6%, from HK\$1,118 per m² monthly in 2010 to HK\$1,467 per m² in 2015. It is expected to record a further increase in the forecast period.

The average monthly rents of the shopping centres in the first-tier cities in the PRC (such as Shanghai, Beijing, Guangzhou and Shenzhen) increased from RMB877 per m² in 2010 to RMB1,080 per m² in 2015, representing a CAGR of 4.2%. According to Frost & Sullivan, the average rents in the forecast years are likely to remain stable or show a slight increment.

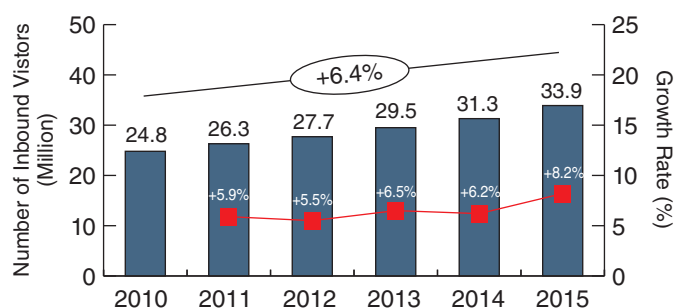
OVERVIEW OF THE CHARACTERISTICS OF THE CATERING MARKET AT THE HONG KONG INTERNATIONAL AIRPORT

The total number of inbound visitors through the Hong Kong International Airport increased from 24.8 million in 2010 to 33.9 million in 2015, representing a CAGR of 6.4%. The total number of outbound visitors increased from 25.0 million in 2010 to 34.2 million in 2015, with a CAGR of 6.5%. The Hong Kong International Airport has been approved to start planning the third runway to ease slot congestion. It is expected that both the numbers of inbound and outbound visitors through the Hong Kong International Airport are likely to increase steadily from 2015 to 2020.

According to the Airport Authority, the number of the Airport Authority staff was approximately 1,400, and the total number of Airport Staff was approximately 73,000 in 2015. The Hong Kong catering industry has benefited from the visitors from the PRC who accounted for over 75% of the total visitors in Hong Kong in 2015, which suggests that the visitors from the PRC made a significant contribution to the Hong Kong economy, including the catering industry. In Hong Kong, there is a wide variety of cuisine choices. Due to similar dining habit, Cantonese food is the favourite cuisine among the visitors from the PRC. With the visa relaxation in the PRC and the geographical proximity, the increase in visitors is likely to further stimulate the development of the Hong Kong catering industry.

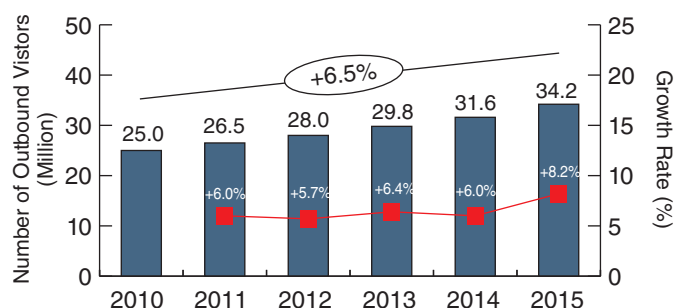
INDUSTRY OVERVIEW

Number of Inbound Visitors (Hong Kong International Airport), 2010–2015



Source: The Airport Authority

Number of Outbound Visitors (Hong Kong International Airport), 2010–2015



Source: The Airport Authority

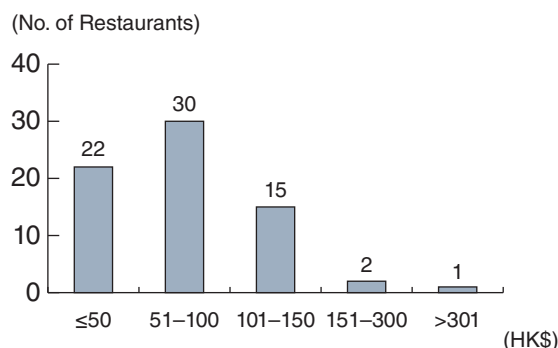
Among all the restaurants and catering establishments at the Hong Kong International Airport, there are over half of dining choices with an average per capita dining consumption per meal of less than HK\$100 per person.

Travellers at the Hong Kong International Airport usually have limited transit time taking connecting flights and prefer spending time on shopping, therefore most of them prefer casual dining restaurants at the Hong Kong International Airport.

To cater to the different requirements of the travellers at the Hong Kong International Airport, restaurants operating at the Hong Kong International Airport generally serve food in a quicker manner, stay open for longer service hours and offer well-selected menus.

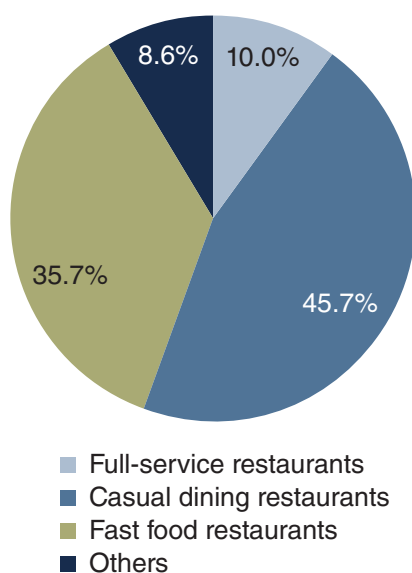
INDUSTRY OVERVIEW

Distribution of Per Capita Consumption (Hong Kong International Airport), 2015



Source: The Airport Authority; Frost & Sullivan Report

Food Choices (Hong Kong International Airport), 2015



Source: The Airport Authority; Frost & Sullivan Report

COMPETITIVE LANDSCAPE OF THE CASUAL DINING MARKET AT THE HONG KONG INTERNATIONAL AIRPORT

The Hong Kong International Airport is famous for its wide range of food and beverage choices in both Chinese, Asian and western style. The catering market of the Hong Kong International Airport is mainly dominated by local and international restaurant groups which offer casual dining, full-service dining and fast food to cater to the needs of travellers from different countries with diverse cultural backgrounds.

In recent years, casual dining restaurants have become more popular at the Hong Kong International Airport due to the diverse cuisines available, flexible meal time, efficient service and affordable price. In 2015, there were approximately 30 restaurant operators operating their catering business at the Hong Kong International Airport, 16 of them were casual dining restaurant operators.

INDUSTRY OVERVIEW

The casual dining market at the Hong Kong International Airport is relatively concentrated, with the top five casual dining restaurant operators accounted for approximately 80.0% of the overall casual dining market share in 2015. Leading casual dining operators usually adopt a multiple-brand strategy or operate more than one restaurant to offer diverse cuisine types for both locals and tourists at the Hong Kong International Airport.

Our Directors and Frost & Sullivan consider that the competition among casual dining restaurants, full-service restaurants and fast food restaurants at the Hong Kong International Airport is limited due to the differences in cuisines types, meal times, time for bill settlement, customer services, price, target customers and ambience.

KEY SUCCESS FACTORS IN OPERATING CASUAL DINING RESTAURANTS AT THE HONG KONG INTERNATIONAL AIRPORT

Diversified choices

In general, customers expect food and service to be in good quality at reasonable prices. To cater to the different dining cultures and preferences, restaurants operating at the Hong Kong International Airport have to develop new dishes and provide wider choices of food items for different travellers by regularly updating their respective menus to attract revisits.

Quality cuisines and efficient services at affordable price

Casual dining customers are looking for quality food in a quick and convenient manner at an affordable price. It is particularly important to the travellers at the Hong Kong International Airport who may not have sufficient time for dining. Restaurants with standardised operation are able to offer food and service efficiently, which is very important to travellers especially those who are waiting for transit flights and usually do not have sufficient time to enjoy decent dining. Satisfying their basic needs like offering them a quick meal or refreshment would be critical. Clear and simple menus as well as good and efficient service could help attract this group of customers.

Food taste

Food taste is one of the key factors to success. Casual dining restaurant operators at the Hong Kong International Airport generally provide delicious food with high quality in order to maintain certain customer base. Unique and tasty cuisines are expected to improve the popularity and attractiveness of casual dining restaurants operating at the Hong Kong International Airport.

Brand awareness

Brand names are highly related to food taste, service, dining environment as well as management. Strong brand awareness can be achieved by implementing successful marketing strategies. From the perspective of consumers, they are more willing to choose casual dining restaurants with good brand image.

INDUSTRY OVERVIEW

FUTURE OPPORTUNITIES OF CASUAL DINING MARKET AT THE HONG KONG INTERNATIONAL AIRPORT

Expecting a new shopping mall in the airport area

The Hong Kong largest shopping centre is expected to be established at the northern land near Terminal 2 of the Hong Kong International Airport in three years. The estimated area for the location covers 14 hectares and the first of the four development phases covers five hectares, which is expected to complete in 2018. The scale of the new shopping mall is planned to exceed the existing largest mall in Hong Kong, the Harbour City. Therefore, the new mall is expected to attract a large number of customers and visitors in the future.

Rising numbers of inbound and outbound visitors

By 2025, the passenger volume of the Hong Kong International Airport is expected to reach approximately 80 million each year. Since the Hong Kong International Airport is playing an important role as the transportation hub for international flights, especially in the Asia Pacific regions, together with the future development plan of the Hong Kong International Airport, it is believed that the number of visitors, both inbound and outbound, will continue to rise steadily.

OVERVIEW OF THE CHARACTERISTICS OF THE CATERING MARKET IN THE URBAN AREA OF HONG KONG

Given the consumption demand of the general public and the wide variety of cuisine offerings, casual dining restaurants in the urban area of Hong Kong enjoy a large customer base. Furthermore, as the opening hours of casual dining restaurants are generally longer with more flexible meal times, they can usually serve more customers when compared with the full-service restaurants. Currently, there are over 2,000 casual dining restaurants in the urban area of Hong Kong.

COMPETITIVE LANDSCAPE OF THE CASUAL DINING MARKET IN THE URBAN AREA OF HONG KONG

The casual dining market in the urban area of Hong Kong is highly fragmented. The market has low entry barriers and requires relatively low level of investment capital and operational skill to establish a new business, which explains the reason why casual dining restaurants have traditionally been family owned and operated. Some of the chain casual dining restaurants have also expanded their business into the PRC. Majority of casual dining restaurants in the urban area of Hong Kong are non-chain ones.

KEY SUCCESS FACTORS IN OPERATING CASUAL DINING RESTAURANTS IN THE URBAN AREA OF HONG KONG

Food taste

Food taste is one of the key factors when people choose a casual dining restaurant. Given many casual dining restaurants serve similar food items, quality is therefore crucial. Unique and tasty cuisines are expected to improve the popularity and attractiveness of casual dining restaurants.

INDUSTRY OVERVIEW

Selection of restaurant location

Good site location is important to newly opened casual dining restaurants. Locations with high pedestrian traffic generally bring higher revenue. However, such locations usually call for higher rent which has a direct impact on the profitability of a restaurant. Restaurant operators need to take a thorough consideration of all the key factors affecting the restaurant operation and financial performance before commencing business. Restaurant operators with previous experience in operating restaurants are expected to enjoy a higher successful rate of opening new restaurants.

Well-established supply chain

Casual dining restaurants provide a wide range of menu items. An efficient and well-developed supply chain is crucial to secure stable and reliable supply of food ingredients. In addition, by having a well-established supply chain, restaurant operators are able to better control the quality and the total costs of the food ingredients.

FUTURE OPPORTUNITIES OF CASUAL DINING MARKET IN THE URBAN AREA OF HONG KONG

Increased standardisation

“Standardisation” plays an important role in the constantly changing and competitive casual dining market in Hong Kong. Establishment of central kitchens is gaining popularity among leading chain restaurant brands as it helps ensure consistency of the food quality. As a result, customers are able to enjoy consistent food taste and quality at different restaurants operated under the same brand. It is expected that there will be an increasing number of casual dining restaurants in Hong Kong adopting the centralised and standardised operating model.

Increased penetration by developing multiple brands

Casual dining restaurant operators in Hong Kong tend to develop multiple brands in order to expand their businesses and increase their market shares. Such multi-brand strategy takes place in several ways. Some operators run restaurants under various brands offering different types of cuisine. Some operators establish restaurant brands in the mass to mid-price market while they also target customers with higher spending power by developing premium restaurant brands.

Restaurant franchising

The Hong Kong casual dining market is constantly changing and competitive, however it still attracts a lot of new players every year given the market potential.

Newcomers who wish to achieve quick success in the catering industry may open new restaurants as franchisees under franchising arrangements with some existing and well-established restaurant operators. Under the franchising business model, franchisees are usually provided with assistance and advice in relation to the operation of the franchised restaurants, such as guidance on daily operation and preparation of menu items with standardised recipes. This explains why the franchising business model may attract operators which are new to the catering industry. On the other hand, franchisors maintain relatively stable income by receiving franchisee fees on a regular basis. Such business model is common in the fast food restaurant market. In the upcoming years, it is expected that more casual dining restaurant operators will adopt the franchising business model in order to cater to the expansion in the catering industry.

INDUSTRY OVERVIEW

Provision of catering consultancy services

It is not uncommon that the restaurant operators in Hong Kong hire third party consultants to provide them with professional catering management and consultancy services with respect to restaurant operations. Not only those restaurant operators with less experience or new to the catering industry may require such kind of consultancy services, some leading restaurant groups also hire external consultants to provide advice to and manage the daily operation of their restaurants. Usually these consultants are also the market players which have accumulated experience through operations of their own restaurants, which then extend their line of business by providing catering management and consultancy service to third party restaurant operators.

OUR GROUP'S COMPETITIVE ADVANTAGE

Multi-brand development

Multi-brand development is a key business strategy of our Group. Our Group own four restaurant brands in the casual dining market at the Hong Kong International Airport, namely, “*Taiwan Beef Noodle* (台灣牛肉麵)”, “*Nosh Café & Bar*”, “*Chinese Kitchen* (中國廚房)” and “*Macao Harbour* (阿瑪港澳門餐廳)”. During the Track Record Period, our Group also operated a takeaway kiosk under the brand “*Coffee Express*” at the Hong Kong International Airport, which is expected to re-launch in August 2016. Thanks to the multi-brand strategy, our Group is able to serve a variety of Chinese and western cuisines to satisfy the needs of different customers from all over the world.

Stable customer base

Our Group is committed to catering to the needs of the Airport Staff as well as the travellers who are looking for casual dining served in a quick and efficient manner. Our Group provides special staff price for the Airport Staff in order to earn customer loyalty.

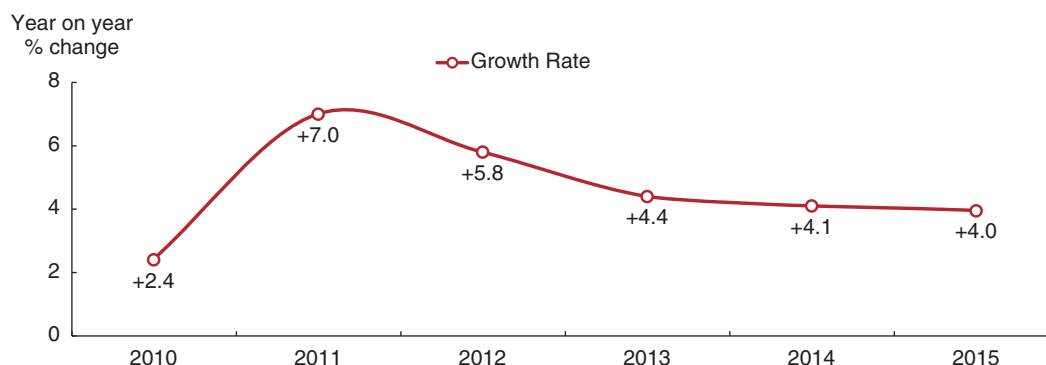
Supply of safe raw materials

We have our own selected list of suppliers which enables us to provide safe and stable supply of food ingredients to our restaurants. All food ingredients and other supplies for our restaurants at the Hong Kong International Airport are purchased through our centralised warehouse in Tsing Yi which enables costs and management efficiency. This is very important to ensure food safety and quality offered at our restaurants.

INDUSTRY OVERVIEW

RAW MATERIAL ANALYSIS

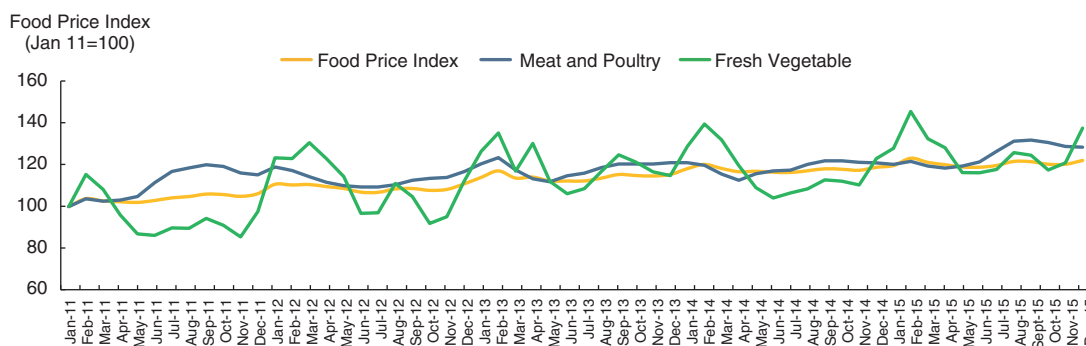
Food Price Index (Hong Kong), 2010–2015



Source: Census and Statistics Department of Hong Kong and Frost & Sullivan Report

Food prices vary based on the overall demand and supply as well as other factors including environmental conditions such as climate and natural disasters. The Food Price Index (the “FPI”) in Hong Kong has been growing relatively steady from 2010 to 2015. It increased from 100.9 in 2010 to 129.1 in 2015, with a growth of 27.9%. With further economic development, increase in disposable income and inflation, the FPI in Hong Kong is likely to maintain a steady growth trend in the following years.

Food Price Index (China), January 2011–December 2015



Source: National Bureau of Statistics of China

The FPI has been growing relatively steady from 2011 to 2015. Taking January 2011 as the base month and assume it as 100, it increased from 100.0 in January 2011 to 121.8 in December 2015, with a growth of 21.8%. With further economic development, increase in disposable income and inflation, the FPI is likely to show a steady growth in the following years.

Similar to the FPI, meat and poultry price index has been showing an upward trend from 2011 to 2015. Looking forward, such price index is more likely to remain stable or rise because of the rising market demand, increase in net income, inflation and other factors.

INDUSTRY OVERVIEW

The price index of fresh vegetables has been fluctuating substantially during the period from 2011 to 2015. Average food price index of fresh vegetable increased from 100.0 in the beginning of 2011 to 137.1 in the year end of 2015, indicating that the fresh vegetable prices increased by 40.5% during the period. Virtually, the prices of fresh vegetables are affected by a lot of factors such as seasonality, weather conditions, global trade, natural disasters, cost of fertilisers and domestic demand and supply. Take seasonality as an example, due to shortage of supply, the prices of vegetables are normally higher in winter. Those who have ensured ample supply of vegetables in winter are likely to have price advantage. In the following years, this price index is likely to show an upward trend.

Accordingly, in recent years, due to the soaring food price, most restaurants need to raise the selling price of dishes so as to offset their costs of raw materials.

CONSUMER SURVEY RESULTS

The consumer survey was conducted by Frost & Sullivan in August 2015 with 350 target casual dining customers at the Hong Kong International Airport with the following survey results:

- Taiwan Beef Noodle (Airport) and Chinese Kitchen (Airport) ranked the fourth and the seventh, respectively, in terms of customers' willingness to revisit these restaurants again.
- In terms of customer satisfaction, Taiwan Beef Noodle (Airport) ranked the third with 7.1% of the respondents considered it as the most satisfactory brand.
- Regarding the choices of casual dining restaurants at the Hong Kong International Airport, the top three decisive factors are (1) good price performance ratio, (2) delicious food and (3) good services.
- Among all the major factors, good price performance ratio is most important factor, chosen by 23.4% of the respondents.
- The frequency of casual dining at the Hong Kong International Airport is relatively high, with 25.4% of respondents consumed just once; 63.7% of the respondents consumed two to five times; and 10.9% of the respondents consumed more than five times during the last two years.
- Approximately half of the respondents spent HK\$50 to HK\$100 per capita each time they dined at the casual dining restaurants at the Hong Kong International Airport.

REGULATORY OVERVIEW

This section sets out a summary of certain aspects of the Hong Kong and PRC laws and regulations which are relevant to our Group's operations, business and future plans. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to our Group.

HONG KONG REGULATORY OVERVIEW

REGULATIONS AND SUPERVISION OF RESTAURANT BUSINESS IN HONG KONG

(A) LICENCES AND APPROVALS NECESSARY FOR OUR BUSINESS OPERATIONS

In addition to the business registration certificate required for the commencement of restaurant business, there are three principal types of licences required to be obtained for the operations of our restaurants in Hong Kong:

- (a) general restaurant licence;
- (b) light refreshment restaurant licence; and
- (c) liquor licence.

Business registration certificate

To commence the business of restaurants, in addition to other business licences described below, it is necessary to obtain business registration certificate pursuant to section 5 of the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong). The business registration application shall be made within one month of the commencement of business.

General restaurant licence

In Hong Kong, any person carrying on restaurant business is required to obtain a general restaurant licence granted by the DFEH under the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and the Food Business Regulation (Chapter 132X of the Laws of Hong Kong) prior to commencing the restaurant business. A general restaurant licence permits the licensee to prepare and sell any kind of food for consumption on the premises.

Generally, before a general restaurant licence is granted, the DFEH needs to be satisfied that certain requirements are met, including means of ventilation, sanitary fitments, facilities for cleansing equipment and utensils, means of exit and entry and fire safety. In deciding the suitability of the premises for use as a restaurant, the FEHD will consult the Buildings Department, the Planning Department and Fire Services Department. If their comments are such that its policy or requirement cannot be complied with, the licensing authority will refuse the application and inform the applicant of the refusal with reasons.

Under section 33C of the Food Business Regulation, the DFEH may grant provisional general restaurant licences to new applicants who have fulfilled the essential requirements in accordance with the Food Business Regulation pending completion of all outstanding requirements for the issue of a full general restaurant licence. A provisional general restaurant licence shall be valid for a maximum period of six months and a general restaurant licence is generally valid for a period of 12 months, both subject to payment of the prescribed licence fees and continuous compliance with the requirements under the

REGULATORY OVERVIEW

relevant legislation and regulations. A provisional general restaurant licence is renewable on one occasion, and only on one occasion at the absolute discretion of the DFEH and a full general restaurant licence is renewable annually.

As at the Latest Practicable Date, save for Nosh Café & Bar operated by Airport Catering which had obtained a light refreshment restaurant licence, all of our restaurants had obtained general restaurant licences.

Light refreshment restaurant licence

Other than the general restaurant licence, members of the public may apply for the light refreshment restaurant licence from DFEH under the Public Health and Municipal Services Ordinance for the preparation and sale for consumption on premises certain kinds of food items. As light refreshment restaurant licences are intended for the preparation of a limited range of food items, the requirements for this type of restaurants in the context of the minimum area for food room (i.e. kitchen, food preparation room and scullery) are less stringent than those for general restaurants. The light refreshment restaurant licence is generally granted for a term of one year and is subject to annual renewal.

As at the Latest Practicable Date, Nosh Café & Bar operated by Airport Catering had obtained a light refreshment restaurant licence.

Liquor licence

Section 17(3B) of the DCO provides that where regulations prohibit the sale or supply of any liquor except with a liquor licence, no person shall sell, or advertise or expose for sale, or supply, or possess for sale or supply, such liquor except with a liquor licence.

Any person who intends to operate a business which involves the sale of liquor for consumption at any premises must obtain a liquor licence from the LLB under the DCR before commencement of such business. Regulation 25A of the DCR prohibits the sale of liquor at any premises for consumption on those premises or at a place of public entertainment or a public occasion for consumption at the place or occasion except with a liquor licence. A liquor licence will only be issued when the relevant premises have also been issued with a full or provisional restaurant licence. A liquor licence will only be valid if the relevant premises remain licensed as a restaurant. All applications for liquor licences are referred to the Commissioner of Police and the District Officer concerned for comments.

Under regulation 15 of the DCR, any transfer of a liquor licence must be made on the form as determined by the LLB. For a transfer application, consent of the holder of liquor licence is required. Under regulation 24 of the DCR, in case of illness or temporary absence of the holder of liquor licence, the secretary to the LLB may in his discretion authorise any person to manage the licensed premises. The application under such regulation is required to be made by the holder of liquor licence.

Under section 54 of the DCO, in case of death or insolvency of the holder of liquor licence, his executor or administrator or trustee may carry on the business in the licensed premises until the expiration of the licence. A liquor licence is valid for a period of two years or a lesser period, subject to the continuous compliance with the requirements under the relevant legislation and regulations.

As at the Latest Practicable Date, all of our restaurants had obtained liquor licences.

(B) ENVIRONMENT PROTECTION

Water pollution control licence

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

Under section 8 of the WPCO, a person who discharges (i) any waste or polluting matter into the waters of Hong Kong in a water control zone; or (ii) any matter into any inland waters in a water control zone which tends (either directly or in combination with other matter which has entered those waters) to impede the proper flow of the water in a manner leading or likely to lead to substantial aggravation of pollution, commits an offence and where any such matter is discharged from any premises, the occupier of the premises also commits an offence.

Section 9 of the WPCO provides that generally a person who discharges any matter into a communal sewer or communal drain in a water control zone commits an offence and where any such matter is discharged into a communal sewer or communal drain in a water control zone from any premises, the occupier of the premises also commits an offence.

Under section 12(1)(b) of the WPCO, a person does not commit an offence under sections 8(1), 8(2), 9(1) or 9(2) of the WPCO if the discharge or deposit in question is made under, and in accordance with, a water pollution control licence.

Under section 20 and the First Schedule of the WPCO, the DEP may grant a water pollution control licence on terms and conditions as he thinks fit specifying requirements relevant to the discharge, such as the discharge location, provision of wastewater treatment facilities, maximum allowable quantity, effluent standards, self-monitoring requirements and keeping records.

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

As at the Latest Practicable Date, save for Taiwan Beef Noodle (Airport) and Nosh Café & Bar which are operated by Airport Catering at the Hong Kong International Airport, all of our restaurants had obtained water pollution control licences.

Air pollution control approval

Under section 30 of the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) and regulation 11 of the Air Pollution Control (Furnaces, Ovens and Chimneys) (Installation and Alteration) Regulations (Chapter 311A of the Laws of Hong Kong), where it appears to the air pollution control authority that a chimney, relevant plant or other machinery or equipment may evolve any air pollutant by reason of (a) unsuitable design, defective construction or lack of maintenance; (b) excessive wear and tear; (c) the use of unsuitable fuel or other material; or (d) improper operation, the air pollution control authority may serve a notice on the owner of the premises in which the chimney, relevant plant or other machinery or equipment is found (i) requiring him, within a reasonable time specified in the notice, to modify, replace, clean or repair the chimney, relevant plant or other machinery or equipment specified in the notice or to take the other steps specified in the notice; (ii) requiring him, within a reasonable time specified in the notice, to install

REGULATORY OVERVIEW

control equipment or a control system or additional control equipment or an additional control system specified in the notice; (iii) requiring him, after a reasonable time specified in the notice, to operate the chimney, relevant plant or other machinery or equipment in the manner specified in the notice; (iv) prohibiting him from using or permitting the use in the relevant plant or other machinery or equipment, after a reasonable time specified in the notice, the fuel, or other material, or mixture of fuels, or other materials specified in the notice; and (v) no occupier shall carry out or cause or permit to be carried out any work in relation to installation, alteration or modification of any furnace, oven, chimney or flue on his premises unless approval in respect of all the plans and specifications of the same is obtained in accordance with the relevant regulations.

Under section 30(2) of the Air Pollution Control Ordinance, any owner who fails, without reasonable excuse, to comply with any of the requirements of a notice duly served upon him under section 30(1) commits an offence and is liable to a fine of HK\$100,000 on conviction for a first offence and HK\$200,000 and imprisonment for 6 months for a second or subsequent offence and in addition, if the offence is a continuing offence, to a fine of HK\$20,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Under regulation 12 of the Air Pollution Control (Furnaces, Ovens and Chimneys) (Installation and Alteration) Regulations, an occupier who contravenes regulation 11 of the Air Pollution Control (Furnaces, Ovens and Chimneys) (Installation and Alteration) Regulations shall be guilty of an offence and shall be liable on conviction to a fine of HK\$50,000 and, in addition, shall be liable to a fine of HK\$500 for each day during which the offence has continued.

(C) GENERAL COMPLIANCE

Hygiene Manager and Hygiene Supervisor Scheme

To strengthen food safety supervision in licensed food premises, the FEHD has introduced the Hygiene Manager and Hygiene Supervisor Scheme under which all large food establishments and food establishments producing high risk food are required to appoint a hygiene manager and a hygiene supervisor; and all other food establishments are required to appoint a hygiene manager or a hygiene supervisor. General restaurants which accommodate over 100 customers are required to appoint a hygiene manager plus a hygiene supervisor.

Food business operators are required to train up their staff or appoint qualified persons to take up the post of hygiene manager or hygiene supervisor. According to “A Guide to Application for Restaurant Licences (January 2012 Edition)” issued by FEHD, one of the criteria for the issuance of a provisional restaurant licence/full general restaurant licence is the submission of a duly completed nomination form for hygiene manager and/or hygiene supervisor together with a copy of the relevant course certificate(s).

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Demerit Points System

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

- (a) if within a period of 12 months, a total of 15 demerit points or more have been registered against a licensee in respect of any licensed premises, the licence in respect of such licensed premises will be subject to suspension for 7 days (the **"First Suspension"**);
- (b) if, within a period of 12 months from the date of the last offence leading to the First Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licensed premises, the licence will be subject to suspension for 14 days (the **"Second Suspension"**);
- (c) thereafter, if within a period of 12 months from the date of the last offence leading to the Second Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licensed premises, the licence will be subject to cancellation;
- (d) for multiple offences found during any single inspection, the total number of demerit points registered against the licensee will be the sum of the demerit points for each of the offences;
- (e) the prescribed demerit points for a particular offence will be doubled and tripled if the same offence is committed for the second and the third time within a period of 12 months; and
- (f) any alleged offence pending, that is the subject of a hearing and not yet taken into account when a licence is suspended, will be carried over for consideration of a subsequent suspension if the licensee is subsequently found to have violated the relevant hygiene and food safety legislation upon the conclusion of the hearing at a later date.

Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations

The Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations (Chapter 59V of the Laws of Hong Kong) (the **"FIU(F)R"**) ensures that the proprietor of every workplace shall maintain a means of escape from the workplace in good condition and free from obstruction. Under regulation 5(1) of the FIU(F)R, the proprietor of every notifiable workplace shall maintain in good condition and free from obstruction every doorway, stairway and passageway within the workplace which affords a means of escape from the workplace in case of fire. Regulation 14(5) of the FIU(F)R stipulates that the proprietor of any notifiable workplace who contravenes regulation 5(1) without reasonable excuse commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for six months.

REGULATORY OVERVIEW

Occupational Safety and Health Ordinance

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (the “**OSHO**”) is purported to ensure the safety and health of employees when they are at work and improve the safety and health standards applicable to certain hazardous processes, plant and substances used or kept in workplaces.

The employer shall ensure the safety and health at work of all his employees by:

- (i) providing and maintaining plant and work systems that are safe and without risk to health;
- (ii) making arrangements for ensuring safety and the absence of risks to health in connection with the use, handling, storage and transport of plants and substances;
- (iii) providing all necessary information, instruction, training and supervision for ensuring safety and health;
- (iv) providing and maintaining safe access to and egress from the workplaces; and
- (v) providing and maintaining a work environment that is safe and without risk to health.

Under section 9(1) of the OSHO, the Commissioner for Labour may serve an improvement notice on an employer, or an occupier of premises where a workplace is located, if the employer or occupier is contravening the OSHO, or has contravened in circumstances that make it likely that the contravention will be continued or repeated. Section 9(2)(e) of the OSHO stipulates that an improvement notice must require the employer or occupier either to remedy the contravention within a period specified in the notice, or to refrain from continuing or repeating the contravention.

Section 9(5) of the OSHO stipulates that an employer who, without reasonable excuse, fails to comply with a requirement of an improvement notice commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 12 months.

Employment Ordinance

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the “**EO**”) provides for, amongst other things, the protection of the wages of employees, to regulate general conditions of employment, and for matters connected therewith.

Under section 25 of the EO, where a contract of employment is terminated, any sum due to the employee shall be paid to him as soon as it is practicable and in any case not later than seven days after the day of termination. Any employer who wilfully and without reasonable excuse contravenes section 25 of the EO commits an offence and is liable to a maximum fine of HK\$350,000 and to imprisonment for a maximum of three years. Further, under section 25A of the EO, if any wages or any sum referred to in section 25(2)(a) of the EO are not paid within seven days from the day on which they become due, the employer shall pay interest at a specified rate on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment. Any employer who wilfully and without reasonable excuse contravenes section 25A of the EO commits an offence and is liable on conviction to a maximum fine of HK\$10,000.

REGULATORY OVERVIEW

Employees' Compensation Ordinance

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the “**ECO**”) establishes a no-fault, non-contributory employee compensation system for work injuries and lays down the obligations of employers in respect of injuries sustained by, or death of their employees caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases suffered by the employees.

Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is generally liable to pay for the compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, under section 32 of the ECO, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents. Further, section 40 of the ECO provides that an employer is not permitted to employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than that specified in the ECO.

Minimum Wage Ordinance

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (the “**MWO**”) provides a statutory minimum wage for employees in Hong Kong. In essence, wages payable to an employee in respect of any wage period, when averaged over the total number of hours worked in the wage period, should be no less than the statutory minimum wage, which was HK\$32.5 per hour as at the Latest Practicable Date. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employees by the MWO is void.

Occupiers Liability Ordinance

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

(D) COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

Save as disclosed in the paragraph headed “Business — Non-compliance” in this prospectus, as confirmed by our Legal Counsel, our Group had obtained all relevant licences, certificates and permits during the Track Record Period and up to the Latest Practicable Date and our Directors confirm that we had complied with the applicable laws and regulations in all material aspects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

PRC REGULATORY OVERVIEW

Regulations on Foreign Investment in Food Services Industry

According to the Catalogue of the Guidance of Foreign Investment Industries (外商投資產業指導目錄), as amended, consumer food and beverage services and general food production and sales are clarified as industries where foreign investments are allowed by the state ever since 1995.

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

Before 1 June 2009 the provision of consumer food service in the PRC was subject to the Food Hygiene Law of the PRC (the “**Food Hygiene Law**”, 中華人民共和國食品衛生法), which was promulgated on 30 October 1995 by the Standing Committee of the National People's Congress (the “**SCNPC**”) and came into force on the same date. The Food Hygiene Law was replaced by the Food Safety Law of the PRC (中華人民共和國食品安全法), which was promulgated on 1 June 2009 and revised on 24 April 2015. Pursuant to previous Food Hygiene Law, any entity or individual engaged in the provision of consumer food and beverage services shall obtain in advance a food hygiene licence issued by the competent health administration authority. No consumer food services shall be provided without a duly-obtained food hygiene licence.

The Administrative Measures for Food Hygiene Licenses (食品衛生許可證管理辦法) came into force on 1 June 2006. Under the measures, any entity or individual must be examined and approved by the health administration authority before engaging in providing consumer food services. The valid period of hygiene licence is four years, while the valid period of hygiene licences for entities and individuals that engage in food production operations temporarily may not exceed six months. The Administrative Measures for Food Hygiene Licenses ceased to be effective and was replaced by the Administrative Measures on Food and Beverage Service Licensing (餐飲服務許可管理辦法) which came into force on 1 May 2010. The food and beverage service providers are required to apply for the food service licence to replace the food hygiene licence when the valid period of the food hygiene licence has expired. Further on 31 August 2015 the Administrative Measures for Food Business Licensing (食品經營許可管理辦法) was promulgated and became effective on 1 October 2015, according to which, the food service licence and the food circulation permit have been replaced by a single food business licence. A food business licence shall be lawfully obtained by a service provider prior to engaging in activities of food sales and catering services.

In accordance with the Food Safety Law of the PRC (the “**Food Safety Law**”, 中華人民共和國食品安全法), which was promulgated on 1 June 2009 and revised on 24 April 2015 and came into effect on 1 October 2015 and the Implementation Rules of the Food Safety Law of the PRC (the “**Implementation Rules of the Food Safety Law**”, 中華人民共和國食品安全法實施條例), as effective on 20 July 2009 and revised on 6 February 2016, with the purpose of guaranteeing food safety and safeguarding the health and life safety of the public, the state sets up a system of the supervision, monitoring and appraisal on the food safety risk, compulsory adoption of food safety standards, operating standards for food production, food inspection, food export and import and food safety accident response. Providers for food circulation service and consumer food service shall comply with the aforementioned law and rules. The previous Food Hygiene Law was abolished when the Food Safety Law was promulgated.

According to the Food Safety Law, the State Council shall set up the Food Safety Commission, whose duties shall be stipulated by the State Council. The health administration department under the State Council shall assume the food safety integrated coordinating responsibility and shall be in charge of food safety risk evaluation, formulation of food safety standard regulations, publication of food safety information, formulation of the qualification conditions for food inspection institutions and inspection standards, and organising investigation and disposal of serious food safety accidents. The quality supervision department and the administration for industry and commerce under the State Council, as well as the food and drug supervision and administration department of the state shall, in accordance with the provisions of Food Safety Law and the duties stipulated by the State Council, implement the supervision and administration respectively on food production, food circulation and catering service activities.

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The Food Safety Law and the Administrative Measures for Food Business Licensing sets out, as penalties for violation, various legal liabilities in the form of warnings, orders to rectify, confiscations of illegal gains, confiscations of utensils, equipment, raw materials and other articles used for illegal production and operation, fines, recalls and destructions of food in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation licence, and even criminal punishment. Any restaurant which does not have the food service licence may be subject to confiscation of gains and other restaurant assets, or fines ranging from RMB2,000 to ten times the value of food sold at the restaurant. Also, the Food Safety Law which came into effect on 1 October 2015 provides the similar liabilities as the above version, but sets out a maximum fine from 15 to 30 times the value of the foodstuffs where the value of the foodstuffs is RMB10,000 or more for serious violations of the Food Safety Law.

The Implementation Rules of the Food Safety Law further specify the detailed measures to be taken and conformed to by food producers and business operators in order to ensure food safety as well as the penalties that shall be imposed should these required measures not be implemented.

According to the Administrative Measures for Food Business Licensing (食品經營許可管理辦法), a food business licence shall be lawfully obtained by a service provider prior to engaging in activities of food sales and catering services. In the event of any change in the operation locations, a new application for food business licence is required. The food business licence is valid for a period of five years. Where renewal is required, the consumer food services providers are required to submit a renewal application in writing to the original issuing department at least 30 days before the expiry date of the valid period of the food business licence. Overdue renewal application may follow the same procedure as new application for food business licence. The original issuing department, after accepting the renewal application for the food business licence, must focus on whether there has been any change to the formerly licensed operation venue, any change in the layout of flow processes, and any change to the hygiene facilities, as well as whether the applicant has satisfied the basic conditions required for the grant of a licence, and a new food business licence will be issued upon successful renewal. Any transfer, alternation, lending, sale or leasing of food business licences by consumer food service provider is strictly prohibited. Consumer food services providers shall operate within the scope of their licences in accordance with the law and the scope specified in their food business licences. The food business licence must be hung or displayed at a conspicuous position in the venue for dining.

Regulations on the Sanitation of the Public Assembly Venue

The Regulation for the Administration of Sanitation of the Public Assembly Venue (公共場所衛生管理條例) effective on 1 April 1987 and the Implementation Rules for the Regulation for the Administration of Sanitation of the Public Assembly Venue (公共場所衛生管理條例實施細則) effective on 1 May 2011 were promulgated by the State Council and the Ministry of Health respectively. The said regulations were adopted for the purpose of creating favourable and sanitary conditions for the public assembly venues, preventing disease transmission and safeguarding people's health. Depending on the requirements of the local health authority, a restaurant may be required to obtain a public assembly venue hygiene licence from the local health authority before it applies for a business licence.

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Under the aforementioned regulations, the local health authorities shall take the responsibility of supervising the sanitary conditions of the public assembly venues within their respective jurisdiction. Violation of the said regulation and rules may result in administrative penalties ranging from warning, fine, order of rectification, suspension of business, or even the revocation of the public assembly venue hygiene licence, depending on the seriousness of the violation.

Regulations on Liquor Circulation

In accordance with Measures for the Administration of Liquor Circulation (酒類流通管理辦法) effective on 1 January 2006 which was issued by the Ministry of Commerce, a system of archival filing of operators as well as a traceability system shall be established for liquor circulation. Any entity or individual engaged in the wholesale or retail of liquor (the “**liquor operator**”) shall, within 60 days of acquiring a business licence, make the archival filing and registration formalities in the competent department of commerce at the same level as the administrative department for industry and commerce where the registration is handled according to the principle of territorial administration. The liquor operator shall, when purchasing any liquor, claim the duplicates of the business licence, sanitation licence, production licence (limited to producers), registration form, power of attorney of liquor operator (limited to producers). The liquor operator shall establish an account for purchase and sales in the liquor business operation which he or she shall keep for 3 years. The competent departments of commerce may impose a fine up to RMB5,000 on any violation of the aforementioned rules.

Regulations on Fire Prevention

The Fire Prevention Law of the PRC (the “**Fire Prevention Law**”, 中華人民共和國消防法) was adopted on 29 April 1998 and amended on 28 October 2008. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the Ministry of Public Security and its local counterparts at or above county level shall monitor and administer the fire prevention affairs. The fire prevention units of such public security departments are responsible for implementation. The Fire Prevention Law provides that the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards. For a construction project that needs a fire prevention design under the national fire protection technical standards for project construction, the construction entity must submit the fire prevention design documents to the fire prevention department of the public security authority for approval or filing purposes (as the case may be). No construction permit shall be given for the construction projects for which the fire prevention design has not been approved or are considered unqualified after the review, nor shall such construction entity commence their construction.

Upon completion of a construction project to which a fire prevention design has been applied, according to the requirements of the Fire Prevention Law, such project must go through an acceptance check on fire prevention by, or filed with, the relevant fire prevention departments of public security authorities. No construction may be put into use before it is accepted by the relevant fire prevention units of public security authorities. For each public assembly venue, such as Karaoke clubs, dancing halls, cinemas, hotels, restaurants, shopping malls, trade markets and etc., the construction entity or entity using such venue shall, prior to use and operation of any business thereof, apply for a safety inspection on fire prevention with the relevant fire prevention department under the public security authority at or above the county level where the venue is located, and such place cannot be put into use and operation if it fails to pass the safety inspection on fire prevention or fails to conform to the safety requirements for fire prevention after such inspection.

REGULATORY OVERVIEW

Laws and Regulations on Environmental Protection

Environmental Protection Law

The Environmental Protection Law of the PRC (the “**Environmental Protection Law**”, 中華人民共和國環境保護法) was promulgated on 26 December 1989, revised and came into effect on 1 January 2015. This legislation has been formulated for the purpose of protecting and improving both the living environment and the ecological environment, preventing and controlling pollution, other public hazards and safeguarding people's health.

According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts take charge of administering and supervising said environmental protection matters. Environmental impact assessment shall be carried out pursuant to the law in the formulation of the relevant development and utilisation plans and construction of projects which have an impact on environment. The environmental impact assessment, which shall assess the pollution that the project is likely to produce and its impact on the environment and stipulate preventive and curative measures, shall be submitted to the competent administrative department of environmental protection for approval. Installations for the prevention and control of pollution in construction projects must be designed, built and put into use simultaneously with the principal part of the project. Pollution prevention facilities shall comply with the requirements of the approved environmental impact assessment document, and shall not be arbitrarily removed or left idle.

The Environmental Protection Law makes it clear that the legal liabilities of any violation of said law include fine, being ordered to make correction, restriction of manufacturing, suspension of production for rectification, suspend operation, compulsory shutout or closedown, or even criminal punishment.

Law on Prevention and Control of Water Pollution

The Law on Prevention and Control of Water Pollution of the PRC (the “**Water Pollution Prevention and Control Law**”, 中華人民共和國水污染防治法) first came into force on 1 November 1984 and was subsequently amended on 15 May 1996 and 28 February 2008 respectively, and became effective on 1 June 2008. The law applies to the prevention and control of pollution of rivers, lakes, canals, irrigation channels, reservoirs and other surface water bodies and groundwater within the PRC. According to the provisions of the Law on Prevention and Control of Water Pollution and other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts at or above county level shall take charge of the administration and supervision on the matters of prevention and control of water pollution.

The Water Pollution Prevention and Control Law provides that environmental impact assessment should be conducted in accordance with the relevant laws and regulations for new construction projects and expansion or reconstruction projects and other facilities on water that directly or indirectly discharge pollutants to water bodies. Facilities for the prevention and control of water pollution at a construction project shall be designed, built and put into use along with the main structure of the construction project. The construction project shall only be used after facilities for the prevention and control of water pollution pass the inspection and acceptance by the Ministry of Environmental Protection and its appropriate local counterparts. Dismantling or putting off operation of such installation shall be subject to prior approval of the local counterpart of the Ministry of Environmental Protection at or above the county level.

REGULATORY OVERVIEW

Under the Provisions on the Inspection and Acceptance of Environmental Protection of Construction Projects (建設專案竣工環境保護驗收管理辦法), promulgated on 27 December 2001 and amended on 22 December 2010, each construction project is subject to the inspection and acceptance of the Ministry of Environmental Protection or its local counterparts upon the completion of construction, and only after the construction project has passed the inspection and acceptance and acquired the approval thereon can it be put into production or use.

Pursuant to the Environmental Protection Law, the Law of the PRC on Appraisal of Environment Impact (中華人民共和國環境影響評價法) promulgated by the Standing Committee of the National People's Congress and put into force upon and from 1 September 2003 and the Replies Concerning that New Catering and Entertainment Facilities shall be applied to the Systems of Appraisal of Environmental Impacts (關於新建飲食娛樂服務設施應當執行環境影響評價制度的復函) put into force upon and from 20 January 1999, all the new construction, renovation and expansion of catering service facilities and converting leased buildings into catering service facilities shall make the registration or obtain approval with respect to the environment impact with or from local environment protection authorities.

In addition, pursuant to the Water Pollution Prevention and Control Law, the Notice on Issues Concerning Strengthening the Levying of Pollutant Discharge Fees on Village and Township Enterprises and Food and Beverage and Entertainment Service Industries (國家環境保護局關於加強鄉鎮企業和餐飲娛樂服務業排污收費有關問題的通知) issued by the State Administration of Environmental Protection and Regulation on Administration of the Levying and the Use of Pollutant Discharging Fees (排污費徵收使用管理條例), food and beverage service enterprises that directly discharge pollutants into a water body shall pay pollutant discharge fees according to the type and quantity of the water pollutants discharged and the standard scale of collecting pollutant discharge fees.

Laws and Regulations on Labour

Labour Contract Law

As of 1 January 2008, labour contracts shall be concluded in writing if labour relationships are to be or have been established between enterprises or institutions and the labourers under the Labour Contract Law of the PRC (the “**Labour Contract Law**”, 中華人民共和國勞動合同法), which first came into force on 1 January 2008 and amended on 1 July 2013. Enterprises and institutions are forbidden to force the labourers to work beyond the time limit and the employers shall pay labourers overtime working compensation in accordance with national regulations. In addition, the labour wages shall not be lower than local standards on minimum wages and shall be paid to the labourers timely. According to the Labour Law of the PRC (the “**Labour Law**”, 中華人民共和國勞動法) effective as of 1 January 1995 and as amended on 27 August 2009, enterprises and institutions shall establish and perfect its system of work place safety and sanitation, strictly abide by state rules and standards on work place safety and sanitation, educate labourers of work place safety and sanitation. Work place safety and sanitation facilities shall comply with state-fixed standards. The enterprises and institutions shall provide labourers with work place safety and sanitation conditions which are in compliance with state stipulations and relevant articles of labour protection.

Regulations on Social Insurance and Housing Fund

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) effective as of 1 July 2011, the Regulations on Occupational Injury Insurance (工傷保險條例) effective as of 1 January 2004 and amended on 1 January 2011, the Interim Measures concerning the Maternity Insurance for Enterprises Employees (企業職工生育保險試行辦法) effective as of 1 January 1995, the Interim Regulations concerning the Levy of Social Insurance (社會保險費徵繳

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暫行條例) effective as of 22 January 1999, the Interim Measures concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法) effective as of 19 March 1999 and the Regulations concerning the Administration of Housing Fund (住房公積金管理條例) effective as of 3 April 1999 and amended on 24 March 2002, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance, as well as housing fund and other welfare plans.

Laws on Consumer Protection

The Consumer Protection Law of the PRC (the “**Consumer Protection Law**”, 中華人民共和國消費者權益保護法), promulgated on 31 October 1993 and amended on 25 October 2013 and came into effect on 15 March 2014, sets out standards of behaviour for business operators in their dealings with consumers, including, among others, (i) compliance of goods and services with the Product Quality Law of the PRC (中華人民共和國產品質量法) and other relevant laws and regulations, such as requirements regarding personal safety and protection of property; (ii) accurate information and advertising concerning goods and services and the quality and use of such goods and services; (iii) issuance of receipts to consumers in accordance with relevant national regulations, business practices or upon customer request; (iv) ensuring the actual quality and functionality of goods or services are consistent with advertising materials, product descriptions or samples; (v) assumption of the responsibilities related to repairing, replacing, returning or other liability in accordance with national regulations or any agreements with the consumer; and (vi) not stipulating unreasonable or unfair terms for consumers and not excluding themselves from civil liability to undermine the legal rights and interests of consumers.

Any seller who violates the Consumer Protection Law may be subject to fines, suspension of its business operations or revocation of its business licence. A seller who violates the Consumer Protection Law may also be subject to criminal liabilities. According to the Consumer Protection Law, where a business operator provides goods or services to consumers when it is aware that the goods or services are defective and cause death or severe health damages to consumers or other aggrieved persons, the aggrieved persons shall have the right to require the business operator to make compensation for reasonable expenses incurred for treatment and rehabilitation as well as for mental anguish etc. and shall have the right to demand punitive damages of not more than two times the amount of losses.

Regulations on Foreign Currency Exchange

The Foreign Exchange Administration Regulations of the PRC (the “**Foreign Exchange Administrative Regulations**”, 中華人民共和國外匯管理條例), as amended on 5 August 2008, forms an important legal basis for the PRC authorities to supervise and regulate foreign exchange. Under the Foreign Exchange Administrative Regulations, the foreign exchange income in the capital accounts of domestic enterprises shall be deposited, in accordance with relevant state regulations, into foreign exchange accounts opened with banks designated. Any foreign exchange payment from capital account shall, in accordance with provisions enacted by State Council foreign exchange administrative department relating to foreign exchange payments and purchases, be made out of the payer’s own foreign exchange funds on the strength of valid documents or be made with foreign exchange purchased from any financial institution engaged in foreign exchange settlement and sales business. Where an approval from the relevant foreign exchange administrative authority is required in accordance with state provisions, the relevant approval formalities shall be completed before the foreign exchange payment is made. For foreign-invested enterprises wound up in accordance with the relevant laws, the amount of RMB that belongs to the relevant foreign investors after liquidation and

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payment of tax pursuant to relevant state provisions may be used to purchase foreign exchange from any financial institution engaged in foreign exchange settlement and sales business in order to remit it outside the PRC.

Regulations on Tax

Regulations on Enterprise Income Tax

The Enterprise Income Tax Law of the PRC (the “**EIT Law**”, 中華人民共和國企業所得稅法) and its implementing rules both came into force on 1 January 2008. Under the EIT Law, enterprises are classified as resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25%. An enterprise established outside of the PRC with its “de facto management bodies” located within the PRC is considered a “resident enterprise,” meaning that it can be treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define de facto management body as a managing body that in practice exercises “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise.

Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (the “**Double Tax Avoidance Arrangement**”, 內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority.

However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (the “**Circular No. 81**”, 關於執行稅收協定股息條款有關問題的通知) issued on 20 February 2009 by the State Administration of Taxation of the PRC (the “**SAT**”, 中華人民共和國國家稅務總局), if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Notice on the Interpretation and Recognition of Beneficial Owners in Tax Treaties (the “**Circular No. 601**”, 關於如何理解和認定稅收協定中「受益所有人」的通知) issued on 27 October 2009 by the SAT, and the Announcement on the Recognition of Beneficial Owners in Tax Treaties (關於認定稅收協定中「受益所有人」的公告) issued on 29 June 2012 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognised as beneficial owners and thus are not entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Regulations on Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例), which became effective on 1 January 1994 and were subsequently amended on 10 November 2008 and became effective on 1 January 2009 and its implementation rules, any entity or individual providing taxable services, transferring intangible assets or selling real estate within the PRC shall pay business tax. The scope of services which constitutes taxable services and the rates of business tax are prescribed in the List of Items and Rates of Business Tax (營業稅稅目稅率表) attached to the regulation.

REGULATORY OVERVIEW

Since 1 January 2012, the Ministry of Finance of the PRC (the “MOF”, 中華人民共和國財政部) and the SAT have been implementing the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (the “Pilot Plan”, 營業稅改徵增值稅試點方案), along with the Measure for the Implementation of the Pilot Scheme on Switching from Business Tax to VAT (營業稅改徵增值稅試點實施辦法) effective as of 1 January 2014. Such Pilot Plan has been currently implemented in industries, including transportation, postal, and certain modern service industries but not catering industry, thus any entity or individual rendering catering services in the territory of PRC is generally subject to a business tax at the rate of 5% on the revenues generated from provision of such services. On 23 March 2016, State Administration of Tax and Ministry of Finance further promulgated Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號)), according to which, the pilot program of replacing business tax with value-added tax shall be implemented nationwide effective from 1 May 2016 and all business tax payers in construction industry, real estate industry, finance industry and consumer service industry, etc., shall be included in the scope of the pilot program and pay value-added tax instead of business tax. The tax rate of general tax activities (excluding the provision of services in transportation, postal services, basic telecommunication, construction or real property lease, the sale of real property or the transfer or land use right, the provision of tangible personal property lease services, the cross-border taxable activities, etc.) applied to general tax payers will be 6%.

HISTORY, DEVELOPMENT AND REORGANISATION

HISTORY AND DEVELOPMENT

Our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 19 August 2015 by its initial subscriber, who, on the same date, transferred to Fortune Round one issued Share, which represented the entire issued share capital of our Company. As a result of the Reorganisation, our Company has become the holding company of our Group.

Our business history and milestones

The history of our business traced back to 1993 when Mr. Wong's father and his acquaintance, an Independent Third Party, used Deberie as the corporate vehicle for commencement of the business of Taiwan Beef Noodle (Kowloon City) with their own personal wealth. In 2003, Mr. Wong returned to Hong Kong from Australia after completing his university study and started involved in, and eventually took over, the family-run restaurant business.

The following are the significant business developments and milestones of our Group:

Year	Events
1993	<ul style="list-style-type: none">• We commenced our business operating under the brand “<i>Taiwan Beef Noodle</i> (台灣牛肉麵)” in Kowloon City, which remains in operation after more than 20 years of operation
2004	<ul style="list-style-type: none">• We first attempted to capture the food and beverage opportunity at the Hong Kong International Airport by submitting a tender for a premises designated for catering business at the Hong Kong International Airport, which we succeeded
2005	<ul style="list-style-type: none">• We commenced our first restaurant of Hong Kong International Airport under the brand “<i>Taiwan Beef Noodle</i> (台灣牛肉麵)”
2007	<ul style="list-style-type: none">• We continued to explore the opportunities at the Hong Kong International Airport and we opened Macao Harbour Restaurant in Terminal 2 of the Hong Kong International Airport• To capture the western style food and beverage market, we diversified our product offering and launched MY Nosh Café (now known as Nosh Café & Bar) at the Hong Kong International Airport
2008	<ul style="list-style-type: none">• To optimise the operational efficiency of our business at the Hong Kong International Airport, we established a centralised warehouse to coordinate and centralise the procurement and delivery of food ingredients and other supplies to our restaurants at the Hong Kong International Airport

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Events
2010	<ul style="list-style-type: none"> We invested in 42% shareholdings in Wingo, which commenced the operation of Tasty (Airport), a Chinese-style restaurant at the Hong Kong International Airport, as a franchisee under a franchising arrangement, which was the first of its type of business model of our Group
2013	<ul style="list-style-type: none"> Having accumulated years of experience, we started providing management services to other restaurant operators and we, through Golden Royal, entered into a management agreement with third parties for managing “Starz Kitchen (左麟右李)”, a restaurant brand offering a range of traditional local Cantonese delicacies to mass market customers in Hong Kong, the PRC, Macau and Kuala Lumpur
2015	<ul style="list-style-type: none"> We commenced our operation of a takeaway kiosk under the brand “Coffee Express” at the Hong Kong International Airport As another step to diversify our business, we as a franchisor licensed our brands to an Independent Third Party for the operation of Taiwan Beef Noodle/Chinese Kitchen (TST) for the first time

Corporate Development

The following sets forth the shareholding and corporate structure, place of incorporation and principal business activities of each member of our Group as at the Latest Practicable Date.

Our offshore subsidiaries

Simple Future

Simple Future was incorporated in BVI on 29 May 2015 with limited liability with one share issued and allotted to Mr. Wong on 29 May 2015. We use Simple Future as an intermediate holding company of our Group.

Top Future

Top Future was incorporated in BVI on 20 May 2015 with limited liability with one share issued and allotted to Simple Future on 16 June 2015. We use Top Future for holding certain trademarks of our Group.

Our Hong Kong subsidiaries

Deberie

Deberie was incorporated in Hong Kong on 6 July 1993 and it principally engages in the operation of the restaurant Taiwan Beef Noodle (Kowloon City).

HISTORY, DEVELOPMENT AND REORGANISATION

Deberie originally operated as a joint venture vehicle back in 1993 between Mr. Wong's father and his acquaintance, an Independent Third Party, on a 50:50 shareholding basis. Immediately before Mr. Wong became a shareholder of Deberie, Ms. Wong Cheuk Ki, the elder sister of Mr. Wong, and Mr. So Chi Keung ("**Mr. So**"), nephew of the said Independent Third Party and cousin-in-law and a connected person of Mr. Wong, each held 50% shareholdings in Deberie. To allow Mr. Wong to get more involved in the management of the business, on 1 April 2004, Deberie allotted and issued one new share to Mr. Wong at the nominal subscription price of HK\$1. As a result, Deberie became held as to one third by Mr. Wong, one third by Ms. Wong Cheuk Ki and one third by Mr. So.

On 15 February 2007, Mr. Wong acquired one share from his elder sister Ms. Wong Cheuk Ki at nominal value of HK\$1, whereby Deberie became held as to two-thirds by Mr. Wong and one-third by Mr. So.

On 9 July 2010, Mr. Wong transferred his two-thirds shareholdings in Deberie to Palace, a company wholly-owned by Mr. Wong, with the remaining one-third shareholdings held by Mr. So. Since then, the shareholding structure of Deberie remained unchanged until the Reorganisation.

Royal Time

Royal Time was incorporated in Hong Kong on 1 June 1998 and it supports the operation of the restaurants of our Group.

Royal Time was previously held as to one share by Ms. Tsui Ching Ching, the spouse of Mr. So, and one share by Mr. Tam Shiu Hong ("**Mr. Tam**"), an uncle of Mr. Wong and who held such share as trustee for Mr. Wong.

On 12 June 2003, Mr. Tam transferred back the one share held on trust to Mr. Wong after Mr. Wong returned from Australia.

In 2010, Mr. Wong and his business partner, Ms. Sin Lai Ping ("**Madam Sin**"), planned to open a new restaurant on a 50:50 shareholding basis. Mr. Wong then used Royal Time as the corporate vehicle for the said new restaurant as Royal Time had no substantive business operation at the relevant time. For such purpose, Palace acquired from Ms. Tsui Ching Ching the other one share in Royal Time at the nominal consideration of HK\$1 on 30 June 2010 and, on the same date, Mr. Wong also transferred his one share in Royal Time to his wholly-owned company, Palace. On 3 August 2010, Palace transferred one share in Royal Time to Madam Sin for nominal consideration of HK\$1.

Royal Time then commenced operating a restaurant in Causeway Bay in late 2010 and it recorded losses from its operation. On 6 February 2012, Madam Sin exited from the joint venture and transferred her 50% shareholdings to Palace for nominal consideration of HK\$1. Since then, Royal Time has been a wholly-owned subsidiary of Palace. Royal Time also ceased its restaurant business in October 2012.

Grand Richest

Grand Richest was incorporated in Hong Kong on 22 September 2004. It was the entity through which Mr. Wong and Madam Sin operated the Taiwan Beef Noodle (Airport) in 2005 on a 50:50 shareholding basis. Grand Richest is now the company operating the restaurant Macao Harbour Restaurant at the Hong Kong International Airport.

HISTORY, DEVELOPMENT AND REORGANISATION

For the purpose of re-arranging the business co-operation between Mr. Wong and Madam Sin, Grand Richest issued and allotted 98 new shares at par value of HK\$1 to Golden Royal Catering Group Company Limited (now known as Royal Catering) in August 2011 and Madam Sin also subsequently transferred one share in Grand Richest to Golden Royal Catering Group Company Limited (now known as Royal Catering) at par value of HK\$1 on 5 September 2011, whereupon Grand Richest became held as to 99% by Royal Catering and 1% by Mr. Wong.

Immediately before the Reorganisation, the entire issued share capital of Grand Richest remained held as to 99% by Royal Catering and 1% by Mr. Wong.

Palace

Palace was incorporated in Hong Kong on 24 August 2007. Palace is an intermediate holding company of our Group.

The entire issued share capital of Palace was held by Mr. Wong since 2007 until the Reorganisation.

Royal Catering

Royal Catering was incorporated in Hong Kong on 21 July 2010. Royal Catering is an intermediate holding company of our Group.

There has been no change in the shareholding in Royal Catering since its incorporation. Immediately before the Reorganisation, Mr. Wong held the entire issued share capital of Royal Catering.

Airport Catering

Airport Catering was incorporated in Hong Kong on 12 July 2011. Airport Catering is the company operating Taiwan Beef Noodle (Airport), Chinese Kitchen (Airport) and Nosh Café & Bar at the Hong Kong International Airport. It also operated Coffee Express at the Hong Kong International Airport during the Track Record Period.

There has been no change in the shareholding in Airport Catering since its incorporation. Immediately before the Reorganisation, Palace held the entire issued share capital of Airport Catering.

Golden Royal

Golden Royal was incorporated in Hong Kong on 18 November 2011. Golden Royal is a company providing management and consultancy services to other third party restaurant operator.

Golden Royal was previously wholly-owned by Palace since its incorporation and it had no substantive operation until December 2013. On 11 December 2013, Palace transferred to Mr. So its 50% shareholdings in Golden Royal for nominal consideration of HK\$1, given that Golden Royal had no business operation before the transfer except the business opportunity referred by Mr. So. The transfer of shares to Mr. So was to establish Golden Royal as a joint venture between our Group and Mr. So for a management agreement.

Immediately before the Reorganisation, each of Palace and Mr. So held 50% shareholdings in Golden Royal.

HISTORY, DEVELOPMENT AND REORGANISATION

Shiny Asia

Shiny Asia was incorporated in Hong Kong on 5 June 2014 for tendering purpose. Since its incorporation and up to the Latest Practicable Date, it had no other substantive operation.

Immediately before the Reorganisation, Mr. Wong held the entire issued share capital of Shiny Asia.

Our other investments

As at the Latest Practicable Date, we also held 42% beneficial interest in Wingo, which operated Tasty (Airport). Meanwhile, during the Track Record Period, we had 20% beneficial interest in Friend Limited, which operated The Peak Lookout (Airport). Further details of Wingo and Friend Limited can be found under paragraphs headed, respectively, “Our investment in Wingo” and “Our investment in Friend Limited” in the section headed “Business” of this prospectus.

We treat our investment in Wingo and Friend Limited as “interests in associates” using the equity method of accounting in the Accountants’ Report in Appendix I to this prospectus. Details of the carrying amounts of our investment in Wingo and Friend Limited are set out in Note 16 to the Accountants’ Report in Appendix I to this prospectus.

Disposal and deregistration of companies during the Track Record Period

Sunny Echo

Sunny Echo had been a wholly-owned subsidiary held under Palace during the Track Record Period and it is the company operating Taiwan Beef Noodle/Chinese Kitchen (TST).

The results of Sunny Echo were fluctuating. While Sunny Echo recorded a net profit of approximately HK\$0.8 million for the year ended 31 March 2015, it recorded net losses of approximately HK\$0.5 million and HK\$1.1 million for the year ended 31 March 2014 and the period from 1 April 2015 to 30 October 2015, respectively. The results of Sunny Echo have prompted the management to review our strategy with regard to Sunny Echo. Its location in a popular tourist area would certainly be strategically important for enhancing the brands’ recognition, especially where our Group plans to enter into the PRC market. The disposal of Sunny Echo and the franchising arrangement were therefore considered by the management as an appropriate business strategy of our Group as a whole. On one hand it gives our Group certain control over the manner it should be operated while on the other hand it keeps our Group away from the financial fluctuations from its business directly. Our Directors are of the view that the franchising arrangement of Sunny Echo is of the overall interest of our Group. It allows us flexibility to other opportunities in the constantly changing catering industry while we could generate stable income and accumulate relevant experience in our newly-developed franchising business line.

Meanwhile, the general manager of Taiwan Beef Noodle/Chinese Kitchen (TST), who is an Independent Third Party and has been managing Taiwan Beef Noodle/Chinese Kitchen (TST) since the commencement of its business, expressed an interest to acquire the business. Palace and the said Independent Third Party entered into a sale and purchase agreement dated 31 August 2015 (as amended by a supplemental agreement dated 30 October 2015). Pursuant to the agreements, Palace sold to the Independent Third Party one issued share of Sunny Echo, which represented the entire issued share capital of Sunny Echo, for a consideration of HK\$1,450,000. Palace and the Independent Third Party determined the consideration with

HISTORY, DEVELOPMENT AND REORGANISATION

reference to the net asset value of Sunny Echo as at 31 August 2015 at approximately HK\$1,200,000 based on commercial negotiation, payment of which has been settled and received by Palace. The said sale and purchase was completed on 30 October 2015.

Upon completion of the transfer of the shareholding in Sunny Echo on 30 October 2015, Top Future as franchisor and Sunny Echo as franchisee entered into the TST Franchising Agreement. Further details of the TST Franchising Agreement and our business strategies have been disclosed under the paragraphs headed “Business — Franchising business model” and “Business — Business Strategies” in this prospectus.

Our Directors confirm that the entering into of the TST Franchising Agreement was not a change of the business model of our Group but a diversification of our businesses corresponding to our three-pronged business model which encompasses the operations of our own restaurants, investing in franchised restaurants and franchising our self-owned brands to third party restaurant operators. Apart from these, we also extend our line of business to provide catering management and consultancy services to third-party restaurants.

Victor Inc.

Victor Inc. was incorporated in Hong Kong on 5 July 2010 and, as a result of transfer of one share from its initial subscriber to Palace and allotment and issue of new shares to Palace and Madam Sin in October 2010, it became held as to 60% by Palace and 40% by Madam Sin.

Victor Inc. was a vehicle of our Group and Madam Sin for operating a restaurant from 2010 to 2011. Victor Inc. had no substantive business during the Track Record Period and it was de-registered on 15 April 2016.

Rich Forever

Rich Forever was incorporated in Hong Kong on 19 May 1999. It was previously wholly owned by Palace during the Track Record Period until December 2013. Rich Forever carried on the business of sale of Chinese desserts and it held a light refreshment restaurant licence during the relevant period.

As our Group intended to focus on our casual dining business, Rich Forever issued and allotted 97 new shares at par value of HK\$1 each to Mr. Wong's father on 6 November 2013. Palace subsequently disposed of its three shares in Rich Forever to Mr. Wong's father on 13 December 2013 at nominal consideration of HK\$1 as a result of which our Group ceased to hold any share in Rich Forever. Having taken into account the background of the disposal being a family arrangement of Mr. Wong, the disposal of Rich Forever was done at nominal consideration.

Champion Catering

Champion Catering was incorporated in Hong Kong on 23 May 2011 and it was once used as the corporate vehicle of our Group and other third parties for tendering purpose. It had no other substantive operating activities since its incorporation.

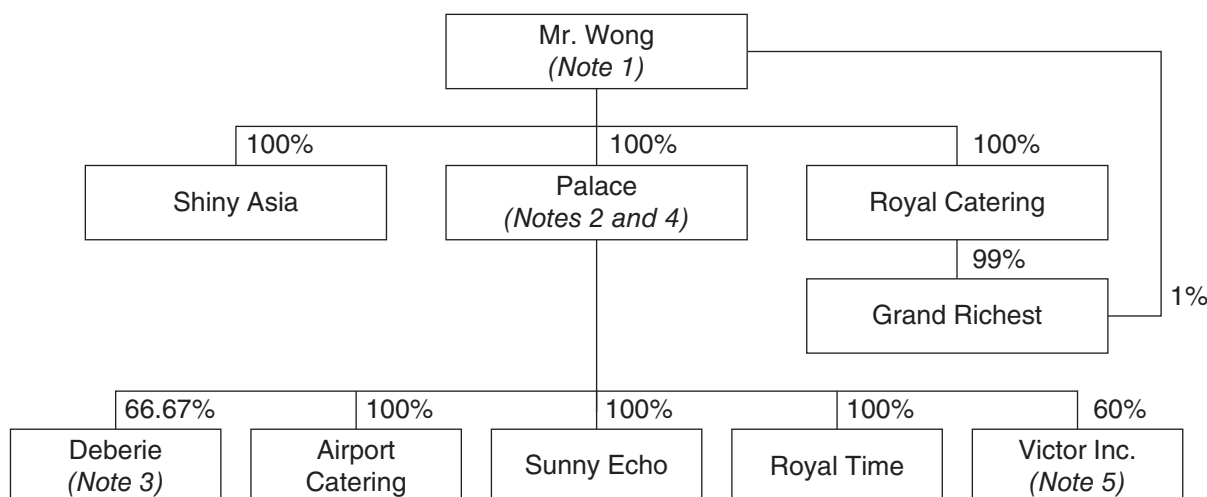
At the commencement of the Track Record Period, Palace held all the issued 100 shares in Champion Catering. To streamline our corporate structure, we disposed of our 100 shares to Mr. So and an Independent Third Party at par in two batches on 2 December 2013 and 17 January 2014, respectively.

HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

For the purpose of the Listing, we underwent the Reorganisation as a result of which our Company became the holding company of our Group.

Immediately before the implementation of the Reorganisation, we held the above members of our Group in the following manner:



Notes:

1. Mr. Wong held 30% shareholdings in HK Star, a company incorporated in Hong Kong for the purpose of tender submission. An Independent Third Party held the remaining 70% shareholdings in HK Star. The said Independent Third Party is a director of the company which holds the trademarks of the restaurant brand "Starz Kitchen (左麟右李)". The Independent Third Party and we determined our shareholding in HK Star based on arms' length negotiation taking into account the fact that the restaurant intended to be operated by HK Star would be under the restaurant brand owned by the said company.
2. Palace also held:
 - (a) 42% shareholdings in Wingo, a company incorporated in Hong Kong and operating a restaurant at the Hong Kong International Airport. The remaining 58% shareholdings in Wingo were held by parties who were Independent Third Parties;
 - (b) 50% shareholdings in Golden Royal with the remaining 50% shareholdings held by Mr. So; and
 - (c) 20% shareholdings in Friend Limited, a company incorporated in Hong Kong and operated a restaurant in Terminal 1 of the Hong Kong International Airport.
3. Mr. So held the remaining 33.33% shareholdings.
4. We sold our interests in (i) Rich Forever; and (ii) Champion Catering previously held by Palace to (i) Mr. Wong's father; and (ii) Mr. So and an Independent Third Party, respectively, further details of which can be found under the paragraph headed "Disposal and deregistration of companies during the Track Record Period" in this section.
5. As part of the Reorganisation, we deregistered Victor Inc., further details of which can be found under the paragraph headed "Disposal and deregistration of companies during the Track Record Period" in this section.

HISTORY, DEVELOPMENT AND REORGANISATION

The Reorganisation involved the following steps:

Stage (1) — incorporation of Fortune Round, Simple Future, Top Future and our Company

Fortune Round, Simple Future and Top Future

Fortune Round was incorporated in BVI on 8 May 2015 with limited liability with one share issued and allotted to Mr. Wong on 8 May 2015. Fortune Round is for investment holding purpose of Mr. Wong.

Details of the incorporation of each of Simple Future and Top Future can be found in the paragraph headed “Corporate Development — Our offshore subsidiaries” in this section.

Our Company

On 19 August 2015, our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares, of which one Share was allotted and issued to our Company’s initial subscriber at par which was subsequently transferred to Fortune Round on the same day.

Stage (2) — Consolidation and rationalising shareholdings in our operating subsidiaries

To facilitate the management of our Group’s affairs following the Listing, we consolidated or, as the case may be, divested our shareholdings in certain previously non-wholly subsidiary or joint venture, investee-company of our Group as further described below.

Deberie

On 6 July 2015, Palace acquired from Mr. So one share in Deberie, representing approximately 33.33% of the entire issued share capital of Deberie, for a consideration of HK\$300,000, payment of which was settled in full by Palace on the same day. It is our understanding that Mr. So decided to dispose of his interest in Deberie so that he could have more time and efforts to develop another restaurant brand in which he has an interest. The parties to the transaction determined the consideration after arm’s length negotiations with reference to the adjusted net asset value of Deberie as at 31 March 2015 of approximately HK\$1,258,000, which being the net amount of the total shareholders’ equities of minus approximately HK\$513,000 adjusted by excluding of the amount due by Deberie to Mr. Wong of approximately HK\$1,771,000. As a result of the acquisition, Deberie became a wholly-owned subsidiary of Palace.

Friend Limited

On 14 September 2015, Palace as vendor entered into a sale and purchase agreement pursuant to which Palace sold to an Independent Third Party 20 shares in Friend Limited, representing 20% of the entire issued share capital of Friend Limited, and the shareholder’s loan due to Palace in the amount of approximately HK\$2,400,000 for a total consideration of HK\$2,400,000, payment of which has been settled. The parties to the transaction determined the consideration after arm’s length negotiations based on the

HISTORY, DEVELOPMENT AND REORGANISATION

original investment costs of Palace in Friend Limited and its business. Completion of the said transfer took place on 14 September 2015, as a result of which Palace ceased to hold any interest in Friend Limited.

Golden Royal

On 24 November 2015, Palace as purchaser entered into a sale and purchase agreement pursuant to which Palace acquired from Mr. So 50 shares in Golden Royal, representing 50% of the entire issued share capital of Golden Royal, for a consideration of HK\$1, payment of which was settled in full by Palace on the same day. It is our understanding that Mr. So decided to dispose of his interest in Golden Royal so that he could have more time and efforts to develop another restaurant brand in which he has an interest. The parties to the transaction determined the consideration after arm's length negotiations with reference to the net asset value of Golden Royal as at 31 August 2015 of minus approximately HK\$40,000. Completion of the said transfer took place on 24 November 2015, as a result of which Golden Royal became a wholly-owned subsidiary of Palace.

Stage (3) — Acquisitions of companies by Simple Future from Mr. Wong

Simple Future as purchaser and Mr. Wong as vendor entered into various sale and purchase agreements pursuant to which the following transfers of shareholdings were effected:

<u>Date of Agreement</u>	<u>Name of company</u>	<u>No. of share(s) transferred</u>	<u>% of shareholdings represented</u>	<u>Consideration</u>	<u>Date of completion</u>
4 December 2015	Palace	1	100%	approximately HK\$5,146,000 (Note 1)	4 December 2015
4 December 2015	Royal Catering	1	100%	approximately HK\$3,382,000 (Note 2)	4 December 2015
24 November 2015	Shiny Asia	1	100%	HK\$1 (Note 3)	24 November 2015
24 November 2015	HK Star	300	30%	HK\$300 (Note 4)	24 November 2015
4 December 2015	Grand Richest	1	1%	approximately HK\$20,000 (Note 5)	4 December 2015

Notes:

- The consideration was based on the consolidated net asset value of Palace as at 31 August 2015 of approximately HK\$37,146,000 adjusted by the interim dividend of HK\$32,000,000 declared on 24 November 2015.
- The consideration was based on the consolidated net asset value of Royal Catering as at 31 August 2015 of approximately HK\$14,403,000 adjusted by the interim dividend of HK\$10,930,000 declared by Royal Catering on 24 November 2015, the interim dividend of HK\$70,000 declared by Grand Richest on 24 November 2015 payable to Mr. Wong and the consideration for the acquisition of 1% shareholding in Grand Richest in the amount of approximately HK\$20,000.
- The consideration represented the original investment costs of Mr. Wong for the one share in Shiny Asia.
- The consideration represented the original investment costs of Mr. Wong for the 300 shares in HK Star.

HISTORY, DEVELOPMENT AND REORGANISATION

5. The consideration was based on the net asset value of Grand Richest as at 31 August 2015 of HK\$90,486.40 attributable to the 1% shareholding adjusted by the interim dividend of HK\$70,000 per share declared on 24 November 2015.

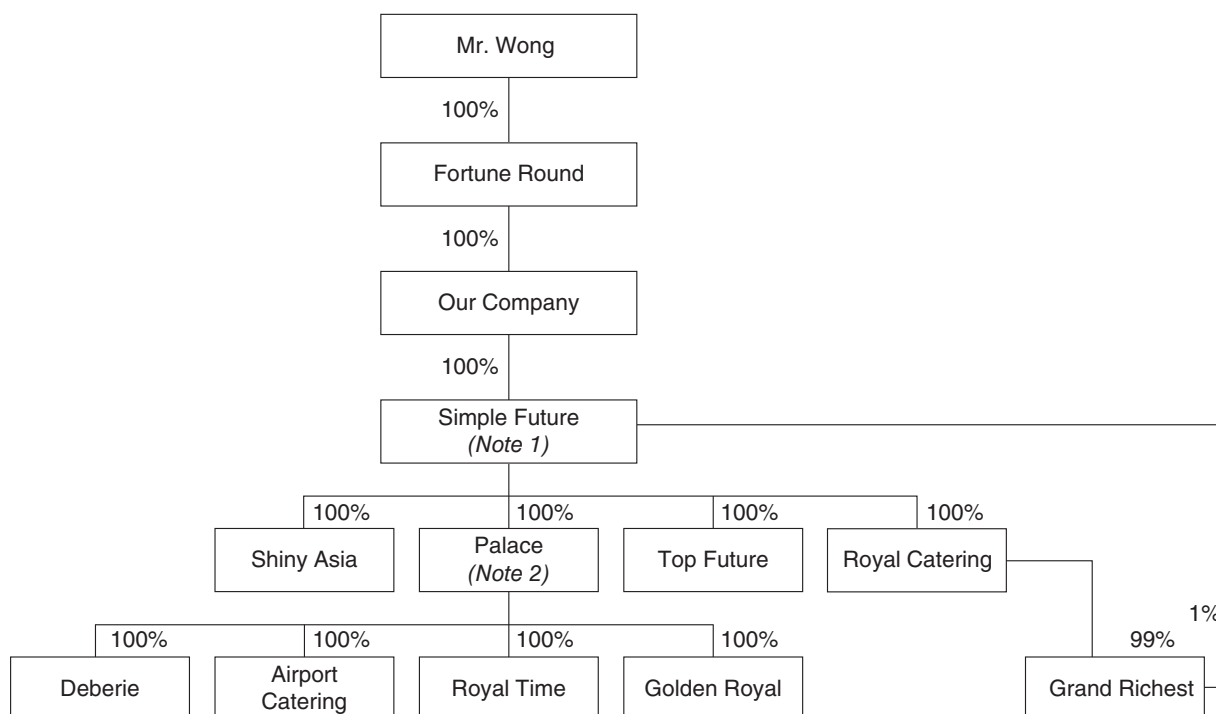
For each of the above transfers, Simple Future settled the considerations by allotting and issuing one fully paid share in Simple Future to Mr. Wong.

Following the completion of the above transfers, Palace, Royal Catering and Shiny Asia became direct wholly-owned subsidiary of Simple Future, HK Star became held as to 30% by Simple Future directly and Grand Richest became held as to 99% by Royal Catering and 1% by Simple Future directly.

Stage Four (4) — The share swap

On 6 June 2016, Mr. Wong (as vendor), our Company (as purchaser) and Fortune Round entered into a share purchase agreement pursuant to which Mr. Wong transferred to our Company six issued shares in Simple Future, which being the entire issued share capital of Simple Future. In consideration of the said transfer, our Company issued and allotted one fully paid Share to Fortune Round.

Immediately after the completion of the Reorganisation as described in above steps, the corporate structure of our Group was as follows:



Notes:

- Simple Future also held 30% shareholdings in HK Star, a company incorporated in Hong Kong for the purpose of tender submission. An Independent Third Party held the remaining 70% shareholdings in HK Star. The said Independent Third Party is a director of the company which holds the trademarks of the restaurant brand "Starz Kitchen (左麟右李)". The Independent Third Party and we determined our shareholding in HK Star on arms' length negotiation taking into account the fact that the restaurant intended to be operated by HK Star would be under the restaurant brand owned by the said company.

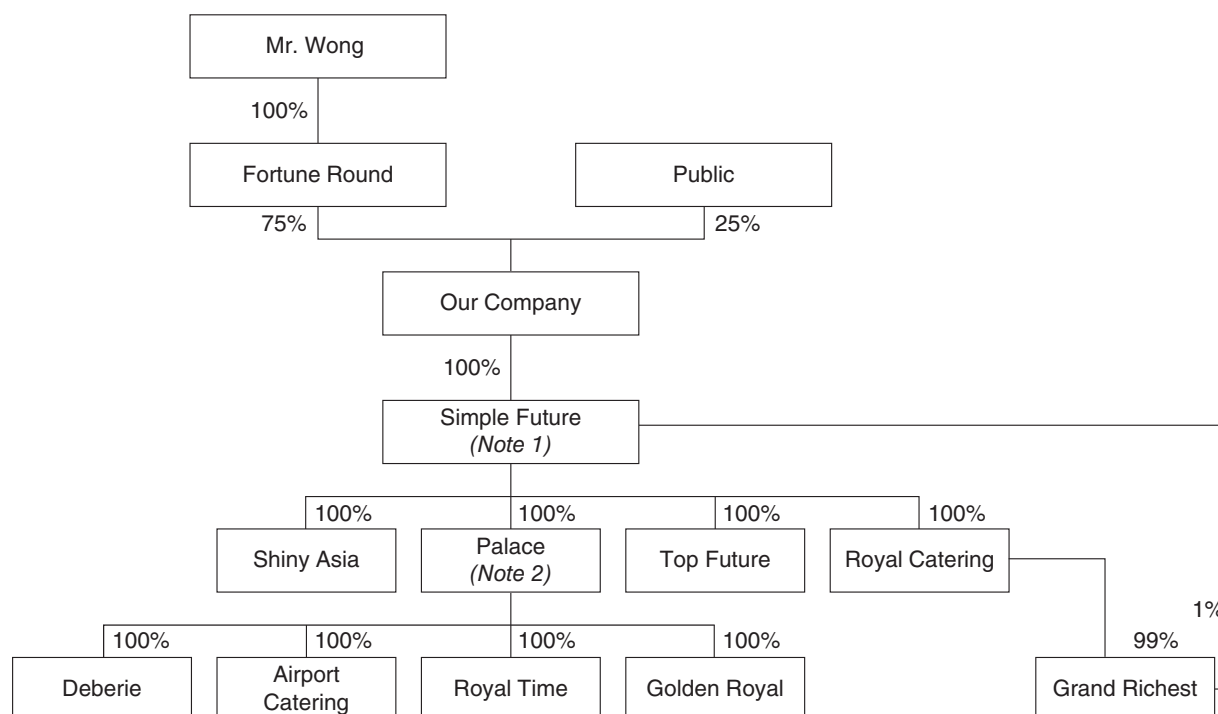
HISTORY, DEVELOPMENT AND REORGANISATION

- Palace also held 42% shareholdings in Wingo, a company incorporated in Hong Kong and operating a restaurant at the Hong Kong International Airport. The remaining 58% shareholdings in Wingo were held by parties who were Independent Third Parties.

THE CAPITALISATION ISSUE AND THE PLACING

We will offer the Placing Shares for subscription at the Placing Price. Conditional upon the crediting of our Company's share premium account as a result of the allotment and issue of the Placing Shares pursuant to the Placing, our Directors are authorised to capitalise an amount of HK\$14,999,999.98 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 1,499,999,998 Shares for allotment and issue to Fortune Round.

The following diagram illustrates the shareholding and corporate structure of our Group immediately following the completion of the Capitalisation Issue and the Placing assuming no option which may be granted under the Share Option Scheme is exercised and the Offer Size Adjustment Option is not exercised:

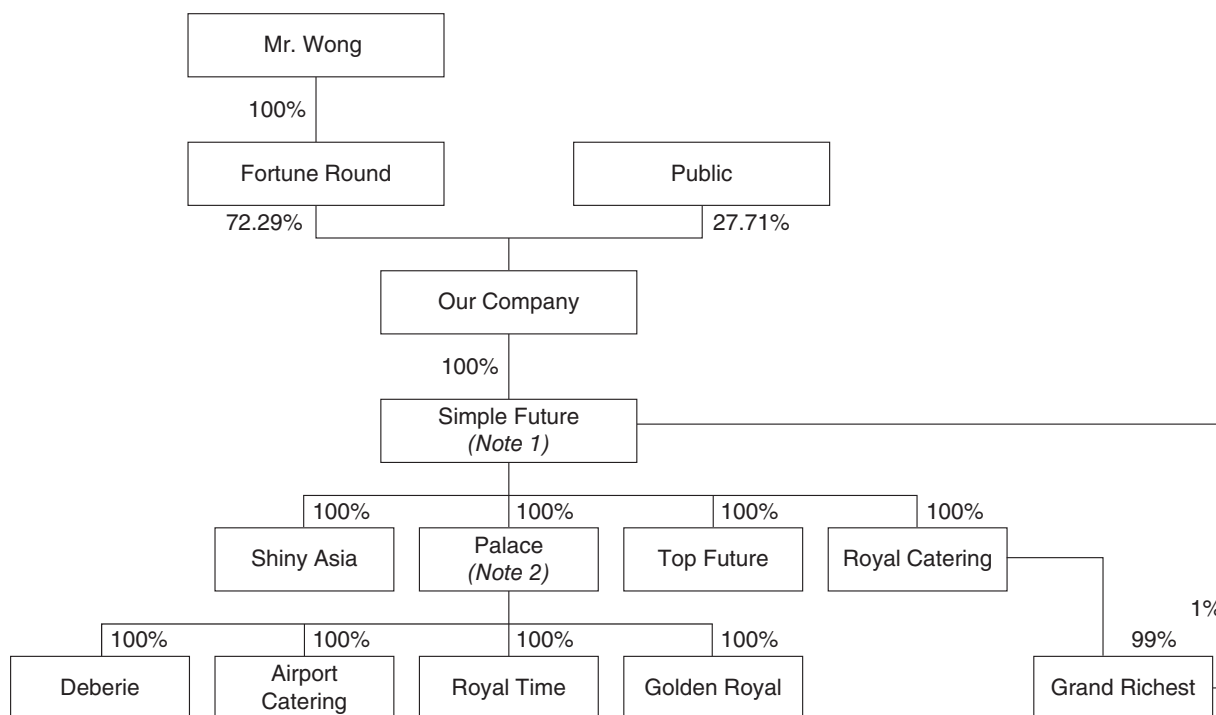


Notes:

- Simple Future also held 30% shareholdings in HK Star, a company incorporated in Hong Kong for the purpose of tender submission. An Independent Third Party held the remaining 70% shareholdings in HK Star. The said Independent Third Party is a director of the company which holds the trademarks of the restaurant brand "Starz Kitchen (左麟右李)". The Independent Third Party and we determined our shareholding in HK Star based on arms' length negotiation taking into account the fact that the restaurant intended to be operated by HK Star would be under the restaurant brand owned by the said company.
- Palace also held 42% shareholdings in Wingo, a company incorporated in Hong Kong and operating a restaurant at the Hong Kong International Airport. The remaining 58% shareholdings in Wingo were held by parties who were Independent Third Parties.

HISTORY, DEVELOPMENT AND REORGANISATION

If the Sole Lead Manager exercises the Offer Size Adjustment Option in full, our shareholding and corporate structure immediately following the completion of the Capitalisation Issue and the Placing assuming no option which may be granted under the Share Option Scheme is exercised will be as follows:



Notes:

1. Simple Future also held 30% shareholdings in HK Star, a company incorporated in Hong Kong for the purpose of tender submission. An Independent Third Party held the remaining 70% shareholdings in HK Star. The said Independent Third Party is a director of the company which holds the trademarks of the restaurant brand "Starz Kitchen (左麟右李)". The Independent Third Party and we determined our shareholding in HK Star based on arms' length negotiation taking into account the fact that the restaurant intended to be operated by HK Star would be under the restaurant brand owned by the said company.
2. Palace also held 42% shareholdings in Wingo, a company incorporated in Hong Kong and operating a restaurant at the Hong Kong International Airport. The remaining 58% shareholdings in Wingo were held by parties who were Independent Third Parties.

OVERVIEW

We are a food and beverage group in Hong Kong operating casual dining restaurants under a portfolio of brands, specialising in operating restaurants at the Hong Kong International Airport. According to the Frost & Sullivan Report, we were the largest restaurant operator in terms of sales revenue of casual dining at the Hong Kong International Airport in 2015^(Note). As at the Latest Practicable Date, we operated four restaurants at the Hong Kong International Airport and one restaurant in the urban area of Hong Kong. We also operated a takeaway kiosk at the Hong Kong International Airport during the Track Record Period, which is expected to re-launch in August 2016 following the award of a new Licence Agreement by the Airport Authority. We operate our restaurants under our self-own brands “*Taiwan Beef Noodle* (台灣牛肉麵)”, “*Nosh Café & Bar*”, “*Chinese Kitchen* (中國廚房)” and “*Macao Harbour* (阿瑪港澳門餐廳)”. Apart from operating our own restaurants, we have invested in a franchised restaurant under the brand “*Tasty Congee & Noodle Wantun Shop* (正斗)” at the Hong Kong International Airport and franchised our brands “*Taiwan Beef Noodle* (台灣牛肉麵)” and “*Chinese Kitchen* (中國廚房)” to an Independent Third Party for the operation of Taiwan Beef Noodle/Chinese Kitchen (TST).

We launched our first restaurant under the brand “*Taiwan Beef Noodle* (台灣牛肉麵)” in Kowloon City in 1993, serving mainly Taiwanese delicacies to the local community. Eyeing the potential of the catering business at the Hong Kong International Airport, we submitted our first tender proposal to the Airport Authority in 2004 and were awarded a licence to operate our first restaurant at the Hong Kong International Airport under the brand “*Taiwan Beef Noodle* (台灣牛肉麵)” in 2005. Since then, we have been expanding our restaurant network at the Hong Kong International Airport through our multi-brand business strategy. We opened MY Nosh Café (now known as Nosh Café & Bar), Macao Harbour Restaurant and Chinese Kitchen (Airport) in 2007, 2007 and 2014, respectively. In June 2015, we commenced our operation of a takeaway kiosk under the brand “*Coffee Express*” at the Hong Kong International Airport. During the Track Record Period, our revenue from our restaurants and takeaway kiosk operating at the Hong Kong International Airport accounted for approximately 58.7%, 64.9% and 76.9% of our Group’s total revenue for the three years ended 31 March 2014, 2015 and 2016, respectively.

We believe our multi-brand strategy enables us to target customers with different tastes and preferences and therefore allows us to benefit from the diversification of revenue sources. Our restaurants operated under the brand “*Taiwan Beef Noodle* (台灣牛肉麵)” serve mainly Taiwanese delicacies, including Taiwan beef noodles and bubble tea while our “*Chinese Kitchen* (中國廚房)” branded restaurant offers a wide array of Chinese cuisines, including Cantonese, Beijing, Shanghainese and Sichuanese cuisines as well as Taiwanese cuisines. Our restaurant operated under the brand “*Nosh Café & Bar*” serves western style light meals while “*Macao Harbour* (阿瑪港澳門餐廳)” is the brand for a variety of specialties combining Macao and Chinese cuisines. In June 2015, we commenced the operation of a takeaway kiosk under our new brand “*Coffee Express*” at the Hong Kong International Airport selling prepackaged beverages and snacks. As part of our multi-brand strategy, we have also invested in 42% of the issued share capital of Wingo, which operates a franchised restaurant under the brand “*Tasty Congee & Noodle Wantun Shop* (正斗)” at the Hong Kong International Airport offering local flavours including wonton noodle soup, congee, dim sum and Cantonese barbecue food. By adopting our multi-brand strategy, our restaurants at the Hong Kong International Airport cater to the different needs and requirements of travellers and Airport Staff, who comprise a majority of our customers.

Note: According to the Frost & Sullivan Report, in terms of sales revenue of casual dining at the Hong Kong International Airport in 2015, our Group was the largest casual dining restaurant operator, accounting for 27.8% of the corresponding market share. Such market share has taken into account the sales revenue generated from Tasty (Airport) which has been operated as a franchised restaurant by Wingo of which our Group holds 42% of the issued share capital. Without taking into account the sales revenue generated from Tasty (Airport), our Group was the fifth largest casual dining restaurant operator in terms of sales revenue of casual dining at the Hong Kong International Airport in 2015 and accounted for 13.1% of the corresponding market share.

BUSINESS

We aim to serve our customers with quality food at good value and in a cosy and inviting dining atmosphere. We also strive for service efficiency as travellers at the Hong Kong International Airport usually look for quality casual dining in a quick and convenient manner. Our efforts in providing quality food and services are reflected by the various awards and accreditations that we have received. Our brand “*Taiwan Beef Noodle* (台灣牛肉麵)” was awarded the “King of Catering Award — King of Beef Noodle” organised by King of Catering in 2006 and 2010 and has been a recognised quality restaurant of the Quality Tourism Services (QTS) Scheme accredited by the Hong Kong Tourism Board in 2010 and 2012 to 2016. Our Macao Harbour Restaurant has also been accredited as a recognised quality restaurant under the same scheme in 2008, 2010 and 2011.

During the Track Record Period, we operated Taiwan Beef Noodle/Chinese Kitchen (TST) under the brands “*Taiwan Beef Noodle* (台灣牛肉麵)” and “*Chinese Kitchen* (中國廚房)” on Canton Road, Tsim Sha Tsui. As part of our plan to develop a more asset-light business line which enables us to have a more speedy expansion in the casual dining market, we sold the entire issued share capital of Sunny Echo, being the operating company of Taiwan Beef Noodle/Chinese Kitchen (TST), to an Independent Third Party and licensed our two brands to Sunny Echo for the operation of the restaurant.

Our three-pronged business model, which encompasses the operations of our own restaurants, investing in a franchised restaurant and franchising our own brands to a third party restaurant operator, grants us flexibility in operations and future expansion and is critical to our sustainable growth in the constantly changing and competitive catering industry. As part of our growth strategies, we intend to continue to open new restaurants in Hong Kong (including at the Hong Kong International Airport and in the urban area of Hong Kong) by entering into franchising or other cooperation arrangements or under our self-owned brands. We also intend to tap into the PRC casual dining market by opening new restaurants under our self-owned brands.

Further, we continuously evolve our menu items to cater to customers’ tastes and preferences, and keep offering dining experience in an inviting atmosphere and efficient manner. Our Directors believe that these have contributed to the strengthening of our reputation and success throughout the years.

Our accumulated experience throughout the years has enabled us to extend our line of business to provide catering management and consultancy services to third-party restaurants through our joint venture Starz Kitchen Management. Since 2013, we have been providing the relevant services to the owner of restaurants under the brand “*Starz Kitchen* (左麟右李)”, which offers a range of traditional local Cantonese delicacies in Hong Kong, the PRC, Macau and Kuala Lumpur.

Our revenue increased by 16.0% from HK\$121.8 million for the year ended 31 March 2014 to HK\$141.3 million for the year ended 31 March 2015, and decreased by 11.2% to HK\$125.5 million for the year ended 31 March 2016. The decrease was mainly attributable to the disposal of Sunny Echo.

COMPETITIVE STRENGTHS

We believe that our success and potential for future growth are attributable to the following competitive strengths:

Leading position in operating restaurants at the Hong Kong International Airport

According to the Frost & Sullivan Report, we were the largest restaurant operator in terms of sales revenue of casual dining at the Hong Kong International Airport in 2015^(Note). Since Taiwan Beef Noodle (Airport) first commenced business in 2005, we have accumulated more than 10 years of experience in operating restaurants at the Hong Kong International Airport. As at the Latest Practicable Date, our Group operated four restaurants at the Hong Kong International Airport, offering a wide range of Chinese and western cuisines to our customers. During the Track Record Period, our Group also operated a takeaway kiosk selling prepackaged beverages and snacks. Such takeaway kiosk is expected to re-launch in August 2016 following the award of a new Licence Agreement by the Airport Authority. We also hold an investment of 42% of the issued share capital of Wingo, which operates a franchised restaurant under the brand “*Tasty Congee & Noodle Wantun Shop* (正斗)” at the Hong Kong International Airport.

Our extensive operating experience at the Hong Kong International Airport has contributed to our success and leading status. Our decade of operation history at the Hong Kong International Airport enables us to have a more in-depth understanding of the dining preferences and spending habits of our customers, mainly including travellers and Airport Staff. In addition, we have become familiar with the public tendering processes administered by the Airport Authority, and have developed our expertise in the preparation of tender submissions. While there are risks associated with operating restaurants at the Hong Kong International Airport which are set out in details under the paragraph headed “Risk Factors — Risks relating to our business” in this prospectus, we believe our years of experience is a valuable asset to support our further expansion of business at the Hong Kong International Airport.

While our network of restaurants at the Hong Kong International Airport is expanding, we have achieved an economy of scale in our operation. We have established a centralised warehouse in 2008 in Tsing Yi to centralise the purchase, delivery and distribution of food ingredients and other supplies to our restaurants operating at the Hong Kong International Airport. It also allows us to centralise the monitoring of quality control over our food sourcing and lowers our transportation costs. This gives us a competitive edge over other restaurant operators at the Hong Kong International Airport. In addition, our new restaurants operating at the Hong Kong International Airport could leverage our existing facilities and hence our established leading position of our operation at the Hong Kong International Airport facilitates our future expansion.

Multi-brand strategy with diversified customers

We launched our first restaurant under the brand “*Taiwan Beef Noodle* (台灣牛肉麵)” in Kowloon City in 1993, serving mainly Taiwanese delicacies. We extended our footprint to Canton Road, Tsim Sha Tsui by opening a restaurant under the brands “*Taiwan Beef Noodle*

Note: According to the Frost & Sullivan Report, in terms of sales revenue of casual dining at the Hong Kong International Airport in 2015, our Group was the largest casual dining restaurant operator and its sales, accounting for 27.8% of the corresponding market share. Such market share has taken into account the sales revenue generated from Tasty (Airport) which has been operated as a franchised restaurant by Wingo of which our Group holds 42% of the issued share capital. Without taking into account the sales revenue generated from Tasty (Airport), our Group was the fifth largest casual dining restaurant operator in terms of sales revenue of casual dining at the Hong Kong International Airport in 2015 and accounted for 13.1% of the corresponding market share.

(台灣牛肉麵)” and “*Chinese Kitchen* (中國廚房)” in 1994, offering a variety of Chinese cuisines to our customers. We started our business at the Hong Kong International Airport in 2005 when we were awarded a licence to operate our first restaurant at the Hong Kong International Airport under the brand “*Taiwan Beef Noodle* (台灣牛肉麵)”. Since then, we have been expanding our restaurant network and diversifying our operation by opening restaurants under our brands “*MY Nosh Café*” (now known as “*Nosh Café & Bar*”), “*Marco Harbour Restaurant* (阿瑪港澳門餐廳)” and “*Chinese Kitchen* (中國廚房)” at the Hong Kong International Airport in 2007, 2007 and 2014, respectively. In June 2015, we commenced our operation of a takeaway kiosk under the brand “*Coffee Express*” selling prepackaged beverages and snacks, which has further diversified our customer base. Apart from developing our self-owned brands, as part of our multi-brand strategy, we also hold an investment of 42% of the issued share capital of Wingo, which operates a franchised restaurant under the brand “*Tasty Congee & Noodle Wantun Shop* (正斗)” at the Hong Kong International Airport, offering local flavours including wonton noodle soup, congee, dim sum and Cantonese barbecue food.

Our history of operating restaurants under different brands with a variety of cuisines to a diversified customer base provides us with valuable experience and allows us flexibility to adjust to the constantly changing and competitive catering industry. Our Directors believe that such multi-brand strategy has broadened our customer base, which is crucial to our success and future development.

Quality cuisines and efficient services at an affordable price

According to the Frost & Sullivan Report, casual dining customers are looking for quality food in a quick and convenient manner and at an affordable price. It is of particular importance to the travellers at the Hong Kong International Airport who may not have sufficient time for dining. We believe our standardised operation has helped us achieve service efficiency. We have standardised recipes and preparation processes for our menu items. We have also implemented a computerised point-of-sale system at all of our restaurants for entry of order details, which reduces errors and saves time as orders are sent directly through the system to the kitchens for processing. With our standardised operation and efficient services, our Taiwan Beef Noodle (Airport) was able to achieve a seat turnover rate ^(Note) of 8.8 times for the year ended 31 March 2016.

Our efforts in providing quality food and services are reflected by the various awards and accreditations that we have received. Our brand “*Taiwan Beef Noodle* (台灣牛肉麵)” was awarded the “King of Catering Award — King of Beef Noodle” organised by King of Catering in 2006 and 2010 and has been a recognised quality restaurant of the Quality Tourism Services (QTS) Scheme accredited by the Hong Kong Tourism Board in 2010 and 2012 to 2016. Our Macao Harbour Restaurant has also been accredited as a recognised quality restaurant under the same scheme in 2008, 2010 and 2011. Please refer to the paragraph headed “Awards and recognition” in this section below.

Apart from food quality and service efficiency, casual dining customers are looking for food at an affordable price. The average spending per customer for our restaurants operating at the Hong Kong International Airport was approximately HK\$80.2 for the year ended 31 March 2015, while the average spending per customer for our restaurants operating in the urban area of Hong Kong was approximately HK\$136.4 for the year ended 31 March 2015. To attract more customers, our restaurants at the Hong Kong International Airport offer discount and budget meal sets to Airport Staff. We also offer lunch discount to students at our Taiwan Beef Noodle (Kowloon City). We consider our pricing strategy has been successful in attracting guest traffic to our restaurants.

Note: Seat turnover rate is calculated by dividing the approximate number of customer visits per operation day by the number of seatings of the relevant restaurant.

Experienced and energetic managerial team

Our management team consists of experienced personnel with extensive experience and knowledge in the catering industry. Mr. Wong, our Chairman, chief executive officer and executive Director, is an accomplished restaurateur with over 10 years of operating experience in the catering industry in Hong Kong. Mr. Chan Chak To Raymond, our executive Director, has been participating in the management of our Group since 2009 and has possessed over 12 years of experience in the catering industry in Hong Kong. Ms. Wong Chui Mei, our manager in charge of human resources and customer services and one of our senior management members, has management and operational experience in the catering industry for over 10 years. For further details, please refer to the section headed “Directors and Senior Management” of this prospectus.

BUSINESS STRATEGIES

Our strategic objective is to continue to strengthen our leading position in operating our restaurants at the Hong Kong International Airport while keep looking for suitable opportunities to expand our business in the urban area of Hong Kong, as well as tap into the casual dining market in the PRC. To achieve these goals, we intend to implement the following principal strategies:

Leveraging our leading position to expand our operations at the Hong Kong International Airport

We have been and will continue to look for suitable opportunities to further expand our business operations at the Hong Kong International Airport. In particular, we have been strategically looking for opportunities to introduce popular restaurant brands to the Hong Kong International Airport through franchising or other cooperation arrangements. We currently plan to open a new restaurant under third party’s brand through franchising or other cooperation arrangement and a new restaurant under our self-owned brand at the Hong Kong International Airport for the years ending 31 March 2017 and 2018, respectively, which will be subject to tender submission. The total planned capital expenditure for these new restaurants is expected to be approximately HK\$15.0 million and HK\$14.7 million for the years ending 31 March 2017 and 2018, respectively. Please refer to the paragraph headed “Expansion plans, site selection and development” in this section below for further details.

In addition, to reinforce our customers’ perception of freshness, we plan to upgrade some of our existing restaurants at the Hong Kong International Airport through renovation and upgrading our existing restaurant facilities and systems.

Strategically opening new restaurants in the urban area of Hong Kong

Apart from our expansion at the Hong Kong International Airport, to diversify our business risks, we have been strategically looking for suitable locations to open new restaurants in the urban area of Hong Kong. We intend to open a new restaurant under our self-owned brand “*Taiwan Beef Noodle* (台灣牛肉麵)” for each of the years ending 31 March 2017 and 2018 in districts with high pedestrian traffic such as Central and Western District, Mongkok and Wanchai. We intend to open the new restaurants in shopping malls or in street-front locations instead of upper floor shops. The total planned capital expenditure for these new restaurants is expected to be approximately HK\$5.0 million and HK\$4.0 million for the years ending 31 March 2017 and 2018, respectively. Please refer to the paragraph headed “Expansion plans, site selection and development” in this section below for further details.

Streamlining our operation for potential business opportunities

We have been operating restaurants under our self-owned brands in Hong Kong for over a decade. While operating our own restaurants will continue to be our Group's principal business, we intend to develop a more asset-light business line which will enable us to have a more speedy expansion and allow us flexibility to other opportunities in the constantly changing catering industry. As part of our plan, we have strategically sold the entire issued share capital of Sunny Echo, being the operating company of Taiwan Beef Noodle/Chinese Kitchen (TST), to an Independent Third Party and licensed our two brands to an Independent Third Party for the operation of the restaurant. As at the Latest Practicable Date, it was our intention to implement such business model by franchising our self-owned brands to third party operators to operate restaurants in the urban area of Hong Kong but not at the Hong Kong International Airport. Further, instead of developing our own new restaurant brands, we continue to identify suitable opportunities for franchising, joint venture or other cooperation arrangements with popular restaurant brands for synergy and efficiency in business growth. We believe that such strategy saves our time and efforts and allows us to devote to other value-added business opportunities.

To develop our franchising business line, we intend to recruit some professional franchising managers to devise franchising documentations for our brands, liaise with potential franchisees, provide training to our franchisees and monitor their compliance with the franchising agreements. We also plan to invest more resources in promoting our restaurant brand awareness so as to facilitate our franchising business model.

Tapping into the casual dining market in the PRC

According to the Frost & Sullivan Report, from 2010 to 2015, the total revenue of casual dining market in the PRC has increased from RMB168.0 billion to RMB367.8 billion, representing a CAGR of 17.0%. During the period from 2015 to 2020, the market size is expected to grow at a CAGR of 13.2%, reaching RMB683.0 billion in 2020.

With our long history of development in the catering industry in Hong Kong and the experience and expertise which we have accumulated and developed throughout the years, we intend to progressively expand into the PRC casual dining market. We plan to pursue a growth strategy by opening a restaurant under our self-owned brand "*Taiwan Beef Noodle* (台灣牛肉麵)" in each of the years ending 31 March 2017 and 2018 in the first-tier cities in the PRC such as Guangzhou and Shanghai where we consider having strong market potential. We expect the total planned capital expenditure to be approximately HK\$5.0 million and HK\$5.7 million for the years ending 31 March 2017 and 2018, respectively. We plan to continue monitoring and researching market opportunities and will conduct in-depth research and feasibility study before embarking on our expansion plans in the PRC. Please refer to the paragraph headed "Expansion plans, site selection and development" in this section below for further details.

Continue to enhance comparable restaurant sales growth and profitability

We are committed to continuing to enhance our comparable restaurant sales growth and profitability. Accordingly, we intend to implement a number of initiatives which include:

- increasing sales volume and thus revenue by introducing new dishes, budget meal sets and promotional discount;
- optimising restaurant-level staffing to maintain our service quality;
- maximising the utilisation of food ingredients by promoting cross-utilisation of food ingredients among different menu items; and
- actively reducing wastage of food ingredients by offering incentive bonus to kitchen staff if the monthly profit margin target is reached by efficiently reducing food ingredient wastage.

OUR BUSINESS

Our major business is the operation of casual dining restaurants under a portfolio of brands in Hong Kong. We also provide catering management and consultancy services to third-party restaurants and franchise our brands to third parties for the operation of restaurants.

Our restaurants

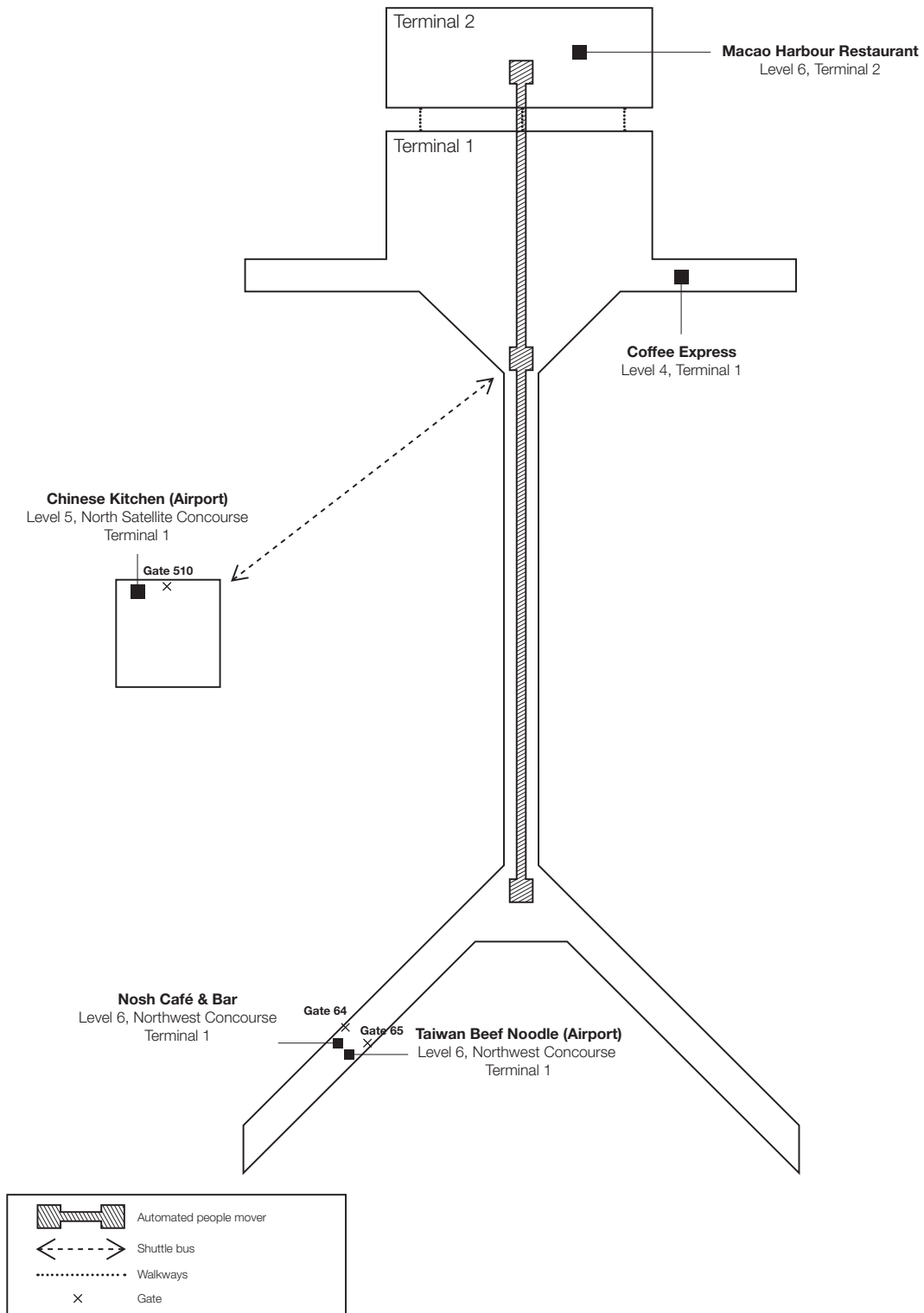
Our restaurants can be classified into two categories, namely (i) restaurants operating at the Hong Kong International Airport targeting travellers and Airport Staff; and (ii) restaurant operating in the urban area of Hong Kong targeting tourists and mass market customers.

Restaurants operating at the Hong Kong International Airport

As at the Latest Practicable Date, we operated four restaurants under different brands at the Hong Kong International Airport. We also operated a takeaway kiosk at the Hong Kong International Airport during the Track Record Period, which is expected to re-launch in August 2016 following the award of a new Licence Agreement by the Airport Authority. We aim to provide a variety of cuisines at good value and in a cosy and inviting dining atmosphere. We also aim to provide service efficiency in particular for travellers who usually look for quality casual dining in a quick and convenient manner.

BUSINESS

The following map shows the locations of our restaurants at the Hong Kong International Airport as at the Latest Practicable Date and the takeaway kiosk which is expected to re-launch in August 2016:



BUSINESS

The following table sets out the details of our restaurants at the Hong Kong International Airport as at the Latest Practicable Date and the takeaway kiosk which is expected to re-launch in August 2016.

Restaurant/takeaway kiosk	First commencement	Address	Dining environment	Cuisine
Taiwan Beef Noodle (Airport)	August 2005 (Note 1)	Shop 6V525, Level 6, Northwest Concourse, Terminal 1	A modern and stylish décor restaurant with 120 seatings including a Chinese-featured private room for VIP guests	A diverse selection of dishes, including its famous beef stock, rice with minced pork, bubble tea and appetisers in Taiwanese style, and a range of other traditional Chinese delicacies
Nosh Café & Bar (formerly known as MY Nosh Café)	May 2007 (Note 2)	Shop 6V523, Level 6, Northwest Concourse, Terminal 1	A spacious and airy coffee house with 84 seatings in simple and modern style decorated environment	A variety of light meals in western style, beverages, alcoholic drinks and desserts
Chinese Kitchen (Airport)	May 2014 (Note 3)	Shop 5NC120, Level 5, North Satellite Concourse, Terminal 1	A bright and clean Chinese restaurant with contemporary design and 68 seatings	A wide array of Chinese cuisines, including Cantonese, Beijing, Sichuanese and Shanghainese cuisines and Taiwanese cuisine
Macao Harbour Restaurant	February 2007 (Note 4)	Shop 6P028, Level 6, Terminal 2	A cosy and modern dining atmosphere with Macao-featured decoration comprising 187 seatings	Serving breakfast, lunch, afternoon tea, dinner and late supper with a large variety of specialties, including signature dishes like chicken wings in sweet sauce, Portuguese chicken and pork chop bun
Coffee Express	June 2015 (Note 5)	Unit 4E553, Level 4, East Hall, Terminal 1	A carriage kiosk with simple decoration providing takeaway catering service	Prepackaged beverages and snacks

Notes:

1. Taiwan Beef Noodle (Airport) first commenced operation at the Hong Kong International Airport in 2005 for a tenure of four years with an option on the part of the Airport Authority to extend the term for an additional three years pursuant to the relevant Licence Agreement entered into between the Airport Authority as licensor and Grand Richest as licensee dated 25 January 2005. We entered into another Licence Agreement with the Airport Authority dated 22 October 2012 for the operation at the same location for a tenure of five years ending 12 November 2017.

2. Nosh Café & Bar (previously known as MY Nosh Café) first commenced operation at the Hong Kong International Airport in 2007 for a tenure of four years pursuant to the relevant Licence Agreement entered into between the Airport Authority as licensor and Grand Richest as licensee dated 27 October 2006. We entered into another Licence Agreement with the Airport Authority dated 22 October 2012 for the operation at the same location for a tenure of five years ending 11 October 2017.
3. Pursuant to the relevant Licence Agreement entered into between the Airport Authority as licensor and Airport Catering as licensee dated 16 April 2014, the licence period for operating Chinese Kitchen (Airport) was for a tenure of two years ending 27 May 2016. On 11 April 2016, we were granted an extension of licence period for the operation of Chinese Kitchen (Airport) until 30 September 2016. On 14 June 2016, the Airport Authority awarded a licence to Airport Catering for its continuing operation of Chinese Kitchen (Airport) at the same premises for a tenure of another five years.
4. Macao Harbour Restaurant first commenced operation at the Hong Kong International Airport in 2007 for a tenure of four years pursuant to the relevant Licence Agreement entered into between the Airport Authority as licensor and Grand Richest as licensee dated 20 December 2005. The Airport Authority subsequently offered to extend the term for an additional three years. We entered into another Licence Agreement with the Airport Authority dated 15 September 2015 for the operation at the same location for a tenure of five years ending 30 December 2019.
5. Airport Catering as licensee entered into a Licence Agreement with the Airport Authority as licensor dated 10 September 2015 for operating Coffee Express at the Hong Kong International Airport for a period of six months ending 28 December 2015. On 27 November 2015, we were granted an extension of licence period for the operation of Coffee Express until 28 June 2016. On 13 July 2016, the Airport Authority awarded a new licence to our Group for the operation of Coffee Express at a new premises (which is close to its previous premises) for a tenure of one year ending 31 July 2017. We expect to re-launch Coffee Express in August 2016.

The following pictures show our restaurants and takeaway kiosk at the Hong Kong International Airport.

Taiwan Beef Noodle (Airport)



Shop front



Dining area

Nosh Café & Bar



Shop front



Dining area

BUSINESS

Chinese Kitchen (Airport)



Shop front



Dining area

Macao Harbour Restaurant



Shop front



Dining area

Coffee Express



BUSINESS

The following pictures show some of the signature dishes/popular menu items served by our restaurants at the Hong Kong International Airport.



Stewed chicken with three cups sauce
in Taiwanese style



Braised beef noodle soup
in Taiwanese style



Chicken wings in sweet sauce



Pork chop bun

Restaurants operating in the urban area of Hong Kong

During the Track Record Period, we operated Taiwan Beef Noodle (Kowloon City) under the brand “*Taiwan Beef Noodle* (台灣牛肉麵)” in Kowloon City and Taiwan Beef Noodle/Chinese Kitchen (TST) under two brands namely “*Taiwan Beef Noodle* (台灣牛肉麵)” and “*Chinese Kitchen* (中國廚房)” on Canton Road, Tsim Sha Tsui. These two restaurants serve a variety of Chinese cuisines, including Taiwanese, Cantonese, Beijing, Sichuanese and Shanghainese cuisines. Our Taiwan Beef Noodle (Kowloon City) targets mass market customers particularly the local residents living nearby. Our Taiwan Beef Noodle/Chinese Kitchen (TST) targets the tourists and mass market customers with relatively higher spending power.

During the Track Record Period, we also operated a dessert shop under the brand “*Mui Chai Kee* (妹仔記)” in Yaumatei. The operation of Mui Chai Kee was carried out by Rich Forever and ceased in June 2013. Please refer to the paragraph headed “History, Development and Reorganisation — Disposal and deregistration of companies during the Track Record Period” in this prospectus for more details.

BUSINESS

The following table sets out the details of our restaurants in the urban area of Hong Kong:

Restaurant	First commencement	Address	Dining environment	Cuisine
Taiwan Beef Noodle (Kowloon City)	December 1993 ^(Note 1)	Ground Floor, Fook Luen Mansion, 40 Lion Rock Road, Kowloon City	A traditionally decorated Chinese style restaurant with 85 seatings	A diverse selection of dishes including its famous beef stock, rice with minced pork, bubble tea and appetisers in Taiwanese style, and a range of other traditional Chinese delicacies
Taiwan Beef Noodle/ Chinese Kitchen (TST)	January 1994 ^(Notes 2 and 3)	4th Floor, 5th Floor and 7th Floor, China Hong Kong Centre, 122-126 Canton Road, Tsim Sha Tsui, Kowloon	A modern décor with a sense of traditional Chinese ambience providing 124 seatings	A wide array of Taiwanese, Cantonese, Beijing, Sichuanese and Shanghaiese cuisines

Notes:

1. The operation of Taiwan Beef Noodle (Kowloon City) was commenced in Kowloon City since 1993 by Mr. Wong's father and his acquaintance, an Independent Third Party. Mr. Wong started participating in the management of the restaurant since 2004. Please refer to the paragraph headed "History, Development and Reorganisation — Corporate development" in this prospectus for further details.
2. Taiwan Beef Noodle/Chinese Kitchen (TST) commenced operation on Canton Road, Tsim Sha Tsui since 1994. The restaurant had been relocated to another shop location on Canton Road, Tsim Sha Tsui in 2010 before it moved to the abovementioned address in May 2013.
3. Pursuant to a sale and purchase agreement dated 31 August 2015 (as amended by a supplemental agreement dated 30 October 2015) entered into between Palace and the general manager of Taiwan Beef Noodle/Chinese Kitchen (TST), who is an Independent Third Party, Palace sold the entire issued share capital of Sunny Echo to the Independent Third Party. The sale and purchase was completed on 30 October 2015. Please refer to the paragraph headed "History, Development and Reorganisation — Disposal and deregistration of companies during the Track Record Period" in this prospectus for more details. On 30 October 2015, Top Future as franchisor and Sunny Echo as franchisee entered into the TST Franchising Agreement, pursuant to which Sunny Echo would pay Top Future a monthly service fee calculated based on the monthly sales and an annual fee calculated based on the profit of the relevant financial year for the non-exclusive right to use the brands "*Taiwan Beef Noodle* (台灣牛肉麵)" and "*Chinese Kitchen* (中國廚房)" to operate Taiwan Beef Noodle/Chinese Kitchen (TST) until April 2023. Please refer to the paragraph headed "TST Franchising Agreement" in this section below for more details.

The following pictures show our Taiwan Beef Noodle (Kowloon City).



Shop front



Dining area

Our restaurants operating under the brands "*Taiwan Beef Noodle* (台灣牛肉麵)" and "*Chinese Kitchen* (中國廚房)" in the urban area of Hong Kong serve the same signature dishes and popular menu items as our restaurants operating under the same brands at the Hong Kong International Airport, with additional menu items to cater to the diversified tastes and preferences of customers who usually spend longer time on dining.

Notes:

Name of the restaurant	Approximate net floor area (sq.m)	Number of sittings	Number of employees as at the latest practicable date	Year ended 31 March 2014				Year ended 31 March 2015				Year ended 31 March 2016									
				Approximate number of customer visits	Number of operation days	Revenue	Average spending per customer	Average daily revenue	Seat turnover rate	Approximate number of customer visits	Number of operation days	Revenue	Average spending per customer	Average daily revenue	Seat turnover rate						
Restaurants operating at the Hong Kong International Airport (Note 4)																					
Avian Beef Noodle (Airport)	224	120	34	556,070	323	26,335,000	74	81,533	9.2	338,130	365	29,546,000	87	80,400	7.7	388,369	366	29,154,000	75	79,601	8.8
Yosh Caki & Bar	227	84	20	248,863	323	24,683,000	99	76,418	9.2	260,501	365	26,779,000	103	73,367	8.5	244,470	366	23,979,000	99	65,243	7.9
Chinese Kitchen (Airport) (Note 5)	149	68	18	N/A	N/A	N/A	N/A	N/A	N/A	149,114	368	15,976,000	107	51,870	7.1	161,082	366	16,868,000	102	44,721	6.5
Macao Harbour Restaurant	394	167	45	435,326	365	26,453,000	47	55,881	6.4	393,907	365	19,440,000	49	53,260	5.8	377,569	366	20,274,000	54	55,393	5.5
Restaurants operating in the urban area of Hong Kong (Note 6)																					
Avian Beef Noodle (Kowloon City)	199	85	14	112,762	364	7,191,000	64	19,755	3.6	106,675	364	7,157,000	67	19,692	3.4	104,803	365	7,279,000	69	19,942	3.4
Beef Noodle Chinese Kitchen (TST) (Note 7)	381	124	N/A	273,572	365	42,502,000	155	116,444	6.0	257,714	365	42,502,000	165	116,605	5.7	193,544	373	21,413,000	159	100,331	5.1

1. Average spending per customer is calculated by dividing the revenue of the relevant restaurant by the total number of customer visits.

1. Average spending per customer is calculated by dividing the revenue of the relevant restaurant by the total number of customer visits.
2. Average daily revenue is calculated by dividing the revenue of the relevant restaurant by the total number of operation days.
3. Seat turnover rate is calculated by dividing the approximate number of customer visits per operation day by the number of seatings of the relevant restaurant.
4. This table does not include the operating data of The Peak Lookout (Airport) and Tasty (Airport), which are operated by our Group's associates.
5. Chinese Kitchen (Airport) commenced operation in May 2014.
6. During the Track Record Period, we also operated Mui Chai Kee, which was a dessert shop, through our former subsidiary Rich Forever. Mui Chai Kee ceased its operation in June 2013 as Mui Chai Kee was founded by Mr. Wong's father who was planning to retire while our Group would like to focus on our principal business of operating casual dining restaurants. Rich Forever recognised a revenue of approximately HK\$648,000 for the year ended 31 March 2014.
7. On 31 August 2015, Palace as vendor and an Independent Third Party as purchaser entered into a sale and purchase agreement, pursuant to which Palace sold the entire issued share capital in Sunny Echo to an Independent Third Party. The sale and purchase was completed on 30 October 2015. Please refer to the paragraph headed "History, Development and Reorganisation - Disposal and deregistration of companies during the Track Record Period" in this prospectus for more details.

Catering management and consultancy services to third-party restaurants

Apart from operating restaurants, we also provide catering management and consultancy services to third-party restaurants through our joint venture company Starz Kitchen Management. During the Track Record Period and up to the Latest Practicable Date, we had been providing catering management and consultancy services to the owner of restaurants under the brand “*Starz Kitchen (左麟右李)*”, which offers a range of traditional Cantonese delicacies in Hong Kong, the PRC, Macau and Kuala Lumpur.

Starz Kitchen Management entered into a management agreement with an Independent Third Party in December 2013 for the provision of catering management and consultancy services to restaurants operated under the brand “*Starz Kitchen (左麟右李)*” (the “**Management Agreement**”). As at the Latest Practicable Date, Starz Kitchen Management provided the relevant services to three, two, one and one restaurant(s) operated under the brand “*Starz Kitchen (左麟右李)*” in Hong Kong, the PRC, Macau and Kuala Lumpur, respectively.

Pursuant to the Management Agreement, Starz Kitchen Management would provide general advice on the overall management of the existing restaurants operated under the brand “*Starz Kitchen (左麟右李)*”, and advise on and assist in the planning and establishment of new restaurants under the brand. It also manages the development, production, sale and marketing of canned food and other prepackaged food sold under the brand “*Starz Kitchen (左麟右李)*”. Starz Kitchen Management would receive a monthly service fee calculated based on a certain percentage of the total revenue of the Independent Third Party in accordance with the Management Agreement. For the three years ended 31 March 2014, 2015 and 2016, Starz Kitchen Management received the relevant service fee in an aggregate amount of approximately HK\$0.2 million, HK\$1.9 million and HK\$2.8 million, respectively. As Starz Kitchen Management is a joint venture company of Golden Royal and Golden Royal became an indirect wholly-owned subsidiary of our Group since 24 November 2015, by applying the equity method under HKAS 28 *Investments in Associates and Joint Ventures*, our Group has shared profit/(loss) of Golden Royal after recognition of the cost of investment during the relevant period.

The parties shall not terminate the Management Agreement within the first five years upon the signing of the agreement unless the relevant shareholders’ agreement of the Independent Third Party or the relevant licence agreement in relation to the sole and exclusive licence to use the name and trademarks of “*左麟右李*” is terminated. Starz Kitchen Management may terminate the Management Agreement by giving a written notice of not less than three months after five years have lapsed. The Independent Third Party is entitled to terminate the Management Agreement by giving Starz Kitchen Management a written notice of not less than three months should there be (i) a material breach of the Management Agreement on the part of Starz Kitchen Management; or (ii) a substantial damage caused to the Independent Third Party due to the material negligence or intentional acts or omissions of Starz Kitchen Management.

Our Directors are of the view that the provision of the relevant management and consultancy services to third-party restaurants is common in the catering industry and our Group’s brand image could be further enhanced as a result. Our Group would continue to look for suitable opportunities to further expand this line of business.

Franchising business model

Over the years, we have accumulated considerable experience in the catering industry in Hong Kong and built up the brands of our restaurants. To enable us to have a more speedy expansion in the casual dining market, we decided to develop a more asset-light business line to license our brands to third party restaurant operators for the operation of restaurants.

TST Franchising Agreement

During the Track Record Period, we operated Taiwan Beef Noodle/Chinese Kitchen (TST) under the brands “*Taiwan Beef Noodle* (台灣牛肉麵)” and “*Chinese Kitchen* (中國廚房)” on Canton Road, Tsim Sha Tsui. As part of our plan to develop a more asset-light business line which enables us to have a more speedy expansion in the casual dining market, on 31 August 2015, Palace and the general manager of Taiwan Beef Noodle/Chinese Kitchen (TST), who is an Independent Third Party, entered into a sale and purchase agreement, pursuant to which Palace sold the entire issued share capital of Sunny Echo to the Independent Third Party. The sale and purchase was completed on 30 October 2015. On 30 October 2015, Top Future as franchisor and Sunny Echo as franchisee entered into the TST Franchising Agreement pursuant to which Sunny Echo would pay Top Future a monthly service fee calculated based on the monthly sales and an annual fee calculated based on the profit of the relevant financial year for the non-exclusive right to use the brands “*Taiwan Beef Noodle* (台灣牛肉麵)” and “*Chinese Kitchen* (中國廚房)” to operate Taiwan Beef Noodle/Chinese Kitchen (TST) until April 2023. We set out below the material terms of the TST Franchising Agreement:

Date of the agreement	: 30 October 2015
Parties	: Top Future as franchisor and Sunny Echo as franchisee
Scope	: For the non-exclusive right to use the brands “ <i>Taiwan Beef Noodle</i> (台灣牛肉麵)” and “ <i>Chinese Kitchen</i> (中國廚房)” to operate Taiwan Beef Noodle/Chinese Kitchen (TST)
Tenure	: From 30 October 2015 and up to 15 April 2023
Amount and nature of franchise fees to be paid	: Sunny Echo shall pay to Top Future (i) a continuing monthly service fee of 1.5% of Sunny Echo's gross monthly sales generated from Taiwan Beef Noodle/Chinese Kitchen (TST) for each month during the term of the TST Franchising Agreement; and (ii) an annual fee as equivalent to, if the relevant net profit after tax of Sunny Echo for the relevant financial year is less than HK\$3 million, 3% of the net profit after tax of Sunny Echo, or if the relevant net profit after tax of Sunny Echo is HK\$3 million or more for the relevant financial year, 5% of the net profit after tax of Sunny Echo

BUSINESS

- Roles and responsibilities of the parties : Top Future: to provide advice and assistance in restaurant operation, including but not limited to (i) the provision of a business operation manual, which covers suggested marketing tool descriptions, market identification and penetration, hiring and training, publicity and customer services; (ii) advertising and promoting Taiwan Beef Noodle/Chinese Kitchen (TST) at selected media channels in Hong Kong prior to or shortly after the commencement of the franchising; (iii) the provision of training to a designated person acceptable to Sunny Echo to assist the operation of the franchised restaurant in an efficient manner at the early stage of the franchising; (iv) if required, sending in a restaurant manager or chef to the franchised restaurant to assist the initial operation of the franchised business at the early stage of the franchising; and (v) training on selling techniques, services, management skills, etc. on an on-going basis
- Sunny Echo: pricing subject to prior consent by Top Future; protect trade secrets and confidential information
- Termination clauses : Sunny Echo may terminate the TST Franchising Agreement with Top Future's prior written consent; Top Future may terminate the TST Franchising Agreement by serving Sunny Echo a 14 days' written notice if Sunny Echo is in breach of the terms therein

The terms of the TST Franchising Agreement were negotiated on an arm's length basis between Top Future as franchisor and Sunny Echo as franchisee taking into consideration (i) the past performance of Sunny Echo; (ii) the public recognition of the brands "*Taiwan Beef Noodle* (台灣牛肉麵)" and "*Chinese Kitchen* (中國廚房)" licensed under the TST Franchising Agreement; and (iii) similar franchising arrangements in the market. Our Company confirms that the terms of the TST Franchising Agreement are in line with the industry norm.

To ensure that Taiwan Beef Noodle/Chinese Kitchen (TST) will be operated according to our standards, we have provided the new owner of Sunny Echo with a business operation manual which sets out various standards and recommendations for the operation of the franchised restaurant. Since the commencement of the franchising arrangement, we have conducted on-site inspection every two weeks to ensure that it has been operating in accordance with the business operation manual. During our inspections, we have reviewed the franchised restaurant's business performance, financial records, staff performance and the overall quality of food offered. Our executive Directors also communicate on a regular basis with the new owner of Sunny Echo on matters covering basic secretarial obligations and licensing and compliance matters.

We expect that our Group may not be able to maintain our historical revenue level as a result of the disposal of the entire issued share capital of Sunny Echo and the entering into of the TST Franchising Agreement. Please refer to the paragraph headed "Risk Factors — Risks relating to our business — We may not be able to maintain our historical revenue level due to the disposal of the entire issued share capital of Sunny Echo" for the relevant risk factor associated with our franchising model on our revenue. Our Directors expect that our Group's costs will decrease while the profitability will be enhanced as a result of the reduced operating costs and the income generated from the franchise fees under the TST Franchising Agreement. Since we have developed a new business line which is more asset-light as a result of the

disposal of Sunny Echo and the franchising arrangement, we anticipate our assets and liabilities will decrease while it would optimise the management of our business and streamline our Group's operations as a whole.

To develop our franchising business line, we intend to recruit some professional franchising managers to devise franchising documentations for our brands, liaise with potential franchisees, provide training to our franchisees and monitor their compliance with the franchising agreements. We also plan to invest more resources in promoting our restaurant brand awareness so as to facilitate our franchising business model.

As at the Latest Practicable Date, we did not have any intention to dispose of our interests in our other restaurants, including Taiwan Beef Noodle (Kowloon City), and franchise the same to third party operators. In particular, as at the Latest Practicable Date, we did not intend to franchise our self-owned brands to third party operators to operate restaurants at the Hong Kong International Airport and shall only implement such franchising business model in the urban area of Hong Kong if there is any suitable opportunity. By developing such franchising business model particularly in the urban area of Hong Kong, we intend to develop a more asset-light business line which would enable us to have a more speedy expansion in the casual dining market. Our Directors consider that the requirements for operating restaurants at the Hong Kong International Airport are relatively higher than operating restaurants in the urban area of Hong Kong in terms of resources and experience, and therefore it may be easier for us to look for suitable franchisees to operate restaurants in the urban area of Hong Kong. Further, franchising our self-owned brands to third party operators to operate restaurants at the Hong Kong International Airport may lead to competition with our existing restaurants and hence should be avoided.

Since the TST Franchising Agreement was the first attempt of our Group to franchise our own brands to a third party, we will closely monitor the results and the performance of the implementation of the TST Franchising Agreement and will proceed with our franchising business with care and caution. In determining whether we will operate our own restaurants or franchise our self-owned brands to third party operators in the future, the key factors that we will take into account are profitability, capital requirements, operation efficiency in running a particular restaurant, relevant experience of the potential franchisee and the terms and conditions of the relevant franchise agreement.

Investment in other restaurant operators

Our investment in Wingo

During the Track Record Period and as at the Latest Practicable Date, we operated Tasty (Airport) at the Hong Kong International Airport through our associate Wingo, in which Palace has 42% beneficial interest. "Tasty Congee & Noodle Wantun Shop (正斗)" is a local restaurant brand which is famous for its wonton noodle soup and other authentic local flavours. For the three years ended 31 March 2014, 2015 and 2016, the revenue of Wingo was approximately HK\$83.9 million, HK\$92.4 million and HK\$108.8 million, respectively. Apart from our investment in Wingo, during the Track Record Period and as at the Latest Practicable Date, our Group's wholly-owned subsidiary Palace also provided management services to Wingo, covering purchases of supplies, management of inventory and delivery and coordination of the daily operation of Tasty (Airport). For the three years ended 31 March 2014, 2015 and 2016, the relevant management fees were approximately HK\$0.4 million, HK\$0.4 million and HK\$0.4 million, respectively.

Tasty (Airport) is located at Level 7 of the Departure East Hall in Terminal 1 at the Hong Kong International Airport. It is a food counter where customers purchase food and then dine at the food court area. It offers authentic Cantonese flavours, including wonton noodle soup, congee, dim sum and Cantonese barbecue food. Wingo operates Tasty (Airport) pursuant to a franchising agreement entered into between Wingo as franchisee and an Independent Third Party as franchisor. We consider that our interest in Wingo enriches our operation experience in the catering industry, which we believe will be valuable to our business growth in the long run.

Our investment in Friend Limited

During the Track Record Period, we operated The Peak Lookout (Airport) at the Hong Kong International Airport through our associate Friend Limited, in which Palace had 20% beneficial interest. The Peak Lookout (Airport) offers a wide selection of international cuisines to cater to all tastes. The Peak Lookout (Airport) is located at Level 8 of the Departures Check-in Hall Mezzanine in Terminal 1 at the Hong Kong International Airport. For the financial year of Friend Limited ended 31 December 2014 and the period from 1 January 2015 to 14 September 2015, the revenue of Friend Limited was approximately HK\$23.3 million and HK\$18.2 million, respectively. On 14 September 2015, the 20% shareholding beneficially owned by Palace in Friend Limited was transferred to an Independent Third Party.

EXPANSION PLANS, SITE SELECTION AND DEVELOPMENT

As part of our growth strategies, we intend to continue to open new restaurants in Hong Kong by entering into franchising or other cooperation arrangements or under our self-owned brands. We also intend to tap into the PRC casual dining market by opening new restaurants under our self-owned brands. Our Directors are involved in implementing our expansion plans and new restaurants development.

Expansion plans at the Hong Kong International Airport

For our business operation at the Hong Kong International Airport, during the Track Record Period and up to the Latest Practicable Date, we opened one new restaurant Chinese Kitchen (Airport) and one takeaway kiosk Coffee Express, and entered into new Licence Agreements with the Airport Authority for the operation of Macao Harbour Restaurant, Chinese Kitchen (Airport) and Coffee Express, all of which are operating under our self-owned brands.

We intend to continue our growth at the Hong Kong International Airport by opening a new restaurant under third party's brand through franchising or other cooperation arrangement and a restaurant under our self-owned brand at the Hong Kong International Airport for the years ending 31 March 2017 and 2018, respectively, which will be subject to tender submissions to the Airport Authority.

In addition, we plan to upgrade some of our existing restaurants at the Hong Kong International Airport through renovation and upgrading our existing restaurant facilities and systems. We currently plan to renovate one and two restaurants for the years ending 31 March 2017 and 2018, respectively.

Our Directors confirm that we had not submitted any tender proposal to the Airport Authority which was under the reviewing process by the Airport Authority as at the Latest Practicable Date.

We expect the total planned capital expenditure for our network expansion at the Hong Kong International Airport to be approximately HK\$5.0 million for each of the years ending 31 March 2017 and 2018. The capital expenditure per new restaurant to be opened at the Hong

Kong International Airport would depend on the type and size of the restaurant and any requirements stipulated in the relevant licence agreement to be entered into between us and the Airport Authority. We expect our expansion plans at the Hong Kong International Airport to be funded by the proceeds from the Placing.

We expect that the average time for our new restaurants at the Hong Kong International Airport to achieve breakeven point and investment payback point to be similar to our historical breakeven point and investment payback point. On average, all our restaurants required less than two months to reach the breakeven point. As at the Latest Practicable Date, all of our existing restaurants at the Hong Kong International Airport had achieved the investment payback point within an average of approximately six to 12 months since their respective commencement of business, depending on the location of the restaurant at the Hong Kong International Airport and the size of the restaurant premises.

Site selection

The Airport Authority would invite catering service operators to submit tender proposals from time to time while it plans and develops the overall retail trade mix and commercial catering concessions at the Hong Kong International Airport. While a particular invitation to tender by the Airport Authority would specify the location of the concession being tendered, we follow a disciplined approach in considering whether a particular site at the Hong Kong International Airport would be appropriate for our new restaurant. We conduct on-site inspection and pedestrian count and review public data in order to collect the necessary information before we decide whether to submit a tender proposal. Based on our extensive experience in operating restaurants at the Hong Kong International Airport, we consider the following criteria are important in terms of site location:

- location of our existing restaurants to minimise the potential competition within our Group;
- other restaurants in the adjacent area;
- licence fee for the licensed concession;
- types of travellers departing from nearby gates; and
- pedestrian traffic.

New restaurant opening procedures

Based on the experience of our Directors, it generally takes us approximately six to 12 months to open a restaurant at the Hong Kong International Airport upon receipt of the invitation to tender from the Airport Authority. The key steps in opening a new restaurant at the Hong Kong International Airport include the following:

- *Invitation to tender.* The Airport Authority invites catering service operators to submit tender proposals for a licence to operate a restaurant at a designated concession at the Hong Kong International Airport. An invitation to tender sets out the details of the licence to be granted to the successful catering service operator, including the address and size of the concession, catering concept of the restaurant to be opened, calculation of licence fee, licence period and other general terms and conditions of the relevant licence agreement.

- *Assessment and analysis.* After reviewing the invitation to tender, we conduct feasibility study including on-site inspection to analyse and forecast the expected customer traffic, revenue, profitability, return on investment and payback period. We also consider the suitable business model for operating the restaurant (whether operating under a third party's brand through franchising or other cooperation arrangement or under our self-owned brand). Since a particular invitation to tender for the operation of a new restaurant by the Airport Authority would specify the requirements of the catering concept and the cuisines offered, we also assess if there would be any potential competition with our existing restaurants. Once the feasibility study is approved by our Directors, we will prepare and submit a tender proposal to the Airport Authority.
- *Award of licence and renovation.* Upon notification of the award of licence by the Airport Authority, we commence the interior design of the new restaurant based on the cuisine to be served and the associated brand features, which may be subject to any specific requirements set out in the relevant licence agreement. Renovation will be carried out by independent contractors engaged by our Group. The renovation process generally requires approximately two months to complete.
- *Licensing and permits.* Concurrently with the design and renovation of the restaurant, our Group applies for various licences and permits necessary for the operation of the restaurant. It generally requires approximately three to four months to obtain the required restaurant licences and permits.
- *Staffing.* Upon completion of renovation and successful application for all the required licences and permits, we allocate managerial staff from our existing restaurants and train new staff in preparation of the launch of the new restaurant.

Expansion plans in the urban area of Hong Kong

Apart from our expansion at the Hong Kong International Airport, we have been strategically looking for suitable locations to open new restaurants in the urban area of Hong Kong. We intend to selectively open a new restaurant under our brand “*Taiwan Beef Noodle (台灣牛肉麵)*” for each of the years ending 31 March 2017 and 2018 in districts with high pedestrian traffic such as Central and Western District, Mongkok and Wanchai. We intend to open the new restaurants in shopping malls or in the street-front locations instead of upper floor shops.

We expect the total planned capital expenditure for our network expansion in the urban area of Hong Kong to be approximately HK\$5.0 million and HK\$4.0 million for the years ending 31 March 2017 and 2018, respectively. The capital expenditure per new restaurant would depend on the size and location of the restaurant. Our expansion plans in the urban area of Hong Kong are expected to be funded by the proceeds from the Placing.

We expect the average time for our new restaurants in the urban area of Hong Kong to achieve breakeven point and investment payback point to be similar to our historical breakeven point and investment payback point. On average, we expect any new restaurant to be opened in the urban area of Hong Kong to require less than three months to reach the breakeven point and achieve the investment payback point within less than 24 months since its commencement of business.

Site selection

We consider our ability to identify suitable locations for restaurants in the urban area of Hong Kong to be critical in determining our long-term growth. We conduct site-visit, pedestrian count and researches for all necessary information for our decision-making. We take into consideration the following factors during the site selection process:

- the accessibility of the potential sites to the target customers;
- spending patterns of the target customers which may be affected by the preference of the local community, population density, existence of a critical mass and the spending power of the community;
- proximity to the competitors and performance of direct competitors in the adjacent area;
- location of our existing restaurants to avoid setting up a new one in the adjacent area/district;
- pedestrian traffic and convenience of the location;
- rental costs and other costs of operation;
- size and structure of the premises;
- restrictions on licensing of the premises; and
- restrictions on opening hours of the premises.

New restaurant opening procedures

The procedures of opening a new restaurant in the urban area of Hong Kong mainly include the following steps:

- *Location planning and site assessment.* We explore new restaurant locations from time to time. Once the location for a new restaurant is identified, we conduct feasibility study to forecast the expected customer traffic, revenue, cost structure, profitability, return on investment and payback period.
- *Lease negotiation and execution.* Upon approval of the site selection by our Directors, we commence lease negotiations with the landlord. We generally require the term of the lease to be not less than five years with a rent-free period to allow us sufficient time to renovate the premises.
- *Design and renovation.* Upon signing a lease agreement, our Group commences the interior design of the restaurant. The restaurant design is based on the cuisine to be served, target customer groups, associated brand features and location of the premises. Renovation will be carried out by independent contractors engaged by our Group. The design and renovation generally require approximately two to three months to complete.

- *Licensing and permits.* Concurrently with the design and renovation of the restaurant, our Group applies for various licences and permits necessary for the operation of the restaurant. It generally requires approximately two to three months to obtain the required restaurant licences and permits.
- *Staffing.* Upon completion of renovation and successful application for all the required licences and permits, we allocate managerial staff from our existing restaurants and train new staff in preparation of the launch of the new restaurant.

Expansion plans in the PRC

As at the Latest Practicable Date, we did not have any restaurant operation in the PRC. We currently plan to open a new restaurant under our self-owned brand “*Taiwan Beef Noodle* (台灣牛肉麵)” in the PRC for each of the years ending 31 March 2017 and 2018. We expect the new restaurants to be strategically located in first-tier cities in the PRC such as Guangzhou and Shanghai.

We expect the total planned capital expenditure for our expansion in the PRC to be approximately HK\$5.0 million and HK\$5.7 million for the years ending 31 March 2017 and 2018, respectively. As at the Latest Practicable Date, we did not incur any capital expenditure for our network expansion in the PRC.

We expect any new restaurant to be opened in the PRC to require three months to reach the breakeven point and achieve the investment payback point within 18 months since its commencement of business.

The actual commencement of operation, number and geographical location of our new restaurants in any given period are subject to a number of uncertainties and will vary depending on a number of factors, such as the overall development of the Hong Kong International Airport and the relevant invitations to tender, competitive conditions, consumer preferences and the overall business and economic environment. For the risks associated with our expansion plans in the PRC, please refer to the paragraph headed “Risk Factors — Risks relating to our business — The PRC market is different from our existing market in Hong Kong and our planned expansion into the PRC market presents significant risks” in this prospectus.

RESTAURANT OPERATIONS AND MANAGEMENT

Management structure

Our management structure is designed to promote efficiency in supervising, directing and supporting our operations, quality control system, recruitment and training in each of our restaurants.

- *Head office management.* Our head office is responsible for the overall management of our business and operations, such as financial planning and analysis, overall management and supervision of our restaurants, strategic initiatives, marketing and brand building.
- *Finance and administration.* Our finance and administration departments oversee the accounting system, handle finance and accounting-related matters and supervise the overall human resources administration and management.

- *Operation at restaurant level.* Each of our restaurants is headed by a restaurant manager who oversees the daily operation of the restaurant. The staff of each restaurant is basically divided into the kitchen division and the dining service division. The kitchen division is headed by a head chef who supervises the operations of the kitchen and is responsible for monitoring the level of inventory every day and deciding the types and quantities of food ingredients to be purchased. The dining service division is responsible for overseeing the dining area of the restaurant, taking orders from customers, serving meals and dealing with settlement of bills. For Coffee Express, our staff members oversee the daily operation, including monitoring the inventory, serving the customers and handling the payments.
- *Centralised warehouse for our restaurants operating at the Hong Kong International Airport.* Our centralised warehouse in Tsing Yi enables us to centralise the purchase, delivery and distribution of food ingredients and other supplies to our restaurants operating at the Hong Kong International Airport. For details, please refer to the paragraph headed “Restaurant operations and management — Centralised warehouse for our restaurants operating at the Hong Kong International Airport” in this section below.

Centralised warehouse for our restaurants operating at the Hong Kong International Airport

Delivery of food ingredients and other supplies to our restaurants operating at the Hong Kong International Airport is restricted to vehicles and drivers with relevant permits issued by the Airport Authority. Since 2008 and up to the Latest Practicable Date, we had been operating a centralised warehouse in Tsing Yi to centralise the purchase, delivery and distribution of food ingredients and other supplies for our restaurants operating at the Hong Kong International Airport. Our centralised warehouse is of a net floor area of approximately 385 sq.m. It keeps stocks of food ingredients and other supplies, the quantities of which are sufficient for all of our restaurants operating at the Hong Kong International Airport for at most three days. Perishable fresh vegetables are ordered every day. Deliveries are made from our centralised warehouse to our respective restaurants operating at the Hong Kong International Airport every morning in accordance with the orders made by the head chefs of our respective restaurants.

Food preparation and development of new dishes

We adopt a series of standardised quality control policies and procedures to ensure and maintain our food quality and safety.

Purchasing process

The head chefs of our restaurants operating at the Hong Kong International Airport is responsible for monitoring the level of inventory and deciding the types and quantities of food ingredients and other supplies to be purchased on a daily basis. Each of our restaurants operating at the Hong Kong International Airport issues a purchase order to our centralised warehouse in Tsing Yi every day. Deliveries from our centralised warehouse are made early morning on the next day. Usually the restaurants place purchase orders once a day but they may sometimes place supplementary orders if their pre-dinner inventory levels are lower than expected or due to other exceptional circumstances, and our centralised warehouse may deliver the orders twice a day as a result. We use our self-owned refrigerated truck to deliver food ingredients and other supplies to our restaurants operating at the Hong Kong International Airport. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material vehicle malfunction which hindered the delivery of food ingredients and other supplies to the Hong Kong International Airport.

BUSINESS

As for Taiwan Beef Noodle (Kowloon City), its head chef places orders to our authorised suppliers directly. Deliveries are made directly to the restaurant every morning.

Upon delivery of the food ingredients, our head chefs weigh the incoming food ingredients, take records of the types and quantities of the food ingredients and check the information on the delivery notes against the orders before confirming receipt of the delivery. The finance department receives the relevant delivery notes and invoices afterwards for records. All purchases are supported by invoices provided by the suppliers.

Storage, preservation and inventory control

Food ingredients are delivered to our restaurants every day. For food ingredients which are perishable, we closely monitor their inventory level to ensure the freshness and safety for consumption. We order fresh vegetables every day. Any unused vegetables would be discarded and would not be used on the next day. For non-perishable food ingredients, we ensure that an adequate stock is maintained in our restaurants based on their needs. Upon delivery of the food ingredients to our restaurants, we store the food ingredients under appropriate temperature and storage conditions. We conduct regular checks on all the food ingredients such as frozen meat, eggs, canned food and groceries to ensure that they are fit for consumption.

We have not experienced any excessive accumulation of inventory of food ingredients and beverages during the Track Record Period since all purchase orders are placed to match demands, deliveries are made daily and our inventories are closely monitored by our head chefs and restaurant managers.

Food preparation

The head chefs of our restaurants are responsible for the overall operation of the kitchens. All food processing procedures such as washing, cutting, seasoning, cooking and serving are carried out by our kitchen staff of our restaurants under the supervision of our head chefs. Our head chefs are responsible for the quality of the dishes served to our customers. They carry out assessments of the dishes in terms of visual presentation, aroma and flavour in order to further improve the recipes.

We have division of labour among our kitchen staff in order to ensure efficiency and quality of our services. Our kitchen staff use different sets of cutting boards and knives for raw food and cooked food. All used food processing equipment must be cleaned thoroughly before use for processing another dish. After our customers finish the dishes, the used utensils are collected, washed and dried immediately.

Development of new dishes

For our restaurants operating at the Hong Kong International Airport, we keep evolving the staff menu twice a year to increase their frequency of re-visits. For other menus, we review and develop menu items on an annual basis. For Taiwan Beef Noodle (Kowloon City), we develop new menus and modify our existing dishes in response to the changing tastes of customers, shifting food and nutrition trends, seasonal factors and feedbacks from our customers. The following sets forth the general procedures for our dish development:

- *Proposal.* Our head chefs prepare proposals of new dishes after considering the market trends, seasonal factors, taste, target price, sales volume and food costs.
- *Approval.* Our Directors consider the proposals and carry out dish-tasting. Recipes may be further adjusted. Our Directors will approve the proposals after they are satisfied with the new or modified dishes.
- *Implementation.* After approval, we will revise the menus and will train and instruct the kitchen staff to follow the new recipes of the new or modified dishes. Our head chefs will explain the features of the new or modified dishes to the waiters.

Settlement and cash management

Our customers settle their bills by cash or credit cards. Apart from Hong Kong dollars, we also accept settlement of bills by Renminbi at Taiwan Beef Noodle/Chinese Kitchen (TST) and by major foreign currencies at our restaurants operating at the Hong Kong International Airport. Our restaurants operating at the Hong Kong International Airport also accept meal vouchers issued by some airline operators to their customers where there are flight delays, and we will issue invoices to the relevant airline operators on a regular basis. The table below sets forth the breakdown of revenue by types of settlement during the Track Record Period.

	Year ended 31 March					
	2014		2015		2016	
	Revenue (HK\$'000)	% of total revenue	Revenue (HK\$'000)	% of total revenue	Revenue (HK\$'000)	% of total revenue
Credit cards	39,810	32.7	46,727	33.1	33,297	26.6
Cash	80,457	66.1	92,228	65.3	88,016	70.1
Meal vouchers (Note)	1,524	1.2	2,232	1.6	3,917	3.1
Credit sales	—	—	72	0	272	0.2
Total revenue	<u>121,791</u>	<u>100.0</u>	<u>141,259</u>	<u>100.0</u>	<u>125,502</u>	<u>100.0</u>

Note: These are meal vouchers provided by airline operators to their customers.

Our restaurants accept credit cards from all major credit card issuers for settlement of bills. We normally receive remittance from the relevant credit card issuers, net of service charges, on the second or third Business Day after the day on which the credit card transaction is approved.

Our Group handles certain amount of cash every day. To ensure the accuracy of record keeping of customers' invoices, our staff enter the relevant details into our point-of-sale ("POS") system after taking the meal orders. We have implemented guidelines for our POS system and the logistics with respect to the collection of payment by way of cash. We conduct checks on a daily basis to ensure the reconciliation between the cash receipts recorded in our POS system against the cash kept at the cash register at each of our restaurants.

BUSINESS

As a restaurant operator, we pay critical attention to cash management, accountability and security. As many of our customers settle their bills by cash, our restaurants handle a significant amount of cash on a daily basis. To avoid misappropriation or illegal use of cash, we have implemented a cash management system with a set of cash handling and custody procedures which apply to all of our restaurants. We have also maintained insurance to cover money in direct transit by authorised personnel during business hours between designated areas and money whilst contained in insured premises during business hours and money secured in locked safe, drawer and cash register after business hours. Our cash management system focuses on the following areas:

Cash collection and record-keeping

After orders are placed, our cashiers input the order details in an intranet system through the cash register and bills are issued based on such records. Our cashiers are required to use a designated password to access and alter records in our POS system. We designate the respective restaurant managers or staff members of a higher ranking (restaurant level) to handle daily cash payments. Our cashiers input the amount of cash collected in our POS system. Cash collected is kept in a locked drawer at the cashiers' desk. Service tips received are kept in a separate box which is also placed at the cashier's desk.

Cash reconciliation

Our cashiers and restaurant managers are responsible for reconciling the daily cash sales records generated by our POS system with the actual cash payments (including service tips) collected. Such reconciliation is conducted three times a day. Cash sales records and bills are sent to our head office by express mail on the same day for records. During the Track Record Period, we had not encountered any incidents of cash reconciliation discrepancies which result in a material cash loss. As part of our internal control policies, in case of discrepancies in cash collection, our restaurant managers would inform our head office and inform the relevant head office personnel of such incidents. Once we have investigated the matter, we would decide whether to proceed with taking legal actions and/or reporting such incidents to the relevant authorities.

Cash safe-keeping

After reconciliation, our cashiers, accompanied by our restaurant managers, transfer the cash to our safes. Our cashiers have access to the safe with security password combination and key for the safes while a spare set of key is kept by one of our executive Directors for control and safekeeping. The security password combination is changed whenever there is any change of the cashier for a particular restaurant.

Video surveillance

We have installed a closed-circuit television system in all of our restaurants which covers our cashiers' desk and the area where our safe is kept for monitoring the cash handling process.

Cash in transit

Our restaurant managers deposit cash received from the previous day's operations into our bank accounts on the next Business Day. Our finance department checks the amount of cash deposited against our cash sales records on a daily basis.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any misappropriation of cash by our employees which had any material adverse impact on our business and results of operations.

SALES AND MARKETING

Customers

During the Track Record Period, our customers were mainly retail customers and we were not dependent on any single customer. As such, our Directors consider that it is not practicable to identify our five largest customers of our Group for the Track Record Period.

Seasonality

Our business is subject to seasonal fluctuations. During the Track Record Period, we generally recorded relatively higher monthly revenue during July and August while our revenue during our first fiscal quarter (from April to June) was relatively lower.

Pricing policy

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

- costs of the menu items;
- cost structure of restaurants and target profit margins;
- geographical location and profile of the specific restaurant;
- anticipated market trends and spending habits of target customers; and
- prices of similar dishes set by competitors.

Pursuant to the Licence Agreements, for our restaurants operating at the Hong Kong International Airport, the prices charged for the same or similar food items would not be higher than those served at our restaurants operating in the urban area of Hong Kong. In the urban area of Hong Kong, we normally charge higher prices at Taiwan Beef Noodle/Chinese Kitchen (TST) where we generally serve tourists and customers with higher purchasing power, whereas the prices of our menu items offered at Taiwan Beef Noodle (Kowloon City) are set at a slightly concessionary rate where the local residents are our major customers.

Save for the sales at Coffee Express, staff menu items served at our restaurants at the Hong Kong International Airport and takeaway food items, we generally charge our customers a service fee of 10% of the total check at our restaurants.

We review our menu on a regular basis and adjust our menu prices accordingly. Adjustments are made principally in response to the increase in our costs of sales, the general market trend and prices set by our competitors. We were able to maintain a relatively stable gross margin during the Track Record Period. Our Directors expect that the future trend of our menu prices will remain relatively stable.

For Taiwan Beef Noodle/Chinese Kitchen (TST) operating as our franchised restaurant pursuant to the TST Franchising Agreement, the franchisee shall purchase designated materials specified by us from our nominated or approved suppliers. We will make recommendations for the prices of the food sold but Sunny Echo as franchisee may deviate from our recommended prices with our consent. We will make our recommendations after taking into consideration of, amongst other things, the operating environment of the franchised restaurant, its costs structure and profitability.

Marketing and promotion

- *Advertising.* During the Track Record Period, we had been using lightbox advertising at the Hong Kong International Airport to promote Taiwan Beef Noodle (Airport) and Nosh Café & Bar to travellers. We had also placed advertisements in magazines to promote our restaurant brand “*Taiwan Beef Noodle* (台灣牛肉麵)” to tourists.
- *Special menu at discounted rate.* Targeting Airport Staff, we design special menu offering special discounts at our restaurants operating at the Hong Kong International Airport. For Taiwan Beef Noodle (Kowloon City), we offer discount to students studying nearby. We also offer afternoon tea menu between lunch and dinner time to attract additional customers and fully utilise our premises.
- *Other promotion.* We participate in marketing campaigns organised by the Airport Authority to promote our restaurants operating at the Hong Kong International Airport. Taiwan Beef Noodle (Airport), Nosh Café & Bar and Macao Harbour Restaurant have joined the “Green Monday” programme jointly promoted by Green Monday and the Airport Authority which aims at promoting low-carbon dining. Our restaurants have been offering more vegetarian choices in our menus for travellers and Airport Staff.

SUPPLIERS AND FOOD INGREDIENTS

During the Track Record Period, our suppliers mainly included suppliers of food ingredients, food products, beverages, utensils and other ancillary equipment. We have also engaged external licensing consultants, pest control companies, renovation, repair and maintenance service companies as well as cleaning companies. In line with the industry practice, during the Track Record Period and up to the Latest Practicable Date, we had not entered into any long-term contract with our approved suppliers, and the terms and conditions set out in our purchase orders placed with different types of suppliers may differ. During the Track Record Period, we had an average of approximately 5.0 years, 6.2 years and 6.7 years of relationships with our top five suppliers for the three years ended 31 March 2014, 2015 and 2016, respectively.

We had maintained a list of approved food ingredient and beverage suppliers including more than 50 suppliers as at the Latest Practicable Date. On average, we had over 5.5 years of business dealings with our major suppliers. Our Directors confirm that we do not rely on any single supplier for our food ingredients. Potential suppliers are selected carefully based on a set of selection criteria before they are included in our list of approved suppliers. We consider the quality and stability of the products and services offered by the potential suppliers and their general reputation are important. Other selection criteria include the pricing of their products, payment and credit terms, purchase discount, their capacity and business operation and responsiveness to any contingency. We generally conduct quality reviews of trial orders from the potential suppliers at least two to three times before we confirm the inclusion of them in our list of approved suppliers. Our procurement staff conduct evaluations and reviews of our approved suppliers on a regular basis and would remove any supplier who fails to meet our standards.

Our Directors confirm that there was no rebate or kick back arrangement with any of our suppliers and, to the best knowledge of our Directors, we had not encountered any incident that any of our Directors or employees was involved in any bribery or kickback arrangement with our suppliers during the Track Record Period.

During the Track Record Period, we had not experienced any interruption of supply of our food ingredients or failure to secure sufficient quantities of irreplaceable food ingredients that had any material adverse impact on our business or results of our operations.

BUSINESS

The following table illustrates the profile of our top five suppliers during the Track Record Period based on our total purchases attributable to them.

For the year ended 31 March 2014

Supplier	Food ingredients/ goods provided	Approximate years of business with our Group as at the Latest Practicable Date	Approximate % of our total purchases attributable to the supplier
Rich Forever	Dim sum and dessert	5	10.1
Supplier B	Beef	8	7.2
Supplier C	Dried food, seafood, beef and other meat	6	5.2
Supplier D	Dried food	5	5.0
Supplier E	Seafood	3	4.8

For the year ended 31 March 2015

Supplier	Food ingredients/ goods provided	Approximate years of business with our Group as at the Latest Practicable Date	Approximate % of our total purchases attributable to the supplier
Rich Forever	Dim sum and dessert	5	9.3
Supplier F	Frozen food, beef and other meat	11	7.0
Supplier B	Beef	8	7.0
Supplier E	Seafood	3	5.9
Supplier C	Dried food, seafood, beef and other meat	6	4.2

For the year ended 31 March 2016

Supplier	Food ingredients/ goods provided	Approximate years of business with our Group as at the Latest Practicable Date	Approximate % of our total purchases attributable to the supplier
Supplier F	Frozen food, beef and other meat	11	5.8
Supplier G	Frozen food, beef and other meat	1	5.7
Rich Forever	Dim sum and dessert	5	5.3
Supplier H	Vegetables	8	5.2
Supplier B	Beef	8	5.0

For the three years ended 31 March 2014, 2015 and 2016, purchases from our largest suppliers accounted for approximately 10.1%, 9.3% and 5.8% of our total purchases, respectively, and the total purchases from our five largest suppliers accounted for approximately 32.3%, 33.4% and 27.1% of our total purchases, respectively.

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Rich Forever was a former subsidiary of our Group. As at the Latest Practicable Date, it was principally engaged in the sale of dim sum and Chinese dessert. As our Group intended to focus on our casual dining business, we disposed of our shareholding in Rich Forever to Mr. Wong's father in December 2013. Based on our current business plan, our subsidiaries will not purchase any food products or ingredients from Rich Forever. Hence, our Directors do not contemplate any continuing connected transactions between Rich Forever and our Group after the Listing.

To the best of our Directors' knowledge, none of our Directors, their respective close associates or Shareholders (who or which, to the knowledge of our Directors owns more than 5% of our issued share capital) had any interest in any of our Group's five largest suppliers during the Track Record Period.

Food ingredients

During the Track Record Period, we sourced our food ingredients through local distributors. To the best knowledge of our Directors, the prices of food ingredients are determined with reference to quality, specifications, seasonal factor, source of supply and the suppliers' relationships with our Group.

Our Directors are of the view that the prices of the food ingredients purchased by our Group are consistent with the prevailing market prices and expect the purchase prices of the food ingredients will continue to follow the market prices under normal operations and market conditions.

Purchasing procedures and inventory control

Each of our restaurants operating at the Hong Kong International Airport places purchase orders to our centralised warehouse in Tsing Yi every day for the types and quantities of food ingredients and other supplies required for the next day. Please refer to the paragraph headed "Restaurant operations and management — Food preparation and development of new dishes" in this section for details of the relevant purchasing process. For Taiwan Beef Noodle (Kowloon City), the head chef makes purchase orders to the approved suppliers directly.

To keep the food ingredients fresh and reduce wastage, we maintain a minimal level of fresh and perishable food ingredients at each of our restaurants operating at the Hong Kong International Airport and at Taiwan Beef Noodle (Kowloon City) (except vegetables which are delivered daily) with an inventory level sufficient for not more than one day. For non-perishable food ingredients including frozen meat, our centralised warehouse usually keeps adequate stock which is sufficient for our restaurants operating at the Hong Kong International Airport for at most three days. For Taiwan Beef Noodle (Kowloon City), it usually keeps stock of non-perishable food ingredients which is sufficient for its operation for at most two days. By closely monitoring the purchases of each of our restaurants and to better estimate the food production volume, we aim to minimise the amount of food ingredients and other supplies that we must store in both our centralised warehouse in Tsing Yi and at each restaurant.

Control on purchase cost

The overall costs of food ingredients are generally monitored not to exceed a certain percentage of the total revenue of a particular restaurant. If there is any material increase in the purchase price of any food ingredient, we would have no difficulty in finding substitute suppliers. Food ingredients used in our restaurants operating at the Hong Kong International Airport are purchased through our centralised warehouse in Tsing Yi. By centralising the purchase, warehousing and delivery of food ingredients and purchasing in bulk orders with discounts, we

can better monitor and control the costs of the food ingredients. Our restaurants operating at the Hong Kong International Airport closely monitors the level of inventory and places purchase orders to our centralised warehouse according to their respective demands on a daily basis. By obtaining up-to-date information of the inventories and purchase demands, our centralised warehouse is able to have a better coordination for bulk purchases and enhance its monitoring and control of the purchase costs of the food ingredients for our restaurants operating at the Hong Kong International Airport. As for Taiwan Beef Noodle (Kowloon City) with relatively streamlined operation, the head chef places purchase orders to the approved suppliers directly with reference to the level of inventory of food ingredients on a daily basis. By closely monitoring the inventory level and making relevant appropriate purchase orders, we could manage and control the purchase costs of the food ingredients of the restaurants efficiently.

Other measures to mitigate any adverse impact of increase in costs of food ingredients adopted by us include searching for suppliers which offer food ingredients with similar quality but at lower price, increasing production efficiency by maximising the utilisation of food ingredients as well as reviewing and adjusting our menu items on a regular basis. However, we may not be able to respond to changes in purchase costs in a timely manner and implement menu price adjustments to pass on the increases in the costs of food ingredients to our customers. Please refer to the paragraph headed “Risk Factors — Risks relating to our industry — The price of food ingredients may continue to rise and fluctuate” in this prospectus for details of the relevant risk.

Food and beverage costs, which are represented by our costs of inventories sold, accounted for 23.5%, 22.5% and 21.7% of our revenue for the three years ended 31 March 2014, 2015 and 2016, respectively. Please refer to the paragraph headed “Financial Information — Management’s discussion and analysis of the results of the operations — Cost of inventories sold” in this prospectus for the sensitivity analysis in relation to the costs of food ingredients. We currently do not engage in futures contracts or other financial risk management strategies against potential price fluctuations in food costs.

Credit and payment terms

Our payments to suppliers are settled either on a monthly basis or by cash on delivery. For monthly settlement, payment would not be approved until both invoices and monthly statements received from suppliers are reconciled. The finance department will send the monthly statements to the individual restaurant for confirmation if there is any unreconciled item. We will generally arrange the settlement of invoices within the agreed credit periods. Our suppliers normally grant a 30 to 90 days’ payment terms to us. During the Track Record Period, all of the purchases made from our suppliers were denominated and settled in Hong Kong dollars.

QUALITY CONTROL

We have implemented internal quality control standards in our operations to ensure the quality and safety of the food we serve to our customers.

Food safety and hygiene

Our food safety and quality control procedures are closely associated with our supplier selection process and food preparation process. For details, please refer to the paragraphs headed “Suppliers and food ingredients” and “Food preparation and development of new dishes — Food preparation” in this section. We clean and sanitise our restaurants twice a day and we engage cleaning companies and pest control companies for the monthly cleaning and pest control for each restaurant. We have guidance that all our kitchen staff must keep their hands clean during the food and beverage preparation, and we do not allow our kitchen staff who is

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suffering from any discharging wound, attacks of diarrhoea, vomiting or sore throat to take part in any food preparation process. We ensure the implementation of our quality control policies by providing training to our employees and continuing supervision.

As confirmed by our Directors, we received no material complaints or claims on our food and none of our restaurants was subject to any investigation on food hygiene by government authorities due to any food safety incident during the Track Record Period and up to the Latest Practicable Date.

Service quality

The restaurant managers and the head chefs of our restaurants provide daily briefing session to and evaluation of staff to ensure the quality of our services. We also carry out staff performance review regularly.

During the Track Record Period, we recorded one, two and one customer complaints for the three years ended 31 March 2014, 2015 and 2016, respectively, all of which involved our restaurants operating at the Hong Kong International Airport. These customer complaints were received by the Airport Authority and referred to us, which concerned food taste and price as well as service quality of our staff.

For our restaurants operating at the Hong Kong International Airport, whenever we receive a customer complaint referred to us by the Airport Authority, we conduct investigation into the matter and prepare a reply to the relevant customer. We then prepare a report to the Airport Authority for their record. For the complaints we receive on spot at the respective restaurants, our restaurant managers will try to resolve them to the customers' satisfaction by offering remedial proposals to them. We will try to improve the taste of the particular dish to the customers' satisfaction, or offer to exchange an unsatisfactory dish for another dish for our customers if necessary. If a complaint concerns the service quality of a particular staff member, the relevant restaurant manager will obtain details of the complaint from our staff and offer a response to the customer. We will promptly record every complaint in our internal records and our Directors and senior management will review the relevant records on a regular basis.

During the Track Record Period and up to the Latest Practicable Date, we had not received any complaints from customers that had any material adverse impact on our brands, our business and results of operations.

INFORMATION TECHNOLOGY

We have been using a computerised point-of-sale system at all of our restaurants to capture customer spending data, including guest count, time and date of meal, location of guest's seat, quantities of each menu item sold, drinks consumption and cash and credit card receipts. We closely monitor and analyse the relevant data, which enables us to make decisions to promptly respond to any change in customers' taste and preference.

We generate management accounts on a monthly basis by our accounting system, which allows our management to monitor the performance of each restaurant.

COMPETITION

The environment of the catering industry in Hong Kong is intensely competitive. According to the Frost & Sullivan Report, in 2015, there were approximately 30 restaurant operators operating their catering business at the Hong Kong International Airport, 16 of them were casual dining restaurant operators. As for the catering market in the urban area of Hong Kong, there

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are currently over 2,000 casual dining restaurants. Key competitive factors in the industry include type of cuisine, food choice, food quality and consistency, quality of service, price, dining experience, restaurant location and ambiance. For details of the overall catering industry in Hong Kong and entry barriers for new restaurant operators, please refer to the section headed “Industry Overview” of this prospectus.

As compared with our major competitors, we are competitively positioned based on our long history of operating restaurants in particular at the Hong Kong International Airport for over a decade, our multi-brand strategy to cater to diversified customers, our experienced and professional management and our quality food and efficient services at affordable price. Please refer to the paragraph headed “Risk Factors — Risks relating to our industry — Intense competition in the catering industry could prevent us from increasing or sustaining our revenue and profitability” in this prospectus for details of the risk of our business due to the market competition.

EMPLOYEES

For the three years ended 31 March 2014, 2015 and 2016 and as at the Latest Practicable Date, we had a total of 221, 224, 153 and 150 full-time and part-time employees, respectively.

The table below sets forth the total number of our full-time and part-time employees by functional as at the Latest Practicable Date:

	Number of employees
Management	: 2
Finance and administration	: 5
Centralised warehouse	: 2
Restaurant staff	
(i) Restaurant managers	: 7
(ii) Kitchen staff	: 55
(iii) Dining service staff	: 59
(iv) Cleaners	: 20
Total	: 150

The staff costs of our Group represented 29.4%, 28.8% and 29.0% of our revenue for the three years ended 31 March 2014, 2015 and 2016, respectively. During the Track Record Period and up to the Latest Practicable Date, there had not been any labour strike within our Group. We did not have any material labour disputes nor any material insurance claims related to employee injuries as at the Latest Practicable Date.

Training

Our head chefs are generally responsible for providing training on food processing and kitchen operation while our restaurant managers are generally responsible for providing training in relation to dining service to our staff. We provide on-the-job training to new recruits.

Recruitment

Recruiting in the catering industry is highly competitive. We believe we are able to hire suitable candidates in the market by offering attractive remuneration packages, including competitive wages, incentive and discretionary bonus, transportation allowance, staff meals and promotion prospects to our employees. We have been adopting an internal referral programme to encourage current employees to refer suitable candidates to us.

In line with the market practice, we hire part-time staff from time to time when there is temporary staff shortage or for special events or peak seasons. Part-time staff are generally allocated to carry out basic tasks with low-skill requirements.

Please refer to the paragraph headed “Risk Factors — Risks relating to our business — Our business could be adversely affected by difficulties in recruitment and retention of our employees” in this prospectus for more details of the relevant risk of recruitment on our business. During the Track Record Period, we had not experienced any significant difficulty in recruiting our employees.

Employee retention

To retain our employees, we offer attractive remuneration packages and a safe working environment. We review and adjust the salary level of our employees from time to time based on their performance and market conditions.

We conditionally adopted the Share Option Scheme. Our Directors and employees are entitled to participate in the Share Option Scheme. The principal terms of the Share Option Scheme are summarised under the paragraph headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus.

SAFETY MEASURES

We are committed to providing a safe working environment to our employees and we are required to comply with various safety laws and regulations in Hong Kong. Our operations are subject to the occupational health and safety laws and regulations promulgated by the relevant occupational health and safety authorities in Hong Kong. We have established safety procedures and guidelines which set out our work safety policies and promote safety on work sites. Further, our internal control manual provides clear guidelines as to the occupational and restaurant safety matters which our kitchen staff are required to follow. We provide relevant training to all our new recruits and existing employees. We believe these measures help reduce the number of work-related injuries of our employees and are adequate and effective to prevent serious work injuries.

Any accident occurs at our restaurants or our centralised warehouse in Tsing Yi will be reported to our head office. For the three years ended 31 March 2014, 2015 and 2016 and the period from 1 April 2016 up to the Latest Practicable Date, we had recorded one, one, two and nil work-related injuries of our employees. The compensation we have paid to our injured employees amounted to no more than HK\$150,000 for each of the said periods.

Our Directors confirm that no significant workplace accident had occurred at our restaurants during the Track Record Period.

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PROPERTIES

As at the Latest Practicable Date, we did not own any property. All of our restaurants, centralised warehouse, storage rooms and office premises are licensed/leased. Currently, we do not intend to acquire any property for our restaurant sites. We believe it allows us flexibility in our operations and expansion. The relevant licence fees and rentals and related expenses amounted to approximately HK\$25.4 million, HK\$33.1 million and HK\$32.0 million for the three years ended 31 March 2014, 2015 and 2016, respectively.

The current Licence Agreements for our restaurants operating at the Hong Kong International Airport have a term ranging from two to five years. The new Licence Agreement for the operation of our takeaway kiosk under the brand “Coffee Express” has a term of one year. After the expiry of the licence period under the respective Licence Agreements, we are required to submit tender proposals to and be awarded by the Airport Authority another licence agreement to continue to operate our restaurants and takeaway kiosk. The licence fees under the current Licence Agreements are contingent which are determined based on certain percentage of the gross revenue of the relevant restaurant or the monthly average number of passenger trips at the Hong Kong International Airport (as provided by the Airport Authority), subject to the terms under the respective Licence Agreements. The current Licence Agreements have expiration ranging from 2016 to 2019.

As for the current lease of Taiwan Beef Noodle (Kowloon City), it has a term of two years with an option to renew. The lease provides for a fixed rent.

As at the Latest Practicable Date, we licensed or leased five properties as the sites of our restaurants. We also leased two properties as our warehouse and office premises, respectively. We have also been awarded a new Licence Agreement for operation of our takeaway kiosk which has a term of one year starting from 1 August 2016. The table below sets forth a summary of our Group’s licenced/leased properties as at the Latest Practicable Date and our takeaway kiosk the licence of which is expected to commence on 1 August 2016.

Address	Tenant/licensee	Our use of property	Term ^(Note 1)	First commencement of operation at the premises	Rental/ licence fee
Unit 6V525, Level 6, Northwest Concourse, Terminal 1, Hong Kong International Airport	Airport Catering	Restaurant (Taiwan Beef Noodle (Airport))	5 years ending 12 November 2017	August 2005	Contingent ^(Note 2)
Unit 6V523, Level 6, Northwest Concourse, Terminal 1, Hong Kong International Airport	Airport Catering	Restaurant (Nosh Café & Bar)	5 years ending 11 October 2017	May 2007	Contingent ^(Note 2)
Unit 5NC120, Level 5, North Satellite Concourse, Terminal 1, Hong Kong International Airport	Airport Catering	Restaurant (Chinese Kitchen (Airport))	2 years ending 27 May 2016 and further extended by the Airport Authority until 30 September 2016 ^(Note 3)	May 2014	Contingent ^(Note 2)

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Address	Tenant/licensee	Our use of property	Term ^(Note 1)	First commencement of operation at the premises	Rental/licence fee
Unit 6P028, Level 6, Terminal 2, Hong Kong International Airport	Airport Catering	Restaurant (Macao Harbour Restaurant)	5 years ending 30 November 2019	February 2007	Contingent ^(Note 4)
Unit 4E553, Level 4, East Hall, Terminal 1, Hong Kong International Airport ^(Note 4)	Airport Catering	Takeaway kiosk (Coffee Express)	1 year ending 31 July 2017	August 2016	Contingent ^(Note 4)
Unit D9 & D10, 6th Floor, Block D, Tsing Yi Industrial Centre Phase 2, 37-47 Cheung Tat Road, Tsing Yi, New Territories	Grand Richest	Centralised warehouse for restaurants operating at the Hong Kong International Airport	3 years ending 15 June 2017	June 2008	Fixed
Ground Floor, 40 Lion Rock Road, Kowloon City, Kowloon	Deberie	Restaurant (Taiwan Beef Noodle (Kowloon City))	2 years ending 31 July 2017	December 1993	Fixed
Room 1207, 12th Floor Wing On Kowloon Centre, 345 Nathan Road, Kowloon	Airport Catering	Office premises	2 years ending 16 November 2017	November 2015	Fixed

Notes:

1. The restaurants operating at the Hong Kong International Airport under the relevant Licence Agreements with tenures ending 2017 are expected to be renovated if we are awarded new licences to operate our restaurants at the relevant premises.
2. The licence fee under the relevant Licence Agreement is determined based on a certain percentage of the gross revenue or the monthly average number of passenger trips at the Hong Kong International Airport (as provided by the Airport Authority), whichever is higher, subject to the terms under the relevant Licence Agreement. Despite that the contractual term of payment under the relevant Licence Agreement is contingent in nature, our Group is required to pay a part of the licence fee as an upfront payment, which will be subject to adjustment based on the monthly average number of passenger trips at the Hong Kong International Airport.
3. The extension was granted by the Airport Authority as the Airport Authority would like our Group to continue the operation of Chinese Kitchen (Airport) during the summer holidays before the new tendering of the premises. On 14 June 2016, the Airport Authority awarded a licence to Airport Catering for its continuing operation of Chinese Kitchen (Airport) at the same premises for a tenure of another five years.
4. The licence fee under the relevant Licence Agreement is determined based on a certain percentage of the gross revenue or a fixed minimum guaranteed royalty, whichever is the higher. Despite that the contractual term of payment under the relevant Licence Agreement is contingent in nature, our Group is required to pay a part of the licence fee as an upfront payment, which will be subject to adjustment based on the gross revenue of the relevant restaurant.

On 13 July 2016, the Airport Authority awarded a new licence to our Group for the operation of our takeaway kiosk under the brand “Coffee Express” at the relevant address for a tenure of one year starting from 1 August 2016.

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Given our extensive operating experience in the catering industry and in particular at the Hong Kong International Airport, we consider we would have good chances to obtain new licence agreements or renew the tenancy to operate our restaurants at the same locations. Having said that, in case any licence or tenancy could not be awarded or renewed (which we are of the view that it is unlikely to be the case), it is likely that we could open new restaurants in the urban area of Hong Kong as contingency plans in view that (i) we have been conducting researches in identifying suitable locations/premises for operating restaurants in the urban area of Hong Kong from time to time; and (ii) based on our previous experience which is in line with the catering industry common practice, it would not take too long time (usually less than three months) in opening new restaurants with a provisional restaurant licence. In the circumstances, we do not expect there is any significant financial impact on our Group if the relevant licences and tenancy are not awarded or renewed.

As at the Latest Practicable Date, we also leased five storage rooms at the Hong Kong International Airport for storage of our equipment and utensils.

All of our landlords or licensors in respect of our leased or licensed properties are Independent Third Parties. Our Directors confirm that all of our current Licence Agreements and leases were negotiated on an arm's length basis with reference to the prevailing market rates. As at the Latest Practicable Date, we had complied with all Licence Agreements and leases in all material respects.

AWARDS AND RECOGNITION

In recognition of our outstanding performance and quality food and services, we have received various awards and certifications. The table below sets forth the details of some of our major awards.

<u>Year of grant</u>	<u>Brand/restaurant awarded</u>	<u>Award/certification</u>	<u>Awarding body</u>
2006 and 2010	Taiwan Beef Noodle	King of Catering Award — King of Beef Noodle	King of Catering
2010 and 2012 to 2016	Taiwan Beef Noodle	Recognised quality restaurant of the Quality Tourism Services (QTS) Scheme	Hong Kong Tourism Board
2008, 2010 and 2011	Macao Harbour Restaurant	Recognised quality restaurant of the Quality Tourism Services (QTS) Scheme	Hong Kong Tourism Board

INSURANCE

We maintain employees' compensation insurance for personal injuries of our employees in the course of employment with us. We also maintain public liability insurance to cover our Group against any claims of personal injuries or property damage arising out of our business operations.

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We maintain shop comprehensive insurance to cover the loss and damage to our restaurants during our operations, as well as fire insurance to cover any damage caused by fire, lightning or explosion of boilers or gas. We also maintain third party liability insurance for our refrigerated truck.

Our total insurance expenses in respect of the aforesaid insurance policies for the three years ended 31 March 2014, 2015 and 2016 amounted to approximately HK\$409,000, HK\$514,000 and HK\$641,000, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had not received any claim, nor had we made any material claim under our insurance policies or experienced any material business interruption.

Having regarded to our current operations and the prevailing industry practice, our Directors are of the view that our insurance coverage is adequate and is in line with the industry practice. We intend to continue to maintain our insurance coverage to the extent consistent with the industry practice. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance coverage.

ENVIRONMENTAL PROTECTION

We are subject to the environmental protection laws and regulations in Hong Kong. For details, please refer to the paragraph headed “Regulatory Overview — (B) Environment protection” in this prospectus. During the Track Record Period, we recorded insignificant amounts of expenses in relation to compliance with applicable rules and regulations for environmental matters.

Save as disclosed in the paragraph headed “Non-compliance” in this section, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with the applicable environmental protection laws and regulations in all material respects.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we were the registered owners of ten trademarks in Hong Kong. We have also applied for two trademark registrations in Hong Kong, which we consider material to our Group’s business.

As at the Latest Practicable Date, we had registered one domain name www.hkrcg.com which is material in relation to our Group’s business.

For further information of the intellectual property rights which are material to our business, please refer to the paragraph headed “Statutory and General Information — B. Further information about our business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

Our Directors are not aware of any third-party restaurants which were operated under the same names of our restaurants during the Track Record Period. Although there may be some third-party restaurants operated under similar names as those of our restaurants, our Directors are not aware of any possible damages nor has our Group suffered any actual damages during the Track Record Period as a result of any third party restaurant passing itself off as part of our Group by using similar names of our restaurants’. Please refer to the paragraph headed “Risk Factors — Risks relating to our business — Our success depends significantly on the market

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recognition of our brands, and any damage to our brands could materially and adversely impact our business and results of operations” for details of the relevant risk factor in relation to our intellectual property rights.

As at the Latest Practicable Date, we were not aware of any infringement by us of any intellectual property rights owned by any third party or by any third party of any intellectual property rights owned by us. During the Track Record Period, there had not been any pending or threatened claim made against us, nor had there been any claim made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

HEDGING

During the Track Record Period and up to the Latest Practicable Date, we had not maintained any hedging policies in respect of our exposure in fluctuation of the prices of foreign currency, interest rates and/or costs of our food ingredients and supplies.

LICENCES AND PERMITS

Certain licences are required to be obtained and maintained for the operation of our restaurants in Hong Kong, which include (i) a food business licence such as a general restaurant licence or a light refreshment restaurant licence issued by the FEHD, (ii) a water pollution control licence issued by the EPD; and (iii) a liquor licence issued by the LLB. For further details of the laws and regulations applicable to our business, please refer to the section headed “Regulatory Overview” of this prospectus.

As at the Latest Practicable Date, we operated five restaurants in Hong Kong. We have also been awarded a new licence for the operation of our takeaway kiosk which is expected to re-launch in August 2016. Save as disclosed in the paragraph headed “Non-compliance” in this section, our Group has obtained (i) the relevant restaurant licences and water pollution control licences required for all of our restaurants in Hong Kong; and (ii) liquor licences in respect of each of our restaurants where we sold alcoholic beverages as at the Latest Practicable Date.

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The table below sets out the details of the general restaurant licences, light refreshment restaurant licence, liquor licences and water pollution control licences in respect of our Group's restaurants as at the Latest Practicable Date:

Name of the restaurant	General restaurant licence		Light refreshment restaurant licence		Liquor licence		Water pollution control licence	
	Licensee	Validity period of the current licence	Licensee	Validity period of the current licence	Licensee	Validity period of the current licence	Licensee	Validity period of the current licence
Restaurants operating at the Hong Kong International Airport ^(Note 1)								
Taiwan Beef Noodle (Airport)	Airport Catering	Valid until 20 February 2017	N/A	N/A	Li Chi Hang ^(Note 2)	Valid until 14 December 2017	(Note 3)	(Note 3)
Nosh Café & Bar	N/A	N/A	Grand Richest	Valid until 14 January 2017	Leung Lai Ngan Christine ^(Note 2)	Valid until 27 June 2018	(Note 3)	(Note 3)
Chinese Kitchen (Airport)	Airport Catering	Valid until 15 February 2017	N/A	N/A	Yip Kwok Keung ^(Note 2)	Valid until 27 August 2016	Airport Catering	Valid until 30 September 2020
Macao Harbour Restaurant	Grand Richest	Valid until 9 August 2016	N/A	N/A	Chung Fong Tang ^(Note 2)	Valid until 28 March 2018	Grand Richest	Valid until 31 July 2019
Restaurant operating in the urban area of Hong Kong								
Taiwan Beef Noodle (Kowloon City)	Deberie	Valid until 15 March 2017	N/A	N/A	Mr. Wong	Valid until 24 October 2017	Deberie	Valid until 31 August 2017

Notes:

- As advised by our Legal Counsel, Coffee Express as a takeaway kiosk selling prepackaged beverages and snacks is not required to obtain any licence for its operation.
- The licensee was an employee of our Group as at the Latest Practicable Date.
- As advised by our Legal Counsel, our restaurants operating at Terminal 1 of the Hong Kong International Airport are not required to obtain any water pollution control licence.

To ensure that we would be able to obtain all necessary licences for our operations in Hong Kong in a timely manner, we have assigned our executive Director, Mr. Chan Chak To Raymond, to monitor our compliance with the licensing requirements and ensure the renewal of licences before expiry. We will carry out our business activities only when the relevant licences and/or permits have been obtained or renewed.

NON-COMPLIANCE

Our Directors confirm that, save as disclosed in the paragraphs below, our Group had conducted our operations and carried out our business in compliance with the relevant laws and regulations in Hong Kong in all material respects during the Track Record Period and up to the Latest Practicable Date.

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liability which may arise as a result of any non-compliance of our Group on or before the date on which the Placing becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed “Statutory and General Information — E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus.

Filing of incorrect tax returns to the Inland Revenue Department (the “IRD”)

During our preparation for the Listing, we discovered that the former auditor (the “**Ex-auditor**”), a professional audit firm and an Independent Third Party, has issued a qualified opinion on the respective audited accounts of our Group’s members for the financial year ended 31 March 2014 (the “**Qualified Opinion**”). Our Group’s members or former members involved are Airport Catering, Deberie, Grand Richest, Palace, Royal Time, Victor Inc. and Sunny Echo (Victor Inc. was deregistered on 15 April 2016 and Sunny Echo ceased to be a member of our Group from 30 October 2015 following the completion of the disposal of its entire issued share capital by our Group to an Independent Third Party).

Our Group has relied on the Ex-auditor to express an opinion on the audited financial statements of our Group’s members in the past and our Group had not been drawn to the attention of the implications of the Qualified Opinion. During the preparation of the Listing, our Directors had discussions with the Ex-auditor and were informed that due to time constraint at the relevant times, the relevant audit work it had performed for the relevant financial years had certain limitations. The Ex-auditor explained that to meet the deadlines for submission of the relevant audited financial statements for the respective Group’s members’ tax filing purpose at the relevant times, there were limited resources available to the Ex-auditor to perform its audit, as a result of which there had been mis-communications between the respective Group’s members and the Ex-auditor in relation to the request for and provision of certain audit evidence and underlying supporting documents, which ultimately led to the audited financial statements of the respective companies for the financial year ended 31 March 2014 being qualified. The qualifications concerned the bank balances, bank loan, balances of payables, balances of creditors, etc., of which the Ex-auditor could not obtain sufficient confirmation (the “**Qualified Issues**”).

When our Directors were made aware of the above, for prudence sake and good corporate governance, our Directors have requested the Ex-auditor to perform a full audit for the financial years ended 31 March 2013 and 2014 of the respective Group’s members. Our Directors have made available to the Ex-auditor the necessary documents and information for such purpose to the satisfaction of the Ex-auditor. Accordingly, the Ex-auditor has resolved the Qualified Issues and re-issued the independent auditor’s report for the financial year ended 31 March 2014 for the relevant Group’s members in October 2015 (the “**Re-issued Audited Financial Statements**”).

The reporting accountants have performed the following audit procedures on the Qualified Opinion:

1. liaised with the Ex-auditor and our Directors to understand the nature and details of the Qualified Opinion;
2. performed additional audit procedures to address the Qualified Issues:
 - a. reviewed supporting documents such as bank documents, invoices/receipts with an extended audit sample size;

BUSINESS

- b. reviewed accounting entries of selected transactions of account balances related to the Qualified Issues with an extended audit sample size to confirm that the accounting treatments of those entries complied with the relevant accounting policies;
- c. performed circularisation of and obtained independent direct audit confirmations of account balances related to the Qualified Issues with an extended audit sample size;
- d. reviewed subsequent settlement of account balances related to the Qualified Issues with an extended audit sample size;
- e. performed independent interviews with selected parties of account balances related to the Qualified Issues with an extended audit sample size; and
- f. performed independent company searches against selected parties of account balances related to the Qualified Issues at an extended audit sample size.

Based on the additional audit procedures performed regarding the Qualified Issues, the reporting accountants have not identified any material misstatement to our Group's members' financial statements for the year ended 31 March 2014 and therefore the Qualified Opinion has been uplifted.

We have also appointed a new tax representative and requested the new tax representative to review our tax position based on the Re-issued Audited Financial Statements. The new tax representative advised our Group that there were errors contained in the profit tax returns and profit tax computation of the relevant Group's members for the years of assessment 2012/13 and 2013/14, respectively, which had previously been submitted to the IRD. Based on the Re-issued Audited Financial Statements, the revised tax liabilities of our respective relevant members were as follows:

Company	Year of assessment 2012/13	Year of assessment 2013/14
Airport Catering	Tax payable remained the same after revised computation (Note 1)	Additional tax payable of HK\$56,632 (Note 1)
Deberie	Over-paid tax of HK\$10,011 (Note 2)	Over-paid tax of HK\$1,306 (Note 2)
Grand Richest	Additional tax payable of HK\$79,801 (Note 3)	Over-paid tax of HK\$95,484 (Note 3)
Palace	Tax payable remained the same after revised computation	Tax payable remained the same after revised computation
Royal Time	No assessable profit	No assessable profit after loss set off
Sunny Echo (Note 4)	Over-paid tax in an amount of HK\$8,995 (Note 5)	No assessable profit after loss set off
Victor Inc.	N/A	No assessable profit

Notes:

1. Based on our tax computation submitted together with the Re-issued Audited Financial Statements, Airport Catering has an additional tax payable of HK\$56,632 for the year of assessment 2013/14 as a result of the Re-issued Audited Financial Statements for the year ended 31 March 2014 due to certain adjustments on cut-off error and depreciation of property, plant and equipment which resulted in a decrease in profit before tax of HK\$42,240, and a revision of profit tax allowances for capital expenditure which led to an increase in assessable profits in a sum of HK\$343,224 for the financial year ended 31 March 2014. We have made a provision for the said potential liability for the year ended 31 March 2016.

Airport Catering commenced its restaurant business in 2013. Before the commencement of its restaurant business, Airport Catering has incurred miscellaneous administrative expenses in relation to the planning of its restaurant business. In preparation of the tax computation for the year of assessment 2012/13, the then tax representative made a loss claim. On 16 October 2015, we have, through our new tax representative, resubmitted the Re-issued Audited Financial Statements for the year ended 31 March 2013 and the revised profit tax computation of Airport Catering for the year of assessment 2012/13 to the IRD, declaring an adjusted loss revised from HK\$761,972 (per original tax computation) to HK\$800,885 (the **"Revised Loss Claim"**). The Revised Loss Claim was due to certain adjustments on cut-off error and depreciation of property, plant and equipment which resulted in a decrease in loss before tax of HK\$118,990, and a revision of profit tax allowances for capital expenditure which led to an increase in adjusted tax loss in a sum of HK\$38,913 for the financial year ended 31 March 2013.

On 25 November 2015, the IRD issued a letter to Airport Catering enquiring if Airport Catering would agree that no loss should be allowed for the year of assessment 2012/13 since the company did not carry on any trade in that year. On 29 December 2015, our new tax representative, on behalf of Airport Catering, has made a reply to the enquiry from the IRD explaining the rationale of the Revised Loss Claim. On 2 June 2016, Airport Catering received a letter from the IRD in which the IRD stated its view that no pre-commencement expenses would be allowable for the year of assessment 2012/13. Having considered the time and resources required to resolve the issue, Airport Catering decided not to challenge the view of the IRD and the IRD has revised the additional tax payable to HK\$120,243 instead of HK\$56,632 for the year of assessment 2013/14. We have made a provision covering the said potential liability for the year ended 31 March 2016.

2. Deberie may be entitled to receive tax refunds for the years of assessment 2012/13 and 2013/14, respectively, as a result of the revision to the financial statements for the year ended 31 March 2014. The revised financial statements were due to certain adjustments on cut-off error leading to a decrease in profit before tax of HK\$60,668 and HK\$7,915 for the financial years ended 31 March 2013 and 2014, respectively, and these resulted in a decrease in assessable profits in sums of HK\$60,668 and HK\$7,915 for the financial years ended 31 March 2013 and 2014, respectively. Our Group has decided not to claim back the tax over-paid if any.
3. As a result of the Re-issued Audited Financial Statements for the year ended 31 March 2014, due to certain adjustments on cut-off error, depreciation of property, plant and equipment and a gain on disposal of investment property that took place on 29 June 2012 which resulted in an increase in profit before tax of HK\$1,523,990 and a decrease in profit before tax of HK\$1,387,453 for the financial years ended 31 March 2013 and 2014, respectively, and a revision of profit tax allowances for capital expenditure, there was an increase in assessable profits in a sum of HK\$483,648 and a decrease in assessable profits in a sum of HK\$578,696 for the financial years ended 31 March 2013 and 2014, respectively. Accordingly, Grand Richest may be entitled to receive a net tax refund of HK\$15,683 (being the 2013/14 tax repayable of HK\$95,484 less 2012/13 additional tax payable of HK\$79,801) as a result of the revision to the relevant accounts. Our Group has decided not to claim back the net tax over-paid if any. Our new tax representative was informed by the IRD that it would take no action in relation to profit tax of Grand Richest for the years of assessment of 2012/13 and 2013/14.
4. On 30 October 2015, Palace disposed of its entire shareholding in Sunny Echo to an Independent Third Party. Our Directors confirm that Palace or other members of our Group has not given any indemnity in favour of Sunny Echo or its new shareholder against any of its tax liabilities.
5. As a result of the Re-issued Audited Financial Statements for the year ended 31 March 2014, due to certain adjustments on cut-off error, depreciation of property, plant and equipment and written-off of property, plant and equipment which led to a decrease in profit before tax of HK\$263,968 and HK\$2,128,979 for the financial years ended 31 March 2013 and 2014, respectively, and a revision of profit tax allowances for capital expenditure, there was a decrease in assessable profits in a sum of HK\$54,513 and an increase in adjusted loss in a sum of HK\$2,631,982 for the financial years ended 31 March 2013 and 2014, respectively.

To rectify the errors of the relevant audited financial statements and tax documents previously submitted to the IRD, our Group, through our new tax representative, submitted the Re-issued Audited Financial Statements and the relevant revised profit tax computation for each of the years of assessment 2012/13 and 2013/14 of the relevant Group members in October 2015.

Under section 80(2) of the Inland Revenue Ordinance (the “**IRO**”), any person who without reasonable excuse makes an incorrect return or statement or gives incorrect information is liable to a fine of \$10,000 and a further fine of treble the amount of tax undercharged. Under section 82(1) of the IRO, any person who wilfully with intent to evade or to assist any other person to evade tax makes any false statement or gives any false answer to any question or request for information asked or made in accordance with the IRO is liable to a fine of HK\$10,000, a further fine of treble the amount of tax undercharged and imprisonment for six months on summary conviction or liable to a fine of HK\$50,000, a further fine of treble the amount of tax undercharged and imprisonment for three years on indictment. Where there is no prosecution instituted under sections 80(2) or 82(1) of the IRO, any person who without reasonable excuse makes an incorrect return or statement or gives incorrect information is liable to a maximum fine of treble of the tax undercharged by virtue of section 82A of the IRO.

We have engaged an independent tax adviser, namely, Edwin Yeung & Company (CPA) Limited (the “**Tax Adviser**”), to advise on our liabilities arising from the above re-computation of the profit tax. The Tax Adviser, based on the published penalty policy of the IRD, was of the view that, assuming the revised tax computations are accepted by the IRD, save that Airport Catering may be subject to an estimated penalty of around HK\$42,000 plus interest, none of Deberie, Grand Richest, Palace, Royal Time and Sunny Echo would be liable for any penalty. The views of the Tax Adviser were also accepted by our Legal Counsel.

In view of the advice of the Tax Adviser and the Legal Counsel, we have not made any provision for the potential tax penalty that may be imposed on us.

Our reporting accountants, having made reference to the views of the Tax Adviser and the Legal Counsel, concur that our Group had made adequate provision of additional tax liabilities and additional tax undercharged during the Track Record Period.

As a remedial measure to prevent recurrence of similar incident, our Group has appointed HLB Hodgson Impey Cheng Limited for the provision of auditing services for the members of our Group. In addition, we have engaged HLB Hodgson Impey Cheng Risk Advisory Services Limited as internal control adviser (the “**Internal Control Adviser**”) and have implemented internal control measures in respect of the book keeping and financial reporting procedures since 1 October 2015 which outline the job duties of personnel in the finance department, voucher management and the reporting cycle. We have also hired Mr. Ng Shing Kin, who is a qualified accountant, as our financial controller for handling and overseeing the book keeping, financial reporting, financial planning and reviewing internal control of our Group. For details of the background and experience of Mr. Ng Shing Kin, please refer to the paragraph headed “Directors and Senior Management — Senior management” in this prospectus.

Operational non-compliance matters

Food Business Regulation

Airport Catering operated both Nosh Café & Bar and Taiwan Beef Noodle (Airport). The two restaurants are located at the Northwest Concourse at Terminal 1 of the Hong Kong International Airport and they are opposite to each other. During the Track Record Period, Nosh Café & Bar had sold food items prepared by Taiwan Beef Noodle (Airport). This mode of operation was not in compliance with the licensing conditions of Nosh Café & Bar and Taiwan Beef Noodle (Airport) as they had operated outside their own premises, constituting a breach of section 34C of the Food Business Regulation.

Since the two restaurants were both operated by Airport Catering, based on our discussions with the external licensing consultant engaged by our Group, our Group was under the impression that it would be acceptable for Nosh Café & Bar to sell food items prepared by Taiwan Beef Noodle (Airport), being a fully licensed general restaurant. Accordingly, our Group considered that it would be more customer-friendly if the customers dining at Nosh Café & Bar could also enjoy food items offered at Taiwan Beef Noodle (Airport).

Upon realising the licensing restrictions of Nosh Café & Bar and Taiwan Beef Noodle (Airport), Nosh Café and Bar has ceased offering to its customers food items prepared by Taiwan Beef Noodle (Airport) since June 2015.

Under section 34C of the Food Business Regulation, a licensee cannot carry out food business beyond the confines of the food premises as licensed, failing which the licensee may be liable to a maximum fine of HK\$10,000, imprisonment for three months and a maximum default fine in the sum of HK\$300 for each offence. As advised by our Legal Counsel, since the relevant mode of operation between Nosh Café & Bar and Taiwan Beef Noodle (Airport) has ceased, the risk of Airport Catering being prosecuted by the FEHD and subject to fine for past breaches of the conditions of the licences of Nosh Café & Bar and Taiwan Beef Noodle (Airport) is remote. We have not made any provision for the penalty which may be imposed against us in this regard.

WPCO

Macao Harbour Restaurant operated by Grand Richest and Chinese Kitchen (Airport) operated by Airport Catering did not obtain a water pollution control licence during the Track Record Period until July 2014 and September 2015, respectively. Sunny Echo also failed to obtain a water pollution control licence for Taiwan Beef Noodle/Chinese Kitchen (TST).

We were under the impression that Macao Harbour Restaurant and Chinese Kitchen (Airport) situated at the Terminal 2 and the North Satellite Concourse of the Hong Kong International Airport, respectively, were included in a central discharge system of the Hong Kong International Airport and thus did not realise that Macao Harbour Restaurant and Chinese Kitchen (Airport) were required to apply for a water pollution control licence under their own names.

Upon realising the licensing requirements, our Group has applied for the relevant water pollution control licence for Macao Harbour Restaurant and Chinese Kitchen (Airport), respectively, which was granted by the EPD on 21 July 2014 and 8 September 2015, respectively. With regard to Sunny Echo, although we have disposed of our shareholding in Sunny Echo in October 2015, we have reminded the new owner to apply for such licence as soon as possible.

Pursuant to section 11 of the WPCO, a person commits an offence for any prohibited discharges under section 9(1) is liable to imprisonment for six months and, in the case of a first offence, a fine of HK\$200,000, in the case of a second or subsequent offence, a fine of HK\$400,000, and in addition if the offence is a continuing offence, a daily fine of HK\$10,000. As advised by our Legal Counsel, the likelihood of Grand Richest and Airport Catering being prosecuted by the EPD for the past breaches is remote since Grand Richest and Airport Catering had taken positive steps to ensure compliance. We have not made any provision for the penalty which may be imposed against our Group in this regard.

Public Health and Municipal Services Ordinance and Food Business Regulation

Sunny Echo moved to the current premises in China Hong Kong Centre for the operation of Taiwan Beef Noodle/Chinese Kitchen (TST) in May 2013. Before that, it operated the same restaurant at the basement of the same building. The current premises comprise the 4th Floor, 5th Floor and 7th Floor of the same building.

When Sunny Echo took the lease for the 4th and 5th Floors of China Hong Kong Centre in May 2013, there was already in issue a general restaurant licence granted to the former tenant in respect of the 4th Floor. Sunny Echo, through an external licensing consultant, applied to the FEHD for including the 5th Floor in the then existing licence for the 4th Floor in June 2013. The FEHD replied Sunny Echo in November 2013 that it had no objection to the application and passed to Sunny Echo the requirements and conditions required by the Buildings Department for follow-up.

There were ongoing correspondence exchanged between our external licensing consultant and the FEHD since June 2013. It took considerable time for us to address the comments by the Buildings Department as our application involved certain structural alterations on the 4th and 5th Floors of China Hong Kong Centre, including converting the entire 4th Floor of China Hong Kong Centre into a kitchen area and at the same time expanding the seating capacity on the 5th Floor, removal of accessible toilet for persons with disability on the 4th Floor, installation of a food lift between the 4th and 5th Floors of China Hong Kong Centre for food delivery and strengthening the floor loading of the 4th Floor. During the course of the application, we have modified our plans previously submitted, which added complexity to the application. Further, the nature of structural alteration involved and time spent on liaising with contractors also prolonged our application.

As at the Latest Practicable Date, as advised by the external licensing consultant of our franchisee Sunny Echo, Sunny Echo had submitted all required documents for the application to the relevant authorities. It is our understanding from Sunny Echo that the general restaurant licence for the 4th and 5th Floors of China Hong Kong Centre would be issued in the third quarter in 2016.

As at the Latest Practicable Date, the existing food licence still only covered the 4th Floor of China Hong Kong Centre and thus the restaurant operation being carried out on the 5th Floor was not properly licensed and constituted a breach of section 56 of the Public Health and Municipal Services Ordinance and section 31 of the Food Business Regulation, the maximum penalty of which are HK\$50,000 in fine, imprisonment for six months and a daily fine of HK\$900 upon conviction. Our Legal Counsel was of the view that since the FEHD had indicated that it had no objection to the application for inclusion of the 5th Floor to the existing licence granted in respect of the 4th Floor and there had been no enforcement action or warning by the FEHD, the chance of prosecution against Sunny Echo and/or its past and present directors is remote, and even if there is such prosecution, the chance of maximum sentence and/or imprisonment being imposed is remote.

With respect to the restaurant operation on the 7th Floor of China Hong Kong Centre, there were eight days where there was not in issue a food licence but the restaurant operation during which period was ongoing. It was caused by an administrative oversight on our part in converting the then effective provisional licence to a full licence. The said incident contravened section 56 of the Public Health and Municipal Services Ordinance and section 31 of the Food Business Regulation, the maximum penalty of which are HK\$50,000 in fine, imprisonment for six months and a daily fine of HK\$900 upon conviction. Our Legal Counsel was of the view that since the relevant food licence was granted subsequently and there had been no enforcement action or warning by the FEHD, the chance of prosecution against Sunny Echo and/or its past and present directors for the said breach is remote, and even if there is such prosecution, the chance of maximum sentence and/or imprisonment being imposed is remote.

Our Directors confirm that it is a common practice for restaurant operators to engage external licensing consultants to take charge of licensing matters in view of the numbers of government departments involved and the technical aspects of works to be undertaken. The reason for the non-compliance committed by Sunny Echo was that much attention and time of our Directors were spent on our Group's business operation conducted at the Hong Kong International Airport in 2013 where there were fitting-out and renovation works being carried out at two of our restaurants consecutively, and in particular there were additional requirements to be looked after for our restaurants operating at the Hong Kong International Airport in terms of security, safety and hygiene. Our Directors accordingly delegated the preparation works for the commencement of the business of Sunny Echo, including the licensing matters, to the restaurant manager of Taiwan Beef Noodle/Chinese Kitchen (TST), who in turn assigned another staff to look after these preparation works. Due to the change in the personnel responsible for those preparation works, the restaurant manager had difficulty in following up with the licensing matters with the external licensing consultant.

Although we have disposed of our shareholding in Sunny Echo, in view of our strategic ongoing franchise arrangement with Sunny Echo, our Directors and the new owner of Sunny Echo had followed up with the external licensing consultant together and we were informed that the only outstanding matter for the food licence covering the 5th Floor of China Hong Kong Centre was the final verification inspection by the inspector of the FEHD before the issue of the licence. We have reminded the new owner of Sunny Echo that under the TST Franchising Agreement, it had the obligation to obtain all the requisite licences and permits for its business. To protect our interest in our brands licensed to Sunny Echo, we have obtained a written undertaking from both Sunny Echo and its new owner that they would use their best endeavours to obtain the relevant full restaurant licence for the 5th Floor. We have also provided materials relating to the licensing requirements applicable to restaurant operations to the new owner of Sunny Echo and urged him to familiarise himself with the applicable requirements.

Non-compliance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPFSO")

Similar to other restaurant operators in Hong Kong, we hire casual workers who are paid in daily wages from time to time. Our restaurant managers of the relevant restaurants handle the recruitment and payment of salary of these casual workers. Our restaurant managers will report at the end of each month the salaries paid to the employees including the casual workers to our finance and administration departments. One of the key features of the employment with these casual workers is that they may only work at the relevant restaurant on an ad-hoc basis and for a short period of time.

We have in the past, unintentionally, failed to enrol such casual workers in the registered Mandatory Provident Fund Scheme (the “**MPF Scheme**”) and make contributions for such casual workers. The failure was because the restaurant managers and the relevant head office personnel were unaware of the different contribution requirements for mandatory provident fund (“**MPF**”) applicable to casual workers in the catering industry where the employers are required to enrol these employees in the MPF Scheme and make contributions although that they are employed for less than 60 days.

Upon realising the statutory requirements concerning these casual workers, we had reviewed our records and discovered that during the Track Record Period, the outstanding MPF contributions by us as employer and the relevant casual workers for the two years ended 31 March 2014 and 2015 and the seven months ended 31 October 2015 were HK\$195,513, HK\$202,697 and HK\$196,426, respectively, totaling HK\$594,636.

We have also consulted our MPF service provider and our Legal Counsel on this matter upon realising the statutory requirements concerning these casual workers. As advised by our Legal Counsel, section 45C(4) of the MPFSO provides that proceedings for recovery of financial penalty and performance of duty may be brought within six years after the date on which it is alleged that there is any default of duty or non-compliance.

Our Legal Counsel further advised that for any claim where there is no time limitation set out in the MPFSO, the time limitation set out in the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong) is not disappplied by any provisions in the MPFSO. Accordingly, our Legal Counsel advised that claims against the relevant members of our Group for the outstanding employer's contributions shall not be brought after the expiration of six years by virtue of section 4(1)(d) of the Limitation Ordinance.

With a view to rectify our non-compliance, we provided our MPF service provider with the relevant details and salary records of the casual workers we have hired during the past six years for the purpose of ascertaining the amount of outstanding MPF contributions. In addition to the said outstanding sum of HK\$594,636 concerning the two years ended 31 March 2014 and 2015 and the seven months ended 31 October 2015, based on the calculation of our MPF service provider, the outstanding sum for the rest of the period for the past six years amounted to HK\$480,960. On 4 December 2015, we have duly paid to our MPF service provider the total outstanding sum which included the contributions from both the employers and the employees.

Our Directors confirm that other than the casual workers to whom a distinct set of contribution requirements apply under the laws, our Group has been in compliance with the requirements under the MPFSO in all material respects and that the above non-compliance was solely because the relevant restaurant managers and the head office personnel were not familiar with the relevant laws and regulations.

According to our Legal Counsel, the above failure constituted a breach of sections 7 and 7A of the MPFSO. The maximum penalty is HK\$350,000 in fine and imprisonment for three years of a breach of section 7 of the MPFSO and a maximum fine of HK\$100,000 and imprisonment for six months on the first occasion for a breach of section 7A of the MPFSO; and for each subsequent conviction of section 7A of the MPFSO, a maximum fine of HK\$200,000 and imprisonment of 12 months.

Our Legal Counsel advised that the offence is a summary offence and is of the view that it is of regulatory nature rather than being a serious criminal offence. Our Legal Counsel is of the view that since we have taken steps to remedy the non-compliance, the chance of prosecution against the relevant members of our Group and their respective director(s) is remote. Further, our Legal Counsel is of the view that if there is any prosecution, the chance of imprisonment of the responsible officers of the relevant members of our Group is remote.

With regard to Sunny Echo, although we have disposed of our shareholding in Sunny Echo in October 2015, we have requested the new owner to ensure that its casual workers are properly enrolled in the MPF Scheme and make relevant contributions for such casual workers.

Internal control and risk management measures

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

To manage our external and internal risks and to ensure the smooth running of our business, we have engaged the Internal Control Adviser in July 2015 to assist our Group to review and provide recommendations on improving our internal control system.

The Internal Control Adviser has reviewed and provided recommendations to our internal control system to prevent the recurrence of the above-mentioned non-compliance incidents, including the following:

1. Internal control measures to prevent the recurrence of licence-related non-compliance incidents
 - We have implemented a set of internal compliance guidelines in relation to the opening of restaurants, covering the monitoring of applications and maintenance of licences, approvals, permits and registrations.
 - We have conducted a training in relation to the licensing requirements for our Directors and senior management on 7 December 2015.
 - We have assigned Mr. Chan Chak To Raymond, our executive Director, to monitor our compliance with the licensing requirements and ensure the renewal of licences before expiry. Mr. Chan has over 12 years of experience in catering business. He has received training in relation to the licensing requirements of our operations and has been responsible for liaising with the external licensing consultant on behalf of our Group with respect to the licensing matters over the years. Please refer to the paragraph headed “Directors and Senior Management — Directors — Executive Directors” in this prospectus for the biography of Mr. Chan.
 - While we plan to continue to engage the external licensing consultant (which has over 20 years of experience in the provision of licensing consultancy services) to handle our licence applications, we will retain our legal advisers as to Hong Kong law and seek their assistance and advice if necessary in order to ensure compliance with the licensing requirements in the future.
 - We encourage our staff members to attend training courses and seminars to ensure that they possess the requisite knowledge to comply with the relevant laws and regulations.

2. Internal control measures to prevent the recurrence of non-compliance with the MPFSO
 - We have assigned Ms. Lam Wai Kwan, our executive Director, to review the MPF contribution payments on a weekly basis and report any discrepancy found to ensure that our MPF contributions are properly monitored and carried out in accordance with the requirements under the MPFSO, and to regularly report to our Board about the findings and results.
 - Our executive Directors and senior management attended training sessions provided by our legal advisers as to Hong Kong law for the requirements under the MPFSO on 15 December 2015.
3. Post-listing compliance requirements
 - We have designated our compliance officer, Mr. Wong, and our company secretary, Mr. Ng Shing Kin, to assist our Board to identify, assess and manage the risks associated with the compliance of laws and regulations applicable to our Group.
 - We have adopted a policy to seek legal advice on the relevant compliance matters in the future, as and when necessary, to ensure our continuous compliance with the relevant laws and regulations.
 - Our Directors and senior management attended training sessions conducted by our legal advisers as to Hong Kong law on 17 and 26 November 2015 in relation to the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance.
 - We will oversee our compliance matters from the very top level and seek timely legal advice whenever it is appropriate and prudent to do so.
 - Our compliance officer, Mr. Wong, and our company secretary, Mr. Ng Shing Kin, are responsible for the day-to-day compliance matters of our Group and will report to our Board in relation to the potential non-compliance issue identified by them on a timely basis and, if necessary, consult external professional for advice to address to the potential issue.
 - We have established an audit committee prior to the Listing, which will establish formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and the applicable laws and regulations in Hong Kong.
 - We have engaged RaffAello Capital Limited as our compliance adviser to advise us on the compliance matters under the GEM Listing Rules.
 - We have appointed CFN Lawyers as our legal advisers as to Hong Kong law upon the Listing to advise us on the compliance with the GEM Listing Rules and the applicable laws and regulations in Hong Kong and such engagement will be reviewed regularly.

The Internal Control Adviser has performed a follow-up review and found that our Group did not have any significant deficiencies in our internal control system.

Based on the above, our Directors are of the view that our Company has taken reasonable steps to establish an internal control system and procedures to manage the risks to which our operations are exposed and enhance the control environment at both the working and management levels, and hence, our Directors and the Sole Sponsor are of the view that the enhanced internal control measures adopted by our Group are adequate and effective for our operations.

Corporate governance

We strive to strengthen the role of our Board as a decision-making body in relation to our fundamental policies and management issues, and supervising our operations. Our Board includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and supervision based on their extensive administrative experience and specialised knowledge. For the qualifications and experience of our Board members, please refer to the section headed “Directors and Senior Management” of this prospectus.

Views of our Directors and the Sole Sponsor

Our Directors and the Sole Sponsor are of the view that the above measures adopted by us are adequate and effective in significantly reducing the risk of non-compliance in the future.

Our Directors are of the view, and the Sole Sponsor concurs, that as the past non-compliance incidents did not involve any dishonesty on the part of our Directors or cast any doubt on their integrity or competence, such non-compliance incidents (i) do not affect our Directors’ suitability to act as directors of a listed issuer under Rule 5.01 and 5.02 of the GEM Listing Rules; and (ii) do not affect our Company’s suitability for listing under Rule 11.06 of the GEM Listing Rules.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, our Group was not engaged in any litigation, arbitration or claims of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any member of our Group that would have a material adverse effect on the results of our operations or financial condition.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and Placing (and taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option), Fortune Round will directly hold 75% of the issued share capital of our Company. Fortune Round is an investment holding company incorporated on 8 May 2015 in BVI. The entire issued share capital of Fortune Round is wholly owned Mr. Wong.

For the purpose of the GEM Listing Rules, Mr. Wong and Fortune Round are deemed as our Controlling Shareholders.

Information of a company in which the close associate of our Controlling Shareholder is interested

As at the Latest Practicable Date, Madam Li Wing Yin, the spouse of Mr. Wong, held 50% interest in Silver Ace Limited, a company incorporated in Hong Kong and which is in the course of applying for food business licences for two high-end restaurants offering Japanese and Shanghainese cuisines in Shun Tak Centre and serving exclusively for certain club members. In view of the different menu items offered at the Japanese restaurant, the different target customers and the exclusive nature of the two restaurants as compared with those of our restaurants, our Directors are of the view that the said interest of Madam Li in Silver Ace Limited does not compete or may compete with the business of our Group.

Our Directors consider that since the target customers of the two said restaurants are not the general public, the business interest of Madam Li in Silver Ace Limited does not or is unlikely to compete with our business. As at the Latest Practicable Date, none of our Controlling Shareholders or their respective close associates controlled any business which competes, or is likely to compete, either directly or indirectly, with our business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Our Group is capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders and their respective close associates, taking into consideration the following factors:

Management independence

Our Board comprises three executive Directors and three independent non-executive Directors. Mr. Wong, who is the sole director of Fortune Round, is also one of our executive Directors. Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. If there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

We have an independent management team to carry out the business decisions of our Group independently and to perform all essential management functions (such as operating our principal businesses, invoicing and billing, and human resources and general administration) without unduly requiring the support of our Controlling Shareholders. Our independent non-executive Directors have sufficient and competent industry knowledge and experience, and will bring independent judgment to the decision making process of our Board, taking into account the advice of the senior management of our Group. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and their respective close associates after the Listing.

Operational independence

The operations of our Group are independent of and not connected with our Controlling Shareholders and their respective close associates. Our Group has established our own set of organisational structure made up of individual divisions, each with specific areas of responsibilities, including corporate development, sales and marketing, administration, finance and accounting.

During the Track Record Period and up to the Latest Practicable Date, our Group had independent access to suppliers of our Group for our business operations. All the operating subsidiaries of our Company hold the necessary assets and equipment for the operation of our Group.

Our Directors are of the view that there is no operational dependence on our Controlling Shareholders or their respective close associates.

Financial independence

Our Company has established a financial system (including bank accounts) that operates independently. During the Track Record Period, our Controlling Shareholders or their close associates have provided guarantee or collateral security to secure certain of the banking facilities granted to our Group. As at the Latest Practicable Date, our Group had procured consent-in-principle from the relevant banks for their agreements to release all such guarantees and collateral security provided to our Group by its Controlling Shareholders or their respective associates upon the Listing. Such release of guarantees and collateral security is subject to the conditions that the Listing will take place on or before 30 September 2016, the execution of a corporate guarantee in favour of the relevant bank for the amount not less than the facilities granted to our relevant subsidiaries, provision of other security and/or guarantee by our Group to the satisfaction of the relevant banks, provision of financial statements of our Company (where required) and the satisfactory credit assessment of our Group by the relevant bank.

As such, upon the Listing, our Group will have independent access to third party financing without relying on any guarantee from our Controlling Shareholders or their respective associates. We will fully settle all loans and advances due from/to our Controlling Shareholders or their respective associates before the Listing. Our Directors are of the view that our Group is able to obtain external financing on market terms and conditions for its business operations as and when required and is not financially dependent on our Controlling Shareholders or any of their respective close associates in the operation of its business.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

RULE 11.04 OF THE GEM LISTING RULES

Our Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business, which would require disclosure under Rule 11.04 of the GEM Listing Rules.

DEED OF NON-COMPETITION

To ensure that direct competition does not develop between our Group and the activities of our Controlling Shareholders, each of Fortune Round and Mr. Wong has agreed to provide a non-competition undertaking in our favour, which is described below.

Each of Fortune Round and Mr. Wong has entered into the Deed of Non-Competition in favour of our Company, pursuant to which each of Fortune Round and Mr. Wong has undertaken to our Company (for itself and as trustee for its subsidiaries) that they would not, and they would use their best endeavours to procure that their close associates (except any members of our Group) shall not, whether directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise) or as principal or agent, and whether on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of our Group), carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with the business of any member of our Group (the **"Restricted Business"**).

The above undertaking does not preclude Fortune Round and Mr. Wong from having an aggregate interest in:

- (a) not more than 5% of the issued shares in any company engaging in any Restricted Business (the **"Subject Company"**) which is or whose holding company is listed on any recognised exchange; or
- (b) not more than 5% of the Subject Company's consolidated turnover or assets, as shown in the Subject Company's latest audited accounts; provided that there is a holder (with its close associates where appropriate) with a larger shareholding in the Subject Company than the aggregate shareholding held by any of Fortune Round and Mr. Wong and/or their respective close associates and the total number of representatives of Fortune Round and Mr. Wong on the board of directors of the Subject Company is not significantly disproportionate in relation to their shareholding in the Subject Company.

If any investment or other business opportunity relating to our business (the **"Business Opportunity"**) is identified by Fortune Round or Mr. Wong or their respective close associates, they shall refer such Business Opportunity to our Company and shall not pursue such Business Opportunity unless our Board or a board committee who do not have a material interest in the Business Opportunity declines the Business Opportunity.

Pursuant to the Deed of Non-Competition, the above restrictions would only cease to have effect on the earliest of the date on which Fortune Round and Mr. Wong cease to hold directly or indirectly in aggregate 30% or more of the entire issued share capital of our Company, or otherwise cease to be Controlling Shareholders or the Shares cease to be listed and traded on the Stock Exchange.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) compliance with the GEM Listing Rules, in particular, strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules where applicable;
- (b) appointment of RaffAello Capital Limited as our compliance adviser to advise us on the compliance matters in respect of the GEM Listing Rules and applicable laws and regulations;
- (c) adoption of the Articles which provides that a Director shall absent himself/herself from participating in Board meetings (nor he/she be counted towards the quorum) and voting on any resolutions of the Board approving any contract, arrangement or other proposal in which he/she or any of his/her associates is materially interested;
- (d) our independent non-executive Directors will be responsible for considering and deciding as to whether to pursue or decline the Business Opportunity;
- (e) our Controlling Shareholders undertake to provide details relating to the nature of the Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Business Opportunity, and in the event that there is any material change in the nature, terms or conditions of such Business Opportunity, our Controlling Shareholders shall refer such Business Opportunity to our Company as if it were a new Business Opportunity;
- (f) if appropriate, our independent non-executive Directors may appoint independent financial advisers to assist in the decision-making process in relation to such Business Opportunity;
- (g) our Controlling Shareholders undertake to provide all information necessary for the annual review by our independent non-executive Directors in respect of the compliance with the Deed of Non-Competition; and
- (h) our independent non-executive Directors will review, on an annual basis, the compliance of our Controlling Shareholders with the Deed of Non-Competition, in particular the right of refusal relating to any Business Opportunity and our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-Competition in our annual report or by way of announcement to public.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board consists of six Directors, among which there are three executive Directors and three independent non-executive Directors. Our executive Directors and senior management are involved in the day-to-day management of our business. The following table sets forth certain information in respect of our Directors:

<u>Name</u>	<u>Age</u>	<u>Time of joining our Group</u>	<u>Date of appointment as Director</u>	<u>Position</u>	<u>Brief description of roles and responsibilities</u>
Mr. Wong Man Wai	37	April 2004	19 August 2015	Chairman, chief executive officer and executive Director	Formulating the overall business strategy and planning; overseeing our Group's performance generally; leading and representing our Group in negotiation with potential business partners
Mr. Chan Chak To Raymond	49	October 2009	7 December 2015	Executive Director	Overseeing the day-to-day operation of the restaurants operated by our Group; assessing the performance of frontline staff and formulating training standard and guidance to frontline staff
Ms. Lam Wai Kwan	42	November 2003	7 December 2015	Executive Director	Responsible for the finance and accounting matters, procurement and cost control measures of our Group
Mr. Ma Yiu Ho Peter	51	21 July 2016	21 July 2016	Independent non-executive Director	Chairman of the audit committee; providing independent advice to our Group
Mr. Cheng Wing Hong	42	21 July 2016	21 July 2016	Independent non-executive Director	Chairman of the remuneration committee; member of the audit committee and the nomination committee; providing independent advice to our Group
Mr. Cai Chun Fai	34	21 July 2016	21 July 2016	Independent non-executive Director	Member of the audit committee, remuneration committee and nomination committee; providing independent advice to our Group

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wong Man Wai (王文威先生), aged 37, is our Chairman, chief executive officer and executive Director of our Company. Mr. Wong is responsible for formulating the overall business strategy and planning; overseeing our Group's performance generally; leading and representing our Group in negotiation with potential business partners.

Shortly after Mr. Wong's graduation from The University of New South Wales in May 2003 where he obtained his Bachelor of Commerce in Accounting and Finance, he joined our Group and started taking part in the operation of our restaurants since April 2004. Up until now, he has over 11 years of experience in the restaurant and catering business.

Mr. Wong is the sole beneficial owner of Fortune Round and is therefore one of our Controlling Shareholders. Please refer to the section headed "Relationship with Controlling Shareholders" of this prospectus for further details.

Mr. Wong was a director of Pioneer Wealthy Limited and Victor Inc., which were deregistered under sections 291AA(9) of the predecessor Companies Ordinance (as in force from time to time before the commencement of the Companies Ordinance) and 751(1) of the Companies Ordinance and dissolved upon deregistration on 4 July 2014 and 15 April 2016, respectively. Pioneer Wealthy Limited was engaged in operating a restaurant in Tseung Kwan O and was deregistered following its cessation of its restaurant business on 30 September 2009. For the deregistration of Victor Inc., please refer to the paragraph headed "History, Development and Reorganisation — Disposal and deregistration of companies during the Track Record Period" in this prospectus. Mr. Wong confirms that there was no wrongful act on his part leading to the above dissolutions and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolutions.

Our Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (the "**Corporate Governance Code**"). Except for the deviation from paragraph A.2.1 of the Corporate Governance Code as stated below, our Company's corporate governance practices have complied with the Corporate Governance Code.

Paragraph A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wong is the Chairman and the chief executive officer of our Company. Considering that Mr. Wong has been operating and managing our Group since 2004, the Board believes that it is in the best interest of our Group to have Mr. Wong taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from paragraph A.2.1 of the Corporate Governance Code is appropriate in such circumstance.

Mr. Chan Chak To Raymond (陳澤濤先生), aged 49, was appointed as an executive Director of our Company on 7 December 2015 and is responsible for overseeing the day-to-day operation of the restaurants operated by our Group; assessing the performance of frontline staff and formulating training standard and guidance to frontline staff.

Mr. Chan has been with our Group for over six years since he joined our Group in October 2009 as our Operation Director. Prior to joining our Group, Mr. Chan had accumulated over 12 years of experience in catering related businesses, of which he had worked as a chef for approximately three years and subsequently held managerial positions with various companies engaging in food production, trading or restaurant operation.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan is now pursuing a certificate programme on business administration at Research Institute Of Tsinghua University in Shenzhen.

Ms. Lam Wai Kwan (林慧君女士), aged 42, was appointed as an executive Director of our Company on 7 December 2015 and is responsible for the finance and accounting matters, procurement and cost control measures of our Group.

Ms. Lam has been with our Group for over ten years since she joined our Group in November 2003 as an Assistant Manager. She was subsequently promoted to her current position of Accounting Manager in May 2005. After obtaining her Diploma in Commercial Studies from The Chinese Young Men's Christian Association Hong Kong in May 1992, Ms. Lam has worked in various companies performing secretarial and accounting duties.

Save as disclosed in this prospectus, each of our executive Directors confirms that (i) he/she has no interests in the Shares within the meaning of Part XV of the SFO, (ii) he/she is independent from, and is not related to, any other Directors, members of senior management, substantial Shareholders or Controlling Shareholders, (iii) he/she has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years, and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his/her appointment.

Independent non-executive Directors

Mr. Ma Yiu Ho Peter (馬遙豪先生), aged 51, is currently the financial controller of Chyau Fwu Properties Limited, a company principally engaged in property development and hospitality. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1990 and a fellow member of the Association of Chartered Certified Accountants (UK) since April 1994. Mr. Ma obtained a master degree of business administration from the Hong Kong University of Science and Technology in November 1995. He is also a member of the Hong Kong Institute of Directors since December 2015. He has over 20 years of experience in the finance and accounting field and worked as the financial controller and company secretary of The Hong Kong Parkview Group Limited (now named as Joy City Property Limited) (stock code: 207); the financial controller, qualified accountant and authorised representative of V1 Group Limited (formerly known as VODone Limited) (stock code: 82), both are listed companies on the Main Board of the Stock Exchange; chief financial officer of Superior Fastening Technology Limited (stock code: 5DW), a listed company on the Singapore Exchange.

Mr. Ma has also worked for Standard Chartered Equitor Trustee HK Limited and Hong Kong Government's Audit Department. Mr. Ma is currently and has been an independent non-executive director and chairman of the audit committee of Convoy Financial Holdings Limited (stock code: 1019), an independent non-executive director and the chairman of the audit committee of China Packaging Holdings Development Limited (stock code: 1439), an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee of Huisheng International Holdings Limited (stock code: 1340), an independent non-executive director, chairman of the audit committee and a member of the remuneration committee and nomination committee of TEM Holdings Limited (stock code: 8346) since, respectively, March 2010, December 2013, February 2014 and April 2016, all of which are listed companies on the Stock Exchange. During July 2014 and May 2015, Mr. Ma was an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee of Sky Forever Supply Chain Management Group Limited (formerly known as Rising Power Group Holdings Limited), a company listed on the GEM with stock code 8047.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheng Wing Hong (鄭永康先生), aged 42, is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheng holds a master degree in Practising Accounting from the Monash University. Mr. Cheng has over 16 years of experience in company secretarial, accounting and financial management work in various listed companies in Hong Kong (inclusive of over two years of experience in the field of auditing). Since July 2015, Mr. Cheng has been the company secretary of Kangda International Environmental Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 6136). Mr. Cheng was also the company secretary and executive director of Magic Holdings International Limited, a company previously listed on the Main Board of the Stock Exchange (stock code: 1633) whose listing status was withdrawn as from April 2014 following a privatisation by way of scheme of arrangement, for the period, respectively, from May 2011 to June 2014 and from July 2012 to June 2014. Mr. Cheng also served as the company secretary and executive director of the listed company on GEM then known as Argos Enterprise (Holdings) Limited and TLT Lottotainment Group Limited (stock code: 8022) for the periods, respectively, from June 2006 to February 2011 and from February 2008 to February 2011.

Mr. Cai Chun Fai (蔡振輝先生), aged 34, is the chief operation officer of Well Link Securities Limited, a licensed corporation under the SFO to carry on the regulated activities of dealing in securities and dealing in futures contracts. Mr. Cai is also the company secretary and chief operation officer of Hui's Finance Group Holdings Limited, a company principally carries on the business of money lending through its subsidiary. Mr. Cai was the company secretary of China Fortune Financial Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 290) from February 2012 to April 2014. Mr. Cai holds the degree of Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cai has over ten years' experience in auditing, accounting and financial management.

Mr. Cai was a director of Acton Idea Marketing Services Limited, a company incorporated under the laws of Hong Kong and engaged in the business of provisions of marketing services. Acton Idea Marketing Services Limited was dissolved by striking off on 13 February 2009 after it ceased its operation in 2004. Mr. Cai confirms that Acton Idea Marketing Services Limited had no external creditor when it was struck off and that there was no wrongful act on his part leading to the above dissolution. Mr. Cai is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution by way of striking off.

Save as disclosed in this prospectus, each of our independent non-executive Directors confirms that (i) he/she has no interests in the Shares within the meaning of Part XV of the SFO, (ii) he/she is independent from, and is not related to, any other Directors, members of senior management, substantial Shareholders or Controlling Shareholders, (iii) he/she has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years, and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his/her appointment.

SENIOR MANAGEMENT

Mr. Ng Shing Kin (吳成堅先生), aged 35, is our financial controller and he is mainly responsible for the handling and overseeing the financial reporting, financial planning and reviewing internal control of our Group. Mr. Ng obtained an Honours Diploma in Business Administration from the Hong Kong Shue Yan College in July 2005 and a degree of Master of Business Administration from The University of Louisiana at Monroe in May 2007. Mr. Ng further obtained a postgraduate diploma in professional accounting from the Hong Kong Baptist University in November 2007.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants and a Certified Financial Risk Manager admitted by the Global Association of Risk Professionals. Prior to joining our Group in November 2015, Mr. Ng had worked at HLB Hodgson Impey Cheng Limited (formerly known as HLB Hodgson Impey Cheng prior to reorganisation in March 2012) from August 2008 to December 2013 and his last position was Senior Accountant. He then joined PricewaterhouseCoopers Limited in December 2013 where he was a Senior Associate until October 2015.

Ms. Wong Chui Mei (黃翠薇女士), aged 40, is our manager in charge of human resources and customer services. She is responsible for the recruitment and human resources matters of our Group; handling customer feedbacks and making recommendation for the products and services provided by our Group. Ms. Wong has served at our Group for over 10 years since she joined us in November 2005.

COMPANY SECRETARY

Mr. Ng Shing Kin (吳成堅先生) was appointed as the company secretary of our Company in December 2015. Please refer to the paragraph headed “Senior Management” of this section for details of Mr. Ng’s qualifications and experience.

COMPLIANCE OFFICER

Mr. Wong is the compliance officer of our Company. For his biographical details, please refer to the section headed “Directors and Senior Management — Executive Directors” in this prospectus.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed RaffAello Capital Limited as our compliance adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate (if any) or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, that is, the distribution of our Company’s annual report of its financial results for the year ending 31 March 2019, or until the agreement is terminated, whichever is the earlier.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

The Board has established the audit committee, the remuneration committee and the nomination committee.

Audit Committee

Our Company established the audit committee pursuant to a resolution of our Directors passed on 21 July 2016 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the Corporate Governance Code has been adopted. Among other things, the primary duties of the audit committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements of our Company and judgments in respect of financial reporting; and oversee the effectiveness of the internal control procedures of our Group. The audit committee consists of three independent non-executive Directors, namely Mr. Ma Yiu Ho Peter, Mr. Cheng Wing Hong and Mr. Cai Chun Fai. Mr. Ma Yiu Ho Peter is the chairman of the audit committee.

Remuneration Committee

Our Company established the remuneration committee on 21 July 2016 pursuant to a resolution in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The primary duties of the remuneration committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff of our Group and ensure that none of our Directors or any of their associates determine their own remuneration. The remuneration committee consists of three members, namely Mr. Cheng Wing Hong, Mr. Wong and Mr. Cai Chun Fai. Mr. Cheng Wing Hong is the chairman of the remuneration committee.

Nomination Committee

Our Company established the nomination committee on 21 July 2016 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of the nomination committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or reappointment of Directors. The nomination committee consists of three members, namely Mr. Wong, Mr. Cheng Wing Hong and Mr. Cai Chun Fai. Mr. Wong is the chairman of the nomination committee.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Save as the deviation from paragraph A.2.1 of the Corporate Governance Code as disclosed in this section, our Company will comply with the Corporate Governance Code and the associated GEM Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses paid to our Directors for the three years ended 31 March 2014, 2015 and 2016 were approximately HK\$1.2 million, HK\$1.3 million and HK\$1.6 million respectively.

DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses paid to our Directors and senior management of our Group for the three years ended 31 March 2014, 2015 and 2016 were approximately HK\$1.5 million, HK\$1.5 million and HK\$2.1 million respectively.

Our Group's five highest paid individuals included one Director or, as the case may be, two Directors. Excluding that/those Director(s), the aggregate amount of fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses paid to the remaining four or, as the case may be, three highest paid individuals for the three years ended 31 March 2014, 2015 and 2016 were approximately HK\$1.3 million, HK\$1.8 million and HK\$2.0 million respectively.

During the Track Record Period, no compensation was paid to, or receivable by, our Directors, past directors or our Group's five highest paid individuals for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. During the Track Record Period, no emolument was paid to, or receivable by, our Directors or our Group's five highest paid individuals as an inducement to join or upon joining our Group. During the Track Record Period, none of our Directors had waived or agreed to waive any emolument.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by or on behalf of our Group to any of our Directors.

For additional information on our Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to notes 10 and 11 in the Accountants' Report set out in Appendix I to this prospectus.

EMPLOYEES

As at the Latest Practicable Date, our Group had 106 full-time employees and 44 part-time employees. For details about our employees and staff policy, please refer to the paragraph headed "Business — Employees" in this prospectus.

Relationship with employees

Our Directors believe that our Group maintains good working relationships with our employees. Our Group has not encountered any difficulty in the recruitment and retention of staff for our operations or experienced any material disruption of our operations as a result of labour disputes since the establishment of our business.

STAFF BENEFITS

Our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and our Directors confirm that save as disclosed in paragraph headed "Business — Non-compliance" in this prospectus, our Group has made the relevant contributions in accordance with the aforesaid laws and regulations. Save as the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

DIRECTORS AND SENIOR MANAGEMENT

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 21 July 2016 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus.

SHARE CAPITAL

The table below sets out the share capital of our Company immediately following completion of the Capitalisation Issue and Placing. The table is prepared on the basis of the Placing becoming unconditional and the issue of Placing Shares and Capitalisation Issue pursuant thereto is made as described herein. It takes no account of any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme, the Offer Size Adjustment Option or any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

Authorised share capital: HK\$

20,000,000,000	Shares	200,000,000
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Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and Placing:

2	Shares in issue as at the date of this prospectus	0.02
1,499,999,998	Shares to be issued pursuant to the Capitalisation Issue	14,999,999.98
500,000,000	Placing Shares to be issued pursuant to the Placing (assuming the Offer Size Adjustment Option is not exercised)	5,000,000
<hr/>		<hr/>
2,000,000,000	Shares	20,000,000

Upon the full exercise of the Offer Size Adjustment Option, we will allot and issue an additional 75,000,000 Shares and we will have in issue 2,075,000,000 Shares and our issued share capital will be HK\$20,750,000.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 500,000,000 Placing Shares represent 25% of the issued share capital of our Company upon the Listing.

RANKING

The Placing Shares will carry the same rights in all respects as all the Shares now in issue or to be allotted and issued as mentioned in this prospectus, save for the entitlement under the Capitalisation Issue, will qualify for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the Listing Date.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the paragraph headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might acquire such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Placing (not including Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General mandate to repurchase shares” in this section below.

This mandate does not cover Shares to be allotted, issued or dealt with under a right issue or pursuant to the exercise of the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Cayman Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information — A. Further information about our Group — 3. Written resolutions of the sole Shareholder passed on 21 July 2016” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following the completion of the Capitalisation Issue and the Placing (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “Statutory and General Information — A. Further information about our Group — 6. Repurchase of the Shares by our Company” in Appendix IV to this prospectus.

SHARE CAPITAL

The general mandates to issue and repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Cayman Companies Law or any other applicable law of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information — A. Further information about our Group — 6. Repurchase of the Shares by our Company” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The Articles have provided for the circumstances under which general meeting and class meeting are required. For details, please refer to the paragraph headed “Summary of the constitution of our Company and the Cayman Company Law” in Appendix III to this prospectus.

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

So far as is known to our Directors, the following persons will, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares to be issued upon the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

Long position in the Shares

Name	Capacity/nature	Number of Shares held/interested immediately following completion of the Placing	Percentage of shareholding immediately following completion of the Placing
Fortune Round	Beneficial owner	1,500,000,000	75%
Mr. Wong <i>(Note 1)</i>	Interest of controlled corporation	1,500,000,000	75%
Ms. Li Wing Yin <i>(Note 2)</i>	Interest of spouse	1,500,000,000	75%

Note:

- Following completion of the Placing, Fortune Round will hold 1,500,000,000 Shares. Fortune Round is a company incorporated in BVI and is wholly owned by Mr. Wong. Therefore, Mr. Wong is deemed to be interested in all the Shares held by Fortune Round for the purpose of the SFO.
- Ms. Li Wing Yin is the spouse of Mr. Wong and she is deemed to be interested in the Shares in which Mr. Wong is interested in under the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares to be issued upon the exercise of the Offer Size Adjustment Option and the exercise of any option which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the paragraph headed “Statutory and General Information — A. Further information about our Group” in Appendix IV to this prospectus), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

FINANCIAL INFORMATION

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

OVERVIEW

We are a food and beverage group in Hong Kong operating four restaurants at the Hong Kong International Airport and one restaurant in the urban area of Hong Kong as at the Latest Practicable Date. We also operated a takeaway kiosk at the Hong Kong International Airport during the Track Record Period, which is expected to re-launch in August 2016 following the award of a new Licence Agreement by the Airport Authority. The restaurants operated by our Group are under various brands and serve a variety of cuisines. It is the strategy of our Group to expand our market shares through promoting our brand recognition and widening the choices of cuisines offered by our restaurants.

Our revenue for the three years ended 31 March 2014, 2015 and 2016 was approximately HK\$121.8 million, HK\$141.3 million and HK\$125.5 million, respectively. Our total comprehensive income for the three years ended 31 March 2014, 2015 and 2016 was approximately HK\$13.7 million, HK\$21.3 million and HK\$12.6 million, respectively.

RECENT DEVELOPMENT

Disposal of Sunny Echo

As part of our plan to develop a more asset-light business line, on 31 August 2015, Palace and the general manager of Taiwan Beef Noodle/Chinese Kitchen (TST), who is an Independent Third Party, entered into a sale and purchase agreement, pursuant to which Palace sold the entire share capital of Sunny Echo to the Independent Third Party. The sale and purchase was completed on 30 October 2015. Our Group recorded a gain of approximately HK\$0.6 million as a result of the disposal.

On 30 October 2015, Top Future as franchisor and Sunny Echo as franchisee entered into the TST Franchising Agreement under which Sunny Echo would pay Top Future a monthly service fee calculated based on the monthly sales and an annual fee calculated based on the profit of the relevant financial year for the non-exclusive right to use the brands "*Taiwan Beef Noodle* (台灣牛肉麵)" and "*Chinese Kitchen* (中國廚房)" to operate Taiwan Beef Noodle/Chinese Kitchen (TST) until April 2023.

For the three years ended 31 March 2014, 2015 and 2016, the revenue derived from Sunny Echo accounted for approximately 34.9%, 30.1% and 17.1% of our total revenue, respectively. Sunny Echo recorded a net loss of approximately HK\$0.5 million and HK\$1.1 million for the year ended 31 March 2014 and the period from 1 April 2015 to 30 October 2015 and a net profit of approximately HK\$0.8 million for the year ended 31 March 2015.

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For the year ended 31 March 2016, our revenue was HK\$125.5 million compared with HK\$141.3 million for the year ended 31 March 2015. The decrease was mainly attributable to the disposal of Sunny Echo.

For the risk relating to the disposal of the entire issued share capital of Sunny Echo, please refer to the paragraph headed “Risk Factors — Risks relating to our business — We may not be able to maintain our historical revenue level due to the disposal of the entire issued share capital of Sunny Echo” in this prospectus.

Recent development of tourism

According to the Air Traffic Statistics at the Hong Kong International Airport published by the Airport Authority, in 2015, the number of tourists showed an increasing trend starting from June with the peak recorded in August followed by a considerable drop in September. The number of tourists showed an upward trend again in October 2015. Such number of tourists represents the passengers departing from and arriving at the Hong Kong International Airport which also includes the transfer and transit passengers. The revenue generated by most of our restaurants operating at the Hong Kong International Airport and Taiwan Beef Noodle/Chinese Kitchen (TST) in the relevant respective months varied in accordance with the change of the number of tourists throughout the period. Such impact resulting from the changes in the number of tourists was also reflected in the corresponding period in 2014. It also corresponds to our seasonal business fluctuations which we generally record higher monthly revenue during July and August and lower revenue from April to June. According to the Air Traffic Statistics at the Hong Kong International Airport published by the Airport Authority, in the first half year of 2016, the number of tourists recorded a decrease of approximately 3.9% from January to February. The number of tourists increased by approximately 5.6% from February to March. The number of tourists decreased by 2.9% from March to May and showed a slight increase of 0.6% in June. The revenue generated by most of our restaurants operating at the Hong Kong International Airport varied in accordance with the change of the number of tourists in the relevant periods.

According to the monthly report of the visitor arrivals statistics published by the Hong Kong Tourism Board, the number of visitors coming from the PRC (including visitors passing through Hong Kong by air, land or sea) recorded a decline of 11.8% in the first five months of 2016 as compared to the corresponding period in 2015. The number of visitors coming from other countries (excluding the PRC visitors passing through Hong Kong by air, land or sea) recorded a 3.9% increase as compared to the corresponding period in 2015. Despite the decline in the number of visitors coming from the PRC, there is no deterioration of the financial position of our Group in the first and second quarters of 2016 given the fact that our Taiwan Beef Noodle (Kowloon City) mainly serves the local community while we have disposed of our interest in Taiwan Beef Noodle/Chinese Kitchen (TST), which targets the said visitors, on 30 October 2015. We also consider that such decline in the number of visitors coming from the PRC has limited impact on our restaurants operating at the Hong Kong International Airport as we serve tourists coming from all parts of the world.

Recent development of Licence Agreement

The previous Licence Agreement for the operation of Coffee Express has expired on 28 June 2016. On 13 July 2016, the Airport Authority awarded a new licence to our Group for the operation of Coffee Express at a new premises (which is close to its previous premises) for a tenure of one year ending 31 July 2017. We expect to re-launch Coffee Express in August 2016.

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BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, our Group was controlled by Mr. Wong. Pursuant to the Reorganisation, our Company became the holding company of the companies now comprising our Group subsequent to the end of the Track Record Period on 31 March 2016. The Reorganisation is merely a reorganisation of our Group with no change in management of such business and the ultimate owners of the business. Accordingly, the financial information has been prepared by applying the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants, as if the Reorganisation had been completed at the beginning of the Track Record Period.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the controlling shareholders, where this is a shorter period. The combined statements of financial position of our Group as at 31 March 2014, 2015 and 2016 have been prepared to present the assets and liabilities of the subsidiaries using the existing carrying amounts of the principal business of our Group during the Track Record Period. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

For companies disposed to third parties during the Track Record Period, they are included in the financial information of our Group from the date of the acquisition and to the date of disposal.

All intra-group transactions and balances have been eliminated on combination in full.

FACTORS AFFECTING THE RESULTS OF OUR OPERATIONS

The results of our operations and financial conditions have been and will continue to be affected by a number of factors, including those as set forth below.

Number of restaurants in operation

During the Track Record Period, our revenue was affected by the number of restaurants in operation. Accordingly, restaurants openings substantially affect our revenue growth. We opened Chinese Kitchen (Airport) in May 2014. Our revenue increased from approximately HK\$121.8 million for the year ended 31 March 2014 to approximately HK\$141.3 million for the year ended 31 March 2015, representing an increase of approximately 16.0%. During the Track Record Period, we disposed of the entire issued share capital of Sunny Echo, being the operating company of Taiwan Beef Noodle/Chinese Kitchen (TST). Our revenue decreased from approximately HK\$141.3 million for the year ended 31 March 2015 to approximately HK\$125.5 million for the year ended 31 March 2016, representing a decrease of approximately 11.2%. The cost of inventories sold for the year ended 31 March 2015 amounted to approximately HK\$31.8 million, representing an increase of approximately 11.3% as compared with that of the year ended 31 March 2014. The cost of inventories sold for the year ended 31 March 2016 amounted to approximately HK\$27.3 million, representing a decrease of approximately 14.3% as compared with that of the year ended 31 March 2015.

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Restaurants incur various costs and expenses before they open and new restaurants generally experience lower results of operations during the first few months of operation due to initially lower sales and higher start-up operating costs. A new restaurant generally requires a period of time from its opening to achieve the target performance income.

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

The results of our operations are vulnerable to the economy of Hong Kong. Therefore, if Hong Kong experiences any adverse economic conditions due to circumstances beyond our control, such as local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if local authorities adopt regulations that place additional restrictions or burdens on our Group or on the industry in general, our overall business and results of operations may be materially and adversely affected.

Passenger traffic at the Hong Kong International Airport

Our business is significantly affected by changes in passenger traffic at the Hong Kong International Airport, which depends on the number of aircrafts and passengers arriving at and departing from the Hong Kong International Airport. This is in turn influenced by a number of variables, including level of trade, tourism and business travel between Hong Kong and those countries and regions that have established international flight connections with Hong Kong, competition from alternative airports, tourist destinations and means of transportation, air ticket prices and actual or perceived security threats to air travel.

Level of staff costs in Hong Kong

Restaurant operations are highly service-oriented and labour-intensive. We recorded staff costs of approximately HK\$35.9 million, HK\$40.7 million and HK\$36.4 million for the three years ended 31 March 2014, 2015 and 2016, respectively, representing approximately 29.4%, 28.8% and 29.0% of our Group's total revenue for the corresponding periods.

The salary level of employees in the catering industry in Hong Kong has been steadily increasing in recent years due to changes in the labour law and local labour market trends. The lowest starting salaries offered by our Group to our restaurant staff in Hong Kong steadily rose upward during the Track Record Period and were higher than the current applicable minimum wage requirements in Hong Kong. We expect our staff costs would continue to increase as a result of inflationary pressure in Hong Kong. Accordingly, our results of operations and financial conditions may be affected.

Market competition

As a restaurant operator, we face intense competition in the catering industry from a diverse group of restaurant chains, individual restaurant operators and food manufacturers who are engaged in the production of similar products. We compete against other restaurants on an array of attributes such as taste of food, customer service, pricing, ambience and the overall dining experience. Some of our competitors may have larger customer bases, stronger brand reputation, longer operating histories, greater financial, marketing and other resources. If we are not able to compete against existing competitors and new market players effectively, our business and results of operations may be adversely affected.

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Prices and supply of food ingredients

Our success depends on reliable supply of food ingredients such as meat and vegetables at competitive prices delivered in a timely manner. For the three years ended 31 March 2014, 2015 and 2016, the total purchases from our five largest suppliers in aggregate amounted to approximately 32.3%, 33.4% and 27.1%, respectively, of our total purchases and our purchases from our largest supplier amounted to approximately 10.1%, 9.3% and 5.8%, respectively, of our total purchases. In line with the industry practice, during the Track Record Period and up to the Latest Practicable Date, we had not entered into any long-term contract with our suppliers, and conditions set out in our purchase orders placed with our suppliers vary.

During the Track Record Period, we did not experience any interruption of supply or failure to secure sufficient irreplaceable food ingredients that had any material adverse impact on our business or results of operations. However, the price of food ingredients purchased has fluctuated.

We do not enter into any framework agreements with our suppliers. The purchase prices are typically set at a fixed price by way of purchase orders. Many of our suppliers allow us to buy in large quantities available for our use over a short duration with deliveries in batches.

Food and beverage costs, as represented by our costs of inventories sold, accounted for approximately 23.5%, 22.5% and 21.7% for our revenue for the three years ended 31 March 2014, 2015 and 2016, respectively. There is a potential trend of increase in purchase price of major food ingredients, accordingly our Group will work on cost control such as sourcing more suppliers, bulk purchase to get higher discount and evolving our menu items from time to time.

Market conditions of the retail rental market

As at the Latest Practicable Date, we licensed or leased all the properties for our restaurants operating at the Hong Kong International Airport and in the urban area of Hong Kong. For the three years ended 31 March 2014, 2015 and 2016, our property rentals and related expenses amounted to approximately HK\$25.4 million, HK\$33.1 million and HK\$32.0 million, respectively. The licence fees of our restaurants operating at the Hong Kong International Airport is contingent on our turnover or passenger traffic at the Hong Kong International Airport. Our costs of operations will increase as a result of such adjustment. If we are not able to pass the increased rental costs onto our customers, our results of operations and financial positions may be adversely affected.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgments used are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out in note 5 to the Accountants' Report in Appendix I to this prospectus.

SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, on the following bases:

- (a) from restaurants operations, when catering services have been provided to the customers;
- (b) sales of food are recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the products are delivered to customers and title is passed;
- (c) franchise fee income is recognised on an accrual basis in accordance with the related agreement;
- (d) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (e) management fee income is recognised when the services are rendered.

For the other significant accounting policies, please refer to note 3 to the Accountants' Report in Appendix I to this prospectus.

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SUMMARY OF RESULTS OF OPERATIONS

The following is a summary of our combined results for the Track Record Period which has been extracted from the Accountants' Report set out in Appendix I to this prospectus.

	For the year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Revenue	121,791	141,259	125,502
Cost of inventories sold	(28,560)	(31,791)	(27,255)
Gross profit	93,231	109,468	98,247
Other revenue and other income	2,175	2,674	4,321
Staff costs	(35,851)	(40,701)	(36,436)
Depreciation of property, plant and equipment	(2,357)	(3,755)	(3,242)
Property rentals and related expenses	(25,397)	(33,057)	(32,002)
Fuel and utility expenses	(6,183)	(6,328)	(5,112)
Administrative expenses	(15,869)	(10,130)	(19,516)
Profit from operations	9,749	18,171	6,260
(Loss)/gain on disposal of subsidiaries	(680)	—	636
Share of result of an associate	6,004	6,566	8,806
Share of result of a joint venture	—	—	(54)
Finance costs	(483)	(404)	(353)
Profit before tax	14,590	24,333	15,295
Income tax expenses	(931)	(3,079)	(2,698)
Profit and total comprehensive income for the year	<u>13,659</u>	<u>21,254</u>	<u>12,597</u>
Profit and total comprehensive income for the year attributable to:			
Owners of our Company	13,637	21,213	12,619
Non-controlling interests	22	41	(22)
	<u>13,659</u>	<u>21,254</u>	<u>12,597</u>
Earnings per share attributable to owners of our Company			
Basic and diluted earnings per share (HK cents)	<u>0.91</u>	<u>1.41</u>	<u>0.84</u>

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The table below sets forth the breakdown of the revenue and gross profit margin of each of our restaurants and takeaway kiosk operated during the Track Record Period.

	For the year ended 31 March								
	2014			2015			2016		
	Revenue	% of total revenue	Gross profit margin	Revenue	% of total revenue	Gross profit margin	Revenue	% of total revenue	Gross profit margin
	HK\$'000	%	%	HK\$'000	%	%	HK\$'000	%	%
Restaurant/takeaway kiosk at the Hong Kong International Airport									
Taiwan Beef Noodle (Airport)	26,335	21.6	85.0	29,346	20.8	85.2	29,134	23.2	84.7
Nosh Café & Bar	24,683	20.3	83.8	26,779	19.0	87.6	23,879	19.0	81.4
Chinese Kitchen (Airport)	—	—	—	15,976	11.3	88.6	16,368	13.0	87.3
Macao Harbour Restaurant	20,433	16.8	71.9	19,440	13.8	72.5	20,274	16.2	73.4
Coffee Express	—	—	—	—	—	—	6,883	5.5	84.9
	<u>71,451</u>	<u>58.7</u>	<u>80.9</u>	<u>91,541</u>	<u>64.9</u>	<u>83.8</u>	<u>96,538</u>	<u>76.9</u>	<u>82.0</u>
Restaurant operating in the urban area of Hong Kong									
Taiwan Beef Noodle (Kowloon City)	7,191	5.9	72.1	7,157	5.0	71.9	7,279	5.8	73.0
Taiwan Beef Noodle/Chinese Kitchen (TST)	42,502	34.9	70.9	42,561	30.1	64.9	21,413	17.1	63.2
Mui Chai Kee	647	0.5	22.9	—	—	—	—	—	—
	<u>50,340</u>	<u>41.3</u>	<u>70.4</u>	<u>49,718</u>	<u>35.1</u>	<u>65.9</u>	<u>28,692</u>	<u>22.9</u>	<u>65.7</u>
Franchise fee income	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>272</u>	<u>0.2</u>	<u>100.0</u>
Total	<u>121,791</u>	<u>100.0</u>	<u>76.5</u>	<u>141,259</u>	<u>100.0</u>	<u>77.5</u>	<u>125,502</u>	<u>100.0</u>	<u>78.3</u>

Revenue

Our revenue increased from approximately HK\$121.8 million for the year ended 31 March 2014 to approximately HK\$141.3 million for the year ended 31 March 2015, representing an increase of approximately 16.0%. Such increase was mainly attributable to the opening of Chinese Kitchen (Airport) in May 2014 and the increase in average spending per customer of our restaurants.

Our revenue decreased from approximately HK\$141.3 million for the year ended 31 March 2015 to approximately HK\$125.5 million for the year ended 31 March 2016, representing a decrease of approximately 11.2%. Such decrease was mainly attributable to the disposal of Sunny Echo.

Cost of inventories sold

Cost of inventories sold primarily consists of the cost of all the food and beverages used in restaurant operations. For the three years ended 31 March 2014, 2015 and 2016, our cost of materials consumed amounted to approximately HK\$28.6 million, HK\$31.8 million and HK\$27.3 million, respectively.

The period-to-period fluctuation during the Track Record Period will be discussed in the gross profit and gross profit margin in this section below.

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Gross profit margin and gross profit

The gross profit margin recorded a slight increase from approximately 76.5% for the year ended 31 March 2014 to 77.5% for the year ended 31 March 2015, which was due to better cost control in the restaurants operating at the Hong Kong International Airport.

The gross profit margin further increased from approximately 77.5% for the year ended 31 March 2015 to 78.3% for the year ended 31 March 2016, which was due to better cost control in the restaurants operating at the Hong Kong International Airport and the disposal of Sunny Echo, which had a relatively lower gross profit margin.

The gross profit was approximately HK\$109.5 million for the year ended 31 March 2015, representing an increase of approximately 17.4% from approximately HK\$93.2 million for the year ended 31 March 2014. Such increase was mainly due to the opening of Chinese Kitchen (Airport) in May 2014.

The gross profit was approximately HK\$98.2 million for the year ended 31 March 2016, representing a decrease of approximately 10.3% from approximately HK\$109.5 million for the year ended 31 March 2015. Such decrease was mainly due to the disposal of Sunny Echo.

The gross profit margin for our restaurants operating at the Hong Kong International Airport ranged between 71.9% to 85.0%, 72.5% to 88.6% and 73.4% to 87.3% for the three years ended 31 March 2014, 2015 and 2016, respectively. The gross profit margin for our restaurants operating in the urban area of Hong Kong ranged between 22.9% to 72.1%, 64.9% to 71.9% and 63.2% to 73.0% for the three years ended 31 March 2014, 2015 and 2016, respectively.

The higher gross profit margin recorded at our restaurants operating at the Hong Kong International Airport during the Track Record Period was attributable to the centralisation of purchases in bulk orders and with discounts through our centralised warehouse in Tsing Yi. Leveraging on the concentrated pedestrian traffic and generally quick dining manner of travellers, our restaurants at the Hong Kong International Airport recorded a higher seat turnover rate which enabled us to maximise the utilisation of food ingredients and reduce wastages.

Further, our restaurants and takeaway kiosk operating at the Hong Kong International Airport sell more beverage items than our restaurants in the urban area of Hong Kong. Apart from that, the menu items are not entirely the same at our restaurants operating under the same brands “*Taiwan Beef Noodle* (台灣牛肉麵)” and “*Chinese Kitchen* (中國廚房)” at the Hong Kong International Airport and in the urban area of Hong Kong. We offer seafood at Taiwan Beef Noodle/Chinese Kitchen (TST) which targets tourists and mass market customers, while we generally offer simple food items to cater to the needs of the travellers who look for casual dining in a quick and convenient manner at Taiwan Beef Noodle (Airport) and Chinese Kitchen (Airport). We consider that the sales of beverages generally have higher gross profit margin while the sales of seafood generally have lower gross profit margin, and these lead to the higher gross profit margin of our restaurants and takeaway kiosk at the Hong Kong International Airport in general.

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Other revenue and other income

During the Track Record Period, our other revenue and other income mainly comprised tips income, management fee income and net foreign exchange gain.

	For the year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Tips income	625	654	655
Management fee income	408	408	408
Net foreign exchange gain	1,135	1,397	736
Others	7	215	122
Reversal of impairment loss recognised in amount due from an associate <i>(Note)</i>	—	—	2,400
Total	2,175	2,674	4,321

Note: Palace recognised an impairment loss for the year ended 31 March 2013 for an amount due from Friend Limited as the director of Palace considered the amount irrecoverable. Upon the disposal of 20% of the issued share capital of Friend Limited from Palace to an Independent Third Party on 14 September 2015, the said amount due from Friend Limited was recovered. Therefore, our Group recorded a reversal of the said impairment loss for the year ended 31 March 2016.

Staff costs

Restaurant operations are highly service-oriented. Our success to a certain extent depends upon the ability to attract, motivate and retain a sufficient number of qualified employees, including restaurant managers and staff. We seek to create a harmonic working culture which encourages communication and sharing of thoughts, team work and career development of employees. Our Directors believe that a caring working environment could help retaining staff and encourage productivity. We are committed to promoting and awarding employees with satisfactory performance in order to recognise their contribution and dedication to our Group. Staff costs is the largest component of our operating expenses.

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

	For the year ended 31 March		
	2014	2015	2016
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Salaries, wages and other benefits	33,329	36,910	32,938
Directors' emoluments	1,236	1,335	1,622
Retirement benefit scheme contributions	1,286	2,456	1,876
Total staff costs	35,851	40,701	36,436

For the three years ended 31 March 2014, 2015 and 2016, the total staff costs accounted for approximately 29.4%, 28.8% and 29.0% of the revenue of our Group, respectively. The decrease in the percentage of total staff costs to revenue for the year ended 31 March 2015 was mainly attributable to the opening of Chinese Kitchen (Airport) in May 2014 and the increase in revenue which outweighed the increase in salaries during the period under review. The decrease in the total staff costs for the year ended 31 March 2016 is in line with the decrease in revenue.

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Due to changes in local labour laws and the general increase in labour costs in Hong Kong, the salary level of employees in the catering industry in Hong Kong has generally increased in recent years. Our Directors expect the staff costs will continue to increase as inflationary pressure in Hong Kong continues to drive up wages and as a result of the expected expansion of our business.

Our Directors believe the upward pressure on the total staff costs as a percentage of the total revenue could be mitigated by (i) prioritising internal transfers and re-allocations of employees from existing restaurants; (ii) increasing productivity of the staff by providing training; and (iii) minimising attrition levels by continuing to implement various employee retention initiatives in the future to promote employee loyalty and motivate the employees.

Depreciation

We recorded depreciation of approximately HK\$2.4 million, HK\$3.8 million and HK\$3.2 million for the three years ended 31 March 2014, 2015 and 2016, respectively, for our leasehold improvements, furniture and fixtures, catering and other equipment and motor vehicles. The increase in depreciation for the year ended 31 March 2015 as compared with that of the year ended 31 March 2014 was mainly due to the increase in property, plant and equipment in two restaurants and the opening of Chinese Kitchen (Airport) in May 2014. The decrease of depreciation for the year ended 31 March 2016 as compared with that of the year ended 31 March 2015 was mainly due to the disposal of Sunny Echo.

Property rentals and related expenses

As we operate all of our restaurants at leased or licensed properties, we are exposed to the conditions of the retail rental market. The rental payable under our current lease or licence agreements for our restaurants is either fixed or contingent. For some of our restaurants operating at the Hong Kong International Airport, the licence fees under the relevant Licence Agreements are determined based on certain percentage of the gross revenue or the monthly average number of passenger trips at the Hong Kong International Airport (as provided by the Airport Authority), whichever is higher, subject to the terms under the relevant Licence Agreement. Some Licence Agreements in respect of other restaurants operating at the Hong Kong International Airport require the licence fee to be based on certain percentage of the gross revenue or a fixed minimum guaranteed royalty, whichever is the higher. In respect of our restaurants operating at the Hong Kong International Airport, for the three years ended 31 March 2014, 2015 and 2016, the shop minimum rental was approximately HK\$17.1 million, HK\$20.7 million and HK\$20.9 million, respectively, and the shop shortfall rental was approximately HK\$0.8 million, HK\$4.5 million and HK\$4.0 million, respectively.

The property rentals and related expenses were the second largest component of our operating expenses for the two years ended 31 March 2015 and 2016 and the third largest component of our operating expenses for the year ended 31 March 2014. Property rentals and related expenses represent the rental expenses paid for the restaurants, office premises and warehouses. For the three years ended 31 March 2014, 2015 and 2016, property rentals and related expenses accounted for approximately 20.9%, 23.4% and 25.5% of the revenue of our Group, respectively.

As we intend to continue to open new restaurants and expand the restaurant network, our Directors expect the property rentals and related expenses to increase generally in the future.

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Fuel and utility expenses

Fuel and utility expenses primarily consist of fuel expenses, electricity expenses and water supplies of our Group. For the three years ended 31 March 2014, 2015 and 2016, the total fuel and utility expenses accounted for approximately 5.1%, 4.5% and 4.1% of the revenue of our Group, respectively.

Administrative expenses

The administrative expenses represent mainly expenses incurred for our operations, including cleaning expenses, consumables stores, transportation and travelling, credit card commission, entertainment, repair and maintenance, insurance, legal and professional fees and marketing and promotion expenses. The table below sets forth the breakdown of other operating expenses during the Track Record Period:

	For the year ended 31 March		
	2014	2015	2016
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Administrative expenses			
Auditors' remuneration	136	300	283
Cleaning expenses	1,295	1,381	1,093
Consumable stores	1,313	959	1,004
Credit card commission	555	709	609
Entertainment	436	255	442
Impairment loss recognised in respect of trade receivables	—	4	—
Insurance	409	514	641
Legal and professional fees	538	37	1,314
Listing expenses	—	—	8,464
Marketing and promotion expenses	3,166	766	882
Medical expenses	475	171	160
Printing and stationery	529	721	671
Repair and maintenance	1,167	1,156	803
Transportation and travelling	1,077	1,209	1,336
Loss on written-off of items of property, plant and equipment	2,440	—	—
Others	2,333	1,948	1,814
Total administrative expenses	15,869	10,130	19,516

For the three years ended 31 March 2014, 2015 and 2016, the administrative expenses accounted for approximately 13.0%, 7.2% and 15.6% of the revenue of our Group, respectively.

Administrative expenses dropped from HK\$15.9 million for the year ended 31 March 2014 to HK\$10.1 million for the year ended 31 March 2015. This was mainly attributable to the decrease in marketing and promotion expenses due to the reduction of advertisement published in local magazines and the decrease in loss on written-off of items of property, plant and equipment due to the relocation of Taiwan Beef Noodle/Chinese Kitchen (TST) during the year ended 31 March 2014.

Administrative expenses increased from HK\$10.1 million for the year ended 31 March 2015 to HK\$19.5 million for the year ended 31 March 2016. This was mainly attributable to the listing expenses and the increase in legal and professional fees.

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(Loss)/gain on disposal of subsidiaries

For the year ended 31 March 2014, we recorded a loss on disposal of subsidiaries of HK\$0.7 million. In November 2013, upon completion of a placing of new shares of a subsidiary, our Group was deemed to have disposed of 97% equity interest of Rich Forever. Analysis of the net asset of Rich Forever at the date of deemed disposal was disclosed in the Accountants' Report in Appendix I to this prospectus.

On 31 August 2015, we entered into a sale and purchase agreement with an Independent Third Party to sell the entire share capital of Sunny Echo. The sale and purchase was completed on 30 October 2015. Accordingly, we recorded a gain on disposal of a subsidiary of approximately HK\$0.6 million for the year ended 31 March 2016.

Share of results of associates

Details of associates during the Track Record Period are as follows:

	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000
Cost of investments in associates	—	—	—
Share of post-acquisition profit and other comprehensive income in associates, net of dividend received	2,002	1,008	742
	<u>2,002</u>	<u>1,008</u>	<u>742</u>

Our associates are unlisted corporate entities whose quoted market prices are not available.

Particulars of the associates at the end of the relevant years during the Track Record Period are as follows:

Name of associates	Place of incorporation	Percentage of ownership interest attributable to our Group		
		As at 31 March 2014 %	As at 31 March 2015 %	As at 31 March 2016 %
Wingo	Hong Kong	42	42	42
Friend Limited	Hong Kong	20	20	N/A
HK Star	Hong Kong	N/A	N/A	30

Wingo and Friend Limited are principally engaged in the provision of casual dining food catering services. HK Star is a company incorporated for the purpose of tender submission and it did not have business operation during the Track Record Period.

All associates are accounted for using the equity method.

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On 14 September 2015, Palace disposed of its entire 20% equity interest in Friend Limited and a shareholder's loan due by Friend Limited at a total consideration of HK\$2.4 million.

	For the year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Share of results			
Wingo	6,004	6,566	8,806
Friend Limited	—	—	—
HK Star	—	—	—
	<u>6,004</u>	<u>6,566</u>	<u>8,806</u>

Share of result of joint ventures

Details of the joint ventures during the Track Record Period are as follows:

	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016
	HK\$'000	HK\$'000	HK\$'000
Cost of investments in joint ventures	—	—	54
Share of post-acquisition loss and other comprehensive income in joint ventures, net of dividend received	—	—	(54)
	<u>—</u>	<u>—</u>	<u>—</u>

Our joint ventures are unlisted corporate entities whose quoted market prices are not available.

Particulars of the joint ventures at the end of the relevant years during the Track Record Period are as follows:

Name of joint ventures	Place of incorporation	Percentage of ownership interest attributable to our Group		
		As at 31 March 2014	As at 31 March 2015	As at 31 March 2016
		%	%	%
Golden Royal ^(Note)	Hong Kong	50	50	N/A
Starz Kitchen Management	Hong Kong	N/A	N/A	50

Note: On 24 November 2015, our Group acquired the remaining 50% equity interest in Golden Royal. After the completion of the acquisition, Golden Royal become a wholly owned subsidiary of our Group and ceased to be a joint venture of our Group. Details of the acquisition of Golden Royal are set out in note 30 to the Accountants' Report in the Appendix I to this prospectus.

Golden Royal is an investment holding company.

Starz Kitchen Management is engaged in the provision of catering management and consultancy services.

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All joint ventures are accounted for using the equity method.

	For the year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Share of results			
Golden Royal	—	—	—
Starz Kitchen Management	N/A	N/A	(54)
	—	—	(54)

Listing expenses

For the year ended 31 March 2016, the listing expenses for the amount of approximately HK\$8.5 million have been charged to profit and loss of our Group. No listing expense was charged to profit and loss of our Group for the two years ended 31 March 2014 and 2015.

Income tax expenses

The income tax of our Group is provided for at the applicable tax rates in accordance with the relevant laws and regulations in Hong Kong. There is no tax obligation arising from other jurisdictions during the Track Record Period. Hong Kong profits tax was provided on the estimated assessable profits arising in Hong Kong at a rate of 16.5% during the Track Record Period. The effective tax rates for the three years ended 31 March 2014, 2015 and 2016 was 6.4%, 12.7% and 17.6%, respectively. The increase in the effective tax rate for the year ended 31 March 2015 as compared with that for the year ended 31 March 2014 was mainly due to the (1) the substantial increase in profit for the year ended 31 March 2015; (2) an under-provision of profit tax in the prior year; and (3) temporary differences arising from depreciation expenses in excess of the related depreciation allowance of certain restaurants of our Group. The increase in the effective tax rate for the year ended 31 March 2016 as compared with that for the year ended 31 March 2015 was mainly due to the listing expenses incurred for the year ended 31 March 2016 are non-deductible for taxation purpose. The under-provision of profit tax in the prior year with an amount of approximately HK\$348,000 recognised during the year ended 31 March 2015 arose as the final assessment of the Inland Revenue Department of the tax payable by Airport Catering was higher than the tax computation prepared by the then tax representative of Airport Catering. In preparing the tax computation of Airport Catering, the then tax representative of Airport Catering claimed some allowances, including but not limited to depreciation allowances in determining the profit tax payable. However, in the assessment of profit tax, the Inland Revenue Department did not accept the allowances claim. No deferred tax asset has been recognised due to the uncertainty as to whether future taxable profit will be generated by these restaurants against which the temporary differences can be utilised.

For details of the adjustments made to the audited financial statements for the year ended 31 March 2014 and the relevant revised tax liabilities, please refer to the paragraph headed “Business — Non-compliance — Filing of incorrect tax returns to the Inland Revenue Department (the “IRD”)” in this prospectus.

Non-controlling interests

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

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

The following sets forth the management's discussion and analysis of the results of the operations during the Track Record Period.

Revenue

The revenue for the year ended 31 March 2015 amounted to approximately HK\$141.3 million, representing an increase of approximately 16.0% as compared with that of the year ended 31 March 2014. The increase was primarily attributable to the opening of Chinese Kitchen (Airport) in May 2014 and the increase in average spending per customer of our restaurants.

The revenue for the year ended 31 March 2016 amounted to approximately HK\$125.5 million, representing a decrease of approximately 11.2% as compared with that of the year ended 31 March 2015. The decrease was primarily attributable to the disposal of Sunny Echo.

Other revenue and other income

The other revenue and other income increased from approximately HK\$2.2 million for the year ended 31 March 2014 to approximately HK\$2.7 million for the year ended 31 March 2015, representing an increase of approximately 22.9%. Such increase was mainly due to an increase in the net foreign exchange gain.

The other revenue and other income increased from approximately HK\$2.7 million for the year ended 31 March 2015 to approximately HK\$4.3 million for the year ended 31 March 2016, representing an increase of approximately 61.6%. Such increase was mainly due to the reversal of impairment loss recognised in amount due from an associate.

Cost of inventories sold

The cost of inventories sold for the year ended 31 March 2015 amounted to approximately HK\$31.8 million, representing an increase of approximately 11.3% as compared with that of the year ended 31 March 2014. The increase was mainly due to the increase in the revenue of our Group for the year ended 31 March 2015 and the opening of Chinese Kitchen (Airport) in May 2014. The cost of inventories sold for the year ended 31 March 2016 amounted to approximately HK\$27.3 million, representing a decrease of approximately 14.3% as compared with that of the year ended 31 March 2015. The decrease was mainly due to the disposal of Sunny Echo. Those cost of inventories sold represented approximately 23.5%, 22.5% and 21.7% of the revenue of our Group for the three years ended 31 March 2014, 2015 and 2016, respectively.

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in cost of inventories sold on the profit before tax for the three years ended 31 March 2014, 2015 and 2016. Fluctuations are assumed to be 5.0%, 10.0% and 15.0% for the three years ended 31 March 2014, 2015 and 2016.

Changes in cost of inventories sold	+15%	+10%	+5%	–5%	–10%	–15%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Impact on profit before tax for the year ended 31 March 2014	(4,284)	(2,856)	(1,428)	1,428	2,856	4,284
Impact on profit before tax for the year ended 31 March 2015	(4,769)	(3,179)	(1,590)	1,590	3,179	4,769
Impact on profit before tax for the year ended 31 March 2016	(4,088)	(2,726)	(1,363)	1,363	2,726	4,088

Staff costs

The staff costs for the year ended 31 March 2015 amounted to approximately HK\$40.7 million, representing an increase of approximately 13.5% as compared with that of the year ended 31 March 2014. Such increase was mainly attributable to the opening of Chinese Kitchen (Airport) in May 2014.

The staff costs for the year ended 31 March 2016 amounted to approximately HK\$36.4 million, representing a decrease of approximately 10.5% as compared with that of the year ended 31 March 2015. Such decrease was mainly attributable to the disposal of Sunny Echo.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in staff costs on the profit before tax for the three years ended 31 March 2014, 2015 and 2016. Fluctuations are assumed to be 5.0%, 10.0% and 15.0% for the three years ended 31 March 2014, 2015 and 2016.

Changes in staff costs	+15%	+10%	+5%	–5%	–10%	–15%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Impact on profit before tax for the year ended 31 March 2014	(5,378)	(3,585)	(1,793)	1,793	3,585	5,378
Impact on profit before tax for the year ended 31 March 2015	(6,105)	(4,070)	(2,035)	2,035	4,070	6,105
Impact on profit before tax for the year ended 31 March 2016	(5,465)	(3,644)	(1,822)	1,822	3,644	5,465

Depreciation

The depreciation for the year ended 31 March 2015 amounted to approximately HK\$3.8 million, representing an increase of approximately 59.3% as compared with that of the year ended 31 March 2014. Such increase was mainly due to the increase in property, plant and equipment and the opening of Chinese Kitchen (Airport) in May 2014.

The depreciation for the year ended 31 March 2016 amounted to approximately HK\$3.2 million, representing a decrease of approximately 13.7% as compared with that of the year ended 31 March 2015. Such decrease was mainly due to the disposal of Sunny Echo.

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Property rentals and related expenses

The operating lease rental and related expenses for the year ended 31 March 2015 amounted to approximately HK\$33.1 million, representing an increase of approximately 30.2% as compared with that of the year ended 31 March 2014. Such increase was mainly due to the opening of Chinese Kitchen (Airport) in May 2014 and the increase in contingent rent of our restaurants at the Hong Kong International Airport.

The operating lease rental and related expenses for the year ended 31 March 2016 amounted to approximately HK\$32.0 million, representing a decrease of approximately 3.2% as compared with that of the year ended 31 March 2015. Such decrease was mainly due to the disposal of Sunny Echo.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in property rentals and related expenses on the profit before tax for the three years ended 31 March 2014, 2015 and 2016. Fluctuations are assumed to be 5.0%, 10.0% and 15.0% for the three years ended 31 March 2014, 2015 and 2016.

Changes in property rentals and related expenses	+15%	+10%	+5%	–5%	–10%	–15%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Impact on profit before tax for the year ended 31 March 2014	(3,810)	(2,540)	(1,270)	1,270	2,540	3,810
Impact on profit before tax for the year ended 31 March 2015	(4,959)	(3,306)	(1,653)	1,653	3,306	4,959
Impact on profit before tax for the year ended 31 March 2016	(4,800)	(3,200)	(1,600)	1,600	3,200	4,800

Fuel and utility expenses

The fuel and utility expenses for the year ended 31 March 2015 amounted to approximately HK\$6.3 million, representing an increase of approximately 2.3% as compared with that of the year ended 31 March 2014.

The fuel and utility expenses for the year ended 31 March 2016 amounted to approximately HK\$5.1 million, representing a decrease of approximately 19.2% as compared with that of the year ended 31 March 2015. For the three years ended 31 March 2014, 2015 and 2016, the total fuel and utility expenses accounted for approximately 5.1%, 4.5% and 4.1% of the revenue of our Group, respectively.

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Administrative expenses

The administrative expenses for the year ended 31 March 2015 amounted to approximately HK\$10.1 million, representing a decrease of approximately 36.2% as compared with that of the year ended 31 March 2014. Such decrease was mainly due to the decrease in marketing and promotion expenses and the loss on written-off of items of property, plant and equipment due to the relocation of Taiwan Beef Noodle/Chinese Kitchen (TST) during the year ended 31 March 2014.

The administrative expenses for the year ended 31 March 2016 amounted to approximately HK\$19.5 million, representing an increase of approximately 92.7% as compared with that of the year ended 31 March 2015. Such increase was mainly due to the listing expenses and the increase in legal and professional fees for the year ended 31 March 2016. For the three years ended 31 March 2014, 2015 and 2016, the administrative expenses accounted for approximately 13.0%, 7.2% and 15.6% of the revenue of our Group, respectively.

Income tax expenses

The income tax expenses for the year ended 31 March 2015 amounted to approximately HK\$3.1 million, representing an increase of approximately 230.7% as compared with that of the year ended 31 March 2014 which was mainly due to (1) the substantial increase in profit during the year ended 31 March 2015; (2) an under-provision of profit tax in the prior year; and (3) temporary differences arising from depreciation expenses in excess of related depreciation allowance of certain restaurants of our Group.

The income tax expenses for the year ended 31 March 2016 amounted to approximately HK\$2.7 million, representing a decrease of approximately 12.4% as compared with that of the year ended 31 March 2015 which was mainly due to the one-off reversal of impairment loss recognised in amount due from an associate.

Net profit and net profit margin

Our profit increased by 55.6% from HK\$13.7 million for the year ended 31 March 2014 to HK\$21.3 million for the year ended 31 March 2015 and our net profit margin increased from 11.2% for the year ended 31 March 2014 to 15.0% for the year ended 31 March 2015. The increase in profit for the year was mainly attributable to the opening of Chinese Kitchen (Airport) in May 2014 and the increase in average spending per customer of our restaurants.

The net profit decreased by 40.7% from HK\$21.3 million for the year ended 31 March 2015 to HK\$12.6 million for the year ended 31 March 2016 and our net profit margin decreased from 15.0% for the year ended 31 March 2015 to 10.0% for the year ended 31 March 2016. The decrease in profit for the year was mainly attributable to the listing expenses.

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LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Track Record Period, we generally financed our operations through a combination of advances from banks and our internally generated funds. As at 30 June 2016, we had cash and cash equivalents of approximately HK\$11.4 million.

All of our cash and cash equivalents are substantially held in Hong Kong dollars.

Our capital requirements in the past mainly related to the opening of restaurants in Hong Kong. Our Group has historically met our capital requirements principally with cash generated from our operations and/or advances from banks and our shareholders. Our capital requirements in the coming years will include the opening and upgrading of restaurants in Hong Kong and our expansion plan in the PRC. The management of our Group expects that the planned capital expenditure will be met by the estimated net proceeds from the Placing and other financial resources available including net cash generated from operating activities.

The table below sets forth the working capital of our Group as at 31 March 2014, 2015, 2016 and 30 June 2016, respectively:

	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 30 June 2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)
Current assets				
Inventories	254	248	246	249
Trade receivables	657	780	1,188	1,701
Deposits, prepayments and other receivables	2,723	2,184	6,059	6,358
Prepaid tax	1,141	713	198	87
Amount due from an associate	34	34	34	34
Amount due from a joint venture	213	526	500	500
Amount due from a Director	8,760	31,711	—	—
Amounts due from related companies	300	1,500	—	—
Cash and bank balances	13,850	19,182	16,857	11,399
	<u>27,932</u>	<u>56,878</u>	<u>25,082</u>	<u>20,328</u>
Current liabilities				
Trade payables	3,170	3,781	1,933	2,434
Accruals and other payables	4,997	8,908	6,973	6,259
Tax payables	376	3,297	89	650
Amount due to non-controlling interests	840	492	—	—
Amount due to a related company	298	261	—	—
Borrowings	11,000	9,348	8,377	6,381
Obligation under finance lease	138	147	—	—
	<u>20,819</u>	<u>26,234</u>	<u>17,372</u>	<u>15,724</u>
Net current assets	<u>7,113</u>	<u>30,644</u>	<u>7,710</u>	<u>4,604</u>

As at 31 March 2014, 2015 and 2016, we had net current assets of approximately HK\$7.1 million, HK\$30.6 million and HK\$7.7 million, respectively. During the Track Record Period and up to the Latest Practicable Date, our Group has applied for certain banking facilities. Based on the existing cash positions and the operating cash flow generated, our Directors consider that our Group is able to finance our future plans without obtaining additional banking facilities in the foreseeable future and our Company could obtain the banking facilities if it were required to fund

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its operations in the future. As at 31 March 2016, our Group had net current assets of approximately HK\$7.7 million. As at 30 June 2016, our Group had net current assets of approximately HK\$4.6 million.

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

Cash flows

The following table sets forth the selected cash flow data from the combined statements of cash flows during the Track Record Period.

	For the year ended 31 March		
	2014	2015	2016
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Net cash generated from/(used in) operating activities	10,047	26,591	(899)
Net cash generated from/(used in) investing activities	(7,502)	5,391	7,934
Net cash used in financing activities	(6,161)	(26,650)	(9,363)
Net increase/(decrease) in cash and cash equivalents	(3,616)	5,332	(2,328)
Cash and cash equivalents at the beginning of the year	17,466	13,850	19,182
Cash and cash equivalents at the end of the year	13,850	19,182	16,854

Cash flows from operating activities

We derive the cash inflow from operations principally from the receipts from our restaurant operations, whereas the cash outflow from operations is principally for the payment of the purchases of food ingredients, operating lease rentals, staff costs, utilities and kitchen consumables.

Net cash generated from operating activities for the year ended 31 March 2014 was approximately HK\$10.0 million. We generated net cash from operating activities before movements in working capital of approximately HK\$14.5 million, and adjusted for net working capital outflow of approximately HK\$2.5 million and Hong Kong profits tax paid of approximately HK\$2.0 million. The decrease in net working capital was primarily attributable to the decrease in accruals and other payables.

Net cash generated from operating activities for the year ended 31 March 2015 was approximately HK\$26.6 million. We generated net cash from operating activities before movements in working capital of approximately HK\$21.9 million, and adjusted for net working capital inflow of approximately HK\$4.4 million and Hong Kong profits tax refund of approximately HK\$0.3 million. The increase in net working capital was primarily attributable to the increase in revenue arising from Chinese Kitchen (Airport), which commenced its operations in May 2014.

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Net cash used in operating activities for the year ended 31 March 2016 was approximately HK\$0.9 million. We generated net cash from operating activities before movements in working capital of approximately HK\$7.1 million, and adjusted for net working capital outflow of approximately HK\$2.6 million and Hong Kong profits tax paid of approximately HK\$5.4 million. The decrease in net working capital was primarily attributable to the increase in deposits and prepayments.

Cash flows from investing activities

During the Track Record Period, the cash outflow from investing activities of our Group was primarily for the acquisitions of property, plant and equipment.

Net cash used in investing activities for the year ended 31 March 2014 was approximately HK\$7.5 million. This was primarily due to the purchase of property, plant and equipment.

Net cash generated from investing activities for the year ended 31 March 2015 was approximately HK\$5.4 million. This was primarily due to the receipt of dividend from Wingo.

Net cash generated from investing activities for the year ended 31 March 2016 was approximately HK\$7.9 million. This was primarily due to the receipt of dividend from Wingo.

Cash flows from financing activities

During the Track Record Period, the cash outflow from financing activities of our Group was principally due to the repayment of bank borrowings and advances to our Director.

Net cash used in financing activities for the year ended 31 March 2014 was approximately HK\$6.2 million, mainly represented the dividend paid, proceeds from bank borrowings and the increase in advances to our Director.

Net cash used in financing activities for the year ended 31 March 2015 was approximately HK\$26.7 million, mainly represented the advances to our Director.

Net cash used in financing activities for the year ended 31 March 2016 was approximately HK\$9.4 million, mainly represented advances to our Director.

Working capital

As at the Latest Practicable Date, we did not have any unutilised bank borrowing. Our Directors are of the opinion that, taking into account the financial resources available to our Group, including the internally generated funds and the estimated net proceeds from the Placing, our Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this prospectus.

DISCUSSION OF STATEMENT OF FINANCIAL POSITION ITEMS

Property, plant and equipment

As at 31 March 2014, 2015 and 2016, the carrying amounts of property, plant and equipment amounted to approximately HK\$13.7 million, HK\$12.1 million and HK\$5.5 million, respectively. The decrease in the net book value of property, plant and equipment for the year ended 31 March 2016 was mainly due to the disposal of Sunny Echo. The depreciation provided for the three years ended 31 March 2014, 2015 and 2016 was approximately HK\$2.4 million, HK\$3.8 million and HK\$3.2 million, respectively.

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Inventories

During the Track Record Period, our inventories mainly consisted of food ingredients, beverages and other operating items for restaurant operations. The following table sets out the information of the inventory breakdown as at 31 March 2014, 2015 and 2016, respectively:

	As at 31 March		
	2014	2015	2016
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Food ingredients and beverages	192	238	204
Others	62	10	42
Total	254	248	246

The following table sets out the inventory turnover days during the Track Record Period:

	For the year ended 31 March		
	2014	2015	2016
Inventory turnover days ^(Note)	3.1	2.9	3.3

Note: Inventory turnover days is calculated by the average of the beginning and closing inventories divided by the cost of inventories sold for the relevant year and multiplied by 365 days for each of the three years ended 31 March 2014, 2015 and 2016.

Though the inventory turnover days increased slightly from 2.9 days for the year ended 31 March 2015 to 3.3 days for the year ended 31 March 2016, we did not record any obsolete inventory during the Track Record Period.

As at the Latest Practicable Date, all of our inventories as at 31 March 2016 had been utilised.

Trade receivables

During the Track Record Period, our trade receivables mainly represented receivables from credit card companies and other debtors, such as airlines. Receivables from credit card companies were normally settled within the week immediately after the reporting period.

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

	For the year ended 31 March		
	2014	2015	2016
Trade receivable turnover days ^(Note)	2.8	1.9	2.9

Note: Trade receivable turnover days is calculated by the average of the beginning and closing trade receivables divided by the total cash and credit sales for the relevant year and multiplied by 365 days for each of the three years ended 31 March 2014, 2015 and 2016.

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The trade receivable turnover days increased from 1.9 days for the year ended 31 March 2015 to 2.9 days for the year ended 31 March 2016. The increase in trade receivable turnover days is mainly due to the 11.2% decrease in revenue as a result of the disposal of Sunny Echo. During the Track Record Period, no provision for impairment of trade receivables was made. As at Latest Practicable Date, 95.7% of the receivables as at 31 March 2016 were subsequently settled.

As at 31 March 2014, 2015 and 2016, our trade receivables were approximately HK\$0.7 million, HK\$0.8 million and HK\$1.2 million, respectively. The following table sets out the ageing analysis of the trade receivables of our Group as at 31 March 2014, 2015 and 2016, respectively:

	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016
	HK\$'000	HK\$'000	HK\$'000
0–30 days	381	349	603
31–60 days	104	204	329
61–90 days	127	96	193
Over 90 days	45	131	63
	<u>657</u>	<u>780</u>	<u>1,188</u>

The credit terms of our trade receivables generally ranged from 1 day to 60 days.

The movement in the allowance for doubtful debts as at 31 March 2014, 2015 and 2016 is as follows:

	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016
	HK\$'000	HK\$'000	HK\$'000
At the beginning of the relevant years during the Track Record Period	—	—	4
Impairment loss recognised	—	4	—
Amounts written-off as uncollectible	—	—	(4)
At the end of the relevant years during the Track Record Period	<u>—</u>	<u>4</u>	<u>—</u>

Included in the allowance for doubtful debts for the year ended 31 March 2015 were individually impaired trade receivables with a balance of approximately HK\$4,000 which were past due as at 31 March 2015. These trade receivables are considered to be irrecoverable. There is no allowance for doubtful debts provided for the year ended 31 March 2016.

Deposits and prepayments

During the Track Record Period, the deposits and prepayments represented mainly utility and other deposits paid, other prepaid expenses and other receivables.

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The following table sets out the details of the deposits and prepayments as at 31 March 2014, 2015 and 2016, respectively:

	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016
	HK\$'000	HK\$'000	HK\$'000
Deposits paid	4,715	4,186	3,133
Prepayments	167	311	4,163
	4,882	4,497	7,296
Current portion included in deposits and prepayments	(2,723)	(2,184)	(6,059)
Non-current portion included in deposits	2,159	2,313	1,237

None of the above receivables is past due nor impaired. Financial assets included in the above balances were related to receivables for which there was no recent history of default.

Ms. Li Wing Yin, who is the spouse of Mr. Wong, had provided guarantee in an amount of HK\$7.5 million to one of the landlords of our Group for the rental deposit during the Track Record Period. The guarantee will be released upon the Listing.

Trade payables

Our trade payables mainly represent food ingredients and beverages purchased for our restaurants. The normal payment terms were 30 to 90 days after the end of the month in which the relevant purchases were made. Our Directors confirm that there was no default in payment of trade payables during the Track Record Period.

The following is the ageing analysis of our trade payables, based on the invoice dates:

	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016
	HK\$'000	HK\$'000	HK\$'000
0–30 days	1,374	1,353	1,340
31–60 days	743	944	406
61–90 days	502	465	76
Over 90 days	551	1,019	111
	3,170	3,781	1,933

The average credit period granted by suppliers ranged from 30 to 90 days.

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

	For the year ended 31 March		
	2014	2015	2016
Trade payable turnover days ^(Note)	41.9	39.9	38.3

Note: Trade payable turnover days is calculated by dividing the average of the beginning and closing trade payables by the cost of inventories sold for the year and multiplied by 365 days for each of the three years ended 31 March 2014, 2015 and 2016.

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The trade payable turnover days were relatively stable during the Track Record Period. As at Latest Practicable Date, 96.8% of the trade payables as at 31 March 2016 were subsequently settled.

INDEBTEDNESS

Borrowings

The following table sets out the borrowings of our Group as at 31 March 2014, 31 March 2015, 31 March 2016 and 30 June 2016, respectively:

	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 30 June 2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)
Amount due to non-controlling interests	840	492	—	—
Amount due to a related company	298	261	—	—
Borrowings	11,000	9,348	8,377	6,381
Obligation under a finance lease	479	341	—	—
	<u>12,617</u>	<u>10,442</u>	<u>8,377</u>	<u>6,381</u>

As at 30 June 2016, being the latest practicable date for the purpose of this indebtedness statement, the borrowings was approximately HK\$6.4 million. As at the Latest Practicable Date, we did not have any unutilised bank borrowing.

Save for the aforesaid or as otherwise disclosed herein, our Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases, hire purchases commitments, guarantees or other material contingent liabilities at the close of business on 30 June 2016, being the latest practicable date for the purpose of this indebtedness statement.

Contingent liabilities

As at the Latest Practicable Date, our Group was not engaged in any legal proceedings pending or threatened against our Group which could have a material adverse effect on our Group's business or operations. Our Directors confirm that our Group did not have any material contingent liabilities.

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Operating lease commitments

Our Group as lessee

We lease or license our restaurants, office premises, warehouse and storage rooms under operating lease arrangements. Leases or licences for these properties have terms ranging from two to five years.

As at 31 March 2014, 2015 and 2016, we had commitments for future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016
	HK\$'000	HK\$'000	HK\$'000
Within one year	23,472	25,205	21,921
In the second to fifth years, inclusive	59,231	53,766	18,164
Over five years	14,858	10,172	—
	<u>97,561</u>	<u>89,143</u>	<u>40,085</u>

In addition, the operating lease rentals for certain restaurants are based on the higher of a fixed rental and contingent rent based on the sales of these restaurants or monthly average number of passenger trips at the Hong Kong International Airport (where appropriate), whichever is higher, pursuant to the terms and conditions as set out in the respective Licence Agreements. As the future sales of these restaurants and the monthly average number of passenger trips at the Hong Kong International Airport cannot be reliably determined, the relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table.

Our Group does not have an option to purchase the leased/licensed premises at the expiry of the lease/licence period.

The operating lease rentals for certain restaurants are based on the higher of a fixed rental and contingent rent. As the contingent rent, which is calculated based on a certain percentage of the revenue of the restaurant, could not be reliably determined, the minimum lease commitments are based on the fixed rental.

Material indebtedness change

Our Directors confirm that there has not been any material adverse change in our Group's indebtedness and contingent liabilities since 30 June 2016, being the date for determining our Group's indebtedness.

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FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Foreign exchange risk

We operate in Hong Kong with a majority of transactions being settled in HK\$, US\$, RMB and Taiwan New Dollars (“**TWD**”). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of our Group.

We are not exposed to foreign exchange risk in respect of HK\$ against US\$ as long as the currency is pegged.

As the transactions and monetary assets denominated in RMB and TWD are minimal, we consider there is no significant foreign exchange risk in respect of RMB and TWD.

We currently do not have a foreign currency hedging policy in respect of assets and liabilities denominated in foreign currency. We will monitor our foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

Credit risk

Credit risk is managed on group basis. Our maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and bank balances and trade receivables.

We deposit our cash and bank balances with approved and reputable banks. Bankruptcy or insolvency of these banks may cause our Group's right with respect to cash and cash equivalents held to be delayed or limited. Our management monitors the credit rating of these banks on an ongoing basis, and considers that our exposure to credit risk is minimal.

We have no significant concentration of credit risk due to our customers' base being large and unrelated. For trade receivables, the debtors are primarily credit card receivables and airlines customers and our management considers the credit risk is not high. We seek to maintain strict control over its outstanding receivables to minimise credit risk.

Liquidity risk

Cash flow is managed at group level by our management. We manage liquidity risk by maintaining adequate cash and cash equivalents, monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The liquidity risk is under continuous monitoring by our management. Reports with maturity dates of bank borrowings and thus the liquidity requirement are provided to management for review periodically. Our management will raise or refinance bank borrowings whenever necessary.

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The following table shows the details of our Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date, on which our Group can be required to pay.

	On demand or within one year HK\$'000
As at 31 March 2014	
Non-derivative financial liabilities	
Trade payables	3,170
Accruals and other payables	4,997
Amount due to non-controlling interests	840
Amount due to a related company	298
Borrowings	11,568
Obligation under a finance lease	161
	<u>21,034</u>
As at 31 March 2015	
Non-derivative financial liabilities	
Trade payables	3,781
Accruals and other payables	8,906
Amount due to non-controlling interests	492
Amount due to a related company	261
Borrowings	9,769
Obligation under a finance lease	161
	<u>23,370</u>
As at 31 March 2016	
Non-derivative financial liabilities	
Trade payables	1,933
Accruals and other payables	6,913
Borrowings	8,578
	<u>17,424</u>

The following table summarises the maturity analysis of bank borrowings with a repayment on demand clause based on the agreed scheduled repayments set out in the relevant loan agreements. The amount includes interest payments computed using contractual rates. Taking into account our Group's net assets, our Directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. Our Directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

	Maturity Analysis — bank borrowings subject to a repayment on demand clause based on scheduled repayments		
	Within one year	More than one year but less than two years	More than two years but less than five years
	HK\$'000	HK\$'000	HK\$'000
At 31 March 2014	4,918	2,757	1,493
At 31 March 2015	4,051	2,416	902
At 31 March 2016	8,041	537	—

All the bank borrowings are unsecured. The interest bearing rates of such bank borrowings ranged from approximately 4.25% to 5.25%, 5.25% to 6.25% and 4.25% to 5.25% per annum as at 31 March 2014, 2015 and 2016, respectively.

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KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of our Group during the Track Record Period:

	For the year ended 31 March		
	2014	2015	2016
Profitability ratios			
Return on assets (%) ^(Note 1)	29.8%	29.4%	38.7%
Return on equity (%) ^(Note 2)	54.0%	45.6%	80.8%
Liquidity ratios			
Current ratio ^(Note 3)	1.3 times	2.2 times	1.4 times
Quick ratio ^(Note 4)	1.3 times	2.2 times	1.4 times
Capital adequacy ratio			
Gearing ratio (%) ^(Note 5)	45.4%	20.8%	53.7%

Notes:

1. Return on assets is calculated based on the net profit for the year divided by the total assets at the end of the respective year and multiplied by 100%.
2. Return on equity is calculated based on the net profit attributable to the owners of our Company for the year divided by the total equity attributable to the owners of our Company at the end of the respective year multiplied by 100%.
3. Current ratio is calculated based on the total current assets at the end of the year divided by the total current liabilities at the end of the respective year.
4. Quick ratio is calculated based on the total current assets (excluding inventory) at the end of the year divided by the total current liabilities of the respective year.
5. Gearing ratio is calculated based on the total borrowings (including obligation under a finance lease) at the end of the year divided by equity attributable to owner of our Company at the end of the respective year. Total debts represent all borrowings of our Group.

Return on assets

Return on assets for the three years ended 31 March 2014, 2015 and 2016 was approximately 29.8%, 29.4% and 38.7%, respectively. The slight decrease in return on assets for the year ended 31 March 2015 was mainly due to the increase in amount due from a Director and a related company. The increase in return on assets for the year ended 31 March 2016 was mainly due to the decrease in amount due from a Director and a related company amounted to approximately HK\$33.2 million and the decrease in property, plant and equipment of approximately HK\$6.6 million due to the disposal of Sunny Echo.

Return on equity

Return on equity was approximately 54.0%, 45.6% and 80.8% for the three years ended 31 March 2014, 2015 and 2016, respectively. The increase in return on equity for the year ended 31 March 2016 was mainly due to the relevant dividend payments.

Current ratio

As at 31 March 2014, 2015 and 2016, current ratio was approximately 1.3 times, 2.2 times and 1.4 times, respectively. The current ratio increased to 2.2 times as at 31 March 2015, which was mainly due to (i) the profitable operating results resulting in the increase in cash and cash equivalent approximately HK\$5.3 million; (ii) the increase in amount due from a Director; and (iii)

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the increase in amounts due from a related company. The current ratio decreased to 1.4 times as at 31 March 2016 was mainly due to the decrease in current assets as a result of the settlement of an amount due from a Director and a related company.

Quick ratio

As at 31 March 2014, 2015 and 2016, quick ratio was approximately 1.3 times, 2.2 times and 1.4 times, respectively. The trend of our quick ratio was in line with the current ratio as disclosed as above.

Gearing ratio

Gearing ratio as at 31 March 2014, 2015 and 2016 was approximately 45.4%, 20.8% and 53.7%, respectively. The decrease in the gearing ratio from 45.4% for the year ended 31 March 2014 to 20.8% for the year ended 31 March 2015 was mainly due to (i) the increase in equity from HK\$24.6 million for the year ended 31 March 2014 to HK\$45.9 million for the year ended 31 March 2015; and (ii) the decrease in the total borrowings from HK\$11.5 million for the year ended 31 March 2014 to HK\$9.7 million for the year ended 31 March 2015. The increase in the gearing ratio from 20.8% for the year ended 31 March 2015 to 53.7% for the year ended 31 March 2016 was mainly due to the relevant dividend payments.

DIVIDEND

For the three years ended 31 March 2014, 2015 and 2016, certain of our subsidiaries declared and paid dividends of approximately HK\$4.0 million, HK\$nil and HK\$43.0 million, respectively, to their then respective shareholder(s). The dividends in the aggregate amount of approximately HK\$4.0 million for the year ended 31 March 2014 had been fully paid to Mr. Wong during the relevant year. On 24 November 2015, an interim dividend of HK\$43.0 million was declared by our Group and subsequently used to set off an outstanding amount due from Mr. Wong to our Group on 9 December 2015. On 31 May 2016, our Group declared an interim dividend of HK\$3.0 million and such amount was paid to Mr. Wong on 1 June 2016.

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

DISTRIBUTABLE RESERVE

As at 31 March 2016, our Company did not have reserve available for distribution to its Shareholders.

OFF BALANCE SHEET TRANSACTIONS

We have not entered into any material off balance sheet transactions or arrangements during the Track Record Period.

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RELATED PARTY TRANSACTIONS

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

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

IMPACT ON FINANCIAL RESULTS AS A RESULT OF THE EXPENSES INCURRED IN RELATION TO THE LISTING

Our financial performance for the year ending 31 March 2017 will be affected by the non-recurring expenses incurred in relation to the Listing. The total listing expenses to be borne by our Company are estimated to be approximately HK\$27.7 million (assuming a Placing Price of HK\$0.135, being the midpoint of the indicative Placing Price range of HK\$0.11 to HK\$0.16 per Placing Share), of which approximately HK\$8.4 million is directly attributable to the issue of new Shares which is to be accounted for as a deduction from equity. The amount of approximately HK\$8.5 million has been charged to the profit or loss for the year ended 31 March 2016 and approximately HK\$10.8 million is expected to be recognised in the combined statements of profit or loss and other comprehensive income of our Group for the year ending 31 March 2017. No listing expenses was charged to profit and loss of our Group for the two years ended 31 March 2014 and 2015.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The unaudited pro forma adjusted combined net tangible assets of our Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Placing as if it had taken place on 31 March 2016. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group after the Placing or at any future dates.

	Audited combined net tangible assets of our Group attributable to owner of our Company as at 31 March 2016 HK\$'000 (Note 1)	Add: Estimated net proceeds from the Placing HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company as at 31 March 2016 HK\$'000	Unaudited pro forma adjusted net tangible assets per Share HK cents (Note 3)
Based on the minimum indicative Placing Price of HK\$0.11 per Share	15,608	36,156	51,764	2.59
Based on the maximum indicative Placing Price of HK\$0.16 per Share	15,608	60,281	75,889	3.79

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Notes:

- (1) The audited combined net tangible assets attributable to owners of our Company as at 31 March 2016 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of our Group attributable to owners of our Company as at 31 March 2016 of approximately HK\$15.6 million.
- (2) The estimated net proceeds from the Placing are based on the indicative Placing Price of HK\$0.11 per Share and HK\$0.16 per Share after deduction of the underwriting fees and other related expenses (excluding approximately HK\$8,464,000 which have been recognised in the combined statement of profit or loss and other comprehensive income for the year ended 31 March 2016) in connection with the Placing.
- (3) The unaudited pro forma net tangible assets per Shares is arrived at after having made the adjustments referred to in the preceding paragraphs and on the basis that 2,000,000,000 Shares in issue assuming the Capitalisation Issue and the Placing has been completed on 31 March 2016 but without taking into account any Shares which may fall to be issued upon the exercise of options granted under the Share Option Scheme or any Share which may be allotted and issued or repurchased by our Company pursuant to the General Mandate to Issue Shares or the General Mandate to Repurchase Shares as described in the section headed "Share Capital" of this prospectus.
- (4) No adjustment has been made to the audited combined net tangible assets of our Group attributable to owners of our Company as at 31 March 2016 to reflect any trading result or other transaction of our Group entered into subsequent to 31 March 2016.
- (5) The unaudited pro forma adjusted combined net tangible assets of our Group has not taken into account the dividend of HK\$3.0 million which was declared on 31 May 2016 and paid on 1 June 2016. Had the dividend of HK\$3.0 million was declared and paid taken into account of, the unaudited pro forma adjusted combined net tangible assets per Share would have been HK2.44 cents and HK3.64 cents per Share based on the Placing Price of HK\$0.11 and HK\$0.16 respectively.

DISCLOSURE UNDER RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

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

MATERIAL ADVERSE CHANGE

The impact of the listing expenses on the profit and loss accounts have posted a material adverse change in the financial or trading position or prospect of our Group since 31 March 2016 (being the date the latest audited combined financial statements were made up). Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the year ending 31 March 2017.

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in the financial or trading position of our Group since 31 March 2016 (being the date of which our Group's latest audited combined financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there has been no occurrence of any event since 31 March 2016 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

For a detailed discussion of our business strategies, please refer to the paragraph headed “Business — Business strategies” in this prospectus.

IMPLEMENTATION PLANS

We set forth below the implementation plans of our Group in pursuance of our business strategies. Prospective investors should note that the following implementation plans are formulated on the bases and assumptions as referred to in the paragraph headed “Bases and key assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” of this prospectus. Our Group’s actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all.

For the period from the Latest Practicable Date to 30 September 2016

- | | |
|--|-----------------|
| 1. Renovation of existing restaurant | HK\$3.0 million |
| 2. Marketing activities (including recruitment, advertisement and promotional activities) to promote brand awareness | HK\$0.2 million |

For the six months ending 31 March 2017

- | | |
|---|-----------------|
| 1. Opening a new restaurant under third party’s brand through franchising or other cooperation arrangement at the Hong Kong International Airport | HK\$5.0 million |
| 2. Opening a new restaurant under our self-owned brand “ <i>Taiwan Beef Noodle</i> (台灣牛肉麵)” in the urban area of Hong Kong | HK\$5.0 million |
| 3. Opening a new restaurant under our self-owned brand “ <i>Taiwan Beef Noodle</i> (台灣牛肉麵)” in the PRC | HK\$5.0 million |
| 4. Marketing activities (including recruitment, advertisement and promotional activities) to promote brand awareness | HK\$0.4 million |
| 5. Upgrade existing restaurant facilities and systems | HK\$0.8 million |

For the six months ending 30 September 2017

- | | |
|--|-----------------|
| 1. Opening a new restaurant under our self-owned brand at the Hong Kong International Airport | HK\$5.0 million |
| 2. Marketing activities (including recruitment, advertisement and promotional activities) to promote brand awareness | HK\$0.4 million |
| 3. Upgrade existing restaurant facilities and systems | HK\$0.1 million |

For the six months ending 31 March 2018

- | | |
|--|-----------------|
| 1. Opening a new restaurant under our self-owned brand “ <i>Taiwan Beef Noodle</i> (台灣牛肉麵)” in the urban area of Hong Kong | HK\$4.0 million |
| 2. Opening a new restaurant under our self-owned brand “ <i>Taiwan Beef Noodle</i> (台灣牛肉麵)” in the PRC | HK\$5.7 million |
| 3. Renovation of existing restaurants | HK\$4.0 million |
| 4. Marketing activities (including recruitment, advertisement and promotional activities) to promote brand awareness | HK\$0.4 million |

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 30 September 2018

- Marketing activities (including recruitment, advertisement and promotional activities) to promote brand awareness HK\$0.4 million

For the six months ending 31 March 2019

- Marketing activities (including recruitment, advertisement and promotional activities) to promote brand awareness HK\$0.4 million

BASES AND KEY ASSUMPTIONS

Prospective investors should note that the attainability of our Group's business objectives depends on the following general assumptions and specific assumptions:

- we are not materially or adversely affected by any change(s) in existing governmental policies or political, legal (including changes in legislations, regulations or rules), fiscal or economic conditions in Hong Kong or any other countries or territories in which we carry or will carry on business;
- we are not materially or adversely affected by any change(s) in bases or rates of taxation or duties in Hong Kong or any other countries or territories in which we carry or will carry on business or is incorporated;
- we are not materially or adversely affected by any change(s) in inflation rates, interest rates or exchange rates from those currently prevailing which will adversely affect our business;
- there will be no disasters, natural, political or otherwise, which would materially disrupt our business or operations or cause substantial loss, damage or destruction to our properties or facilities;
- our operating activities will not be adversely affected by critical labour shortages and disputes, or any other factors outside the control of our management such as government act;
- our Group is not adversely affected by any of the risk factors set out in the section headed "Risk Factors" of this prospectus;
- it is assumed that the forecasts have been prepared taking into account of our Directors' and key senior management's continued involvement in our operations. In addition, it is assumed that we are able to retain our key management and personnel during the period covered by the forecasts;
- there will be no change in the funding requirements for each of the near term business objectives described in this section from the amount as estimated by our Directors;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objective relates;
- there will be no change in the effectiveness of the licences and permits obtained by us;

FUTURE PLANS AND USE OF PROCEEDS

- we will continue to be able to renew all licences; and
- we will be able to continue our operations in substantially the same manner as it has been operating during the Track Record Period and we will also be able to carry out our development plans without disruptions.

REASONS FOR THE PLACING

Our Directors consider that operating restaurants is capital intensive and believe that the listing of the Shares on GEM will facilitate the implementation of our business strategies by accessing the capital market for raising funds both at the time of the Listing and at later stages. As at 30 June 2016, being the date for determining our Group's indebtedness, our Group's cash and bank balances was approximately HK\$11.4 million and the borrowings was approximately HK\$6.4 million which has to be settled by August 2017 or on demand. As at the Latest Practicable Date, we did not have any unutilised bank facilities. Our Directors consider that while we maintain a healthy cash level to support our Group's existing operations, the net proceeds from the Placing are necessary for the implementation of our future plans which requires considerable additional financial resources. According to the implementation plans as disclosed in this section, the total expenditure for the implementation of our future plans is estimated to be approximately HK\$39.8 million (assuming a Placing Price of approximately HK\$0.135 per Share, being the mid-point of the proposed Placing Price range of HK\$0.11 to HK\$0.16 per Share) during the period from the Latest Practicable Date and up to 31 March 2019, which will be entirely financed by the net proceeds from the Placing. For details, please refer to the paragraph headed "Implementation plans" in this section.

As stated in the paragraph headed "Business — Business strategies" in this prospectus, we plan to leverage our leading position to expand our operations at the Hong Kong International Airport. A public listing status will enhance our corporate profile and recognition and assist us in reinforcing our brand awareness and image. We believe that such enhanced corporate image could facilitate us in the tendering processes for operating new restaurants at the Hong Kong International Airport and be conducive to the development of our franchising business line. It will also help maintain business relationships with our Group's existing suppliers and attract potential suppliers who are more willing to establish business relationships with listed companies.

A public listing status on GEM may also offer our Company a broader shareholder base which could potentially lead to a more liquid market in the trading of our Shares. We also believe that our internal control and corporate governance practices could be further enhanced following the Listing.

USE OF PROCEEDS

The net proceeds to our Company from the issue of the Placing Shares, after deducting the underwriting fees and estimated total expenses in the aggregate amount of approximately HK\$27.7 million paid and payable by our Company in connection thereto, are estimated to be approximately HK\$39.8 million (but not taking into account any Shares that may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option(s) which may be granted under the Share Option Scheme and assuming a Placing Price of approximately HK\$0.135 per Share, being the mid-point of the proposed Placing Price range of HK\$0.11 to HK\$0.16 per Share). We intend to apply such net proceeds as follows:

- approximately 74.6% of the net proceeds, or approximately HK\$29.7 million, for opening of new restaurants among which (i) approximately 12.6% of the net proceeds, or approximately HK\$5.0 million will be applied for the opening of a new franchised

FUTURE PLANS AND USE OF PROCEEDS

restaurant under third party's brand through franchising or other cooperation arrangement at the Hong Kong International Airport; (ii) approximately 12.6% of the net proceeds, or approximately HK\$5.0 million will be applied for the opening of a new restaurant under our self-owned brand at the Hong Kong International Airport; (iii) approximately 22.6% of the net proceeds, or approximately HK\$9.0 million will be applied for the opening of two new restaurants under our self-owned brand "*Taiwan Beef Noodle* (台灣牛肉麵)" in the urban area of Hong Kong; and (iv) approximately 26.9% of the net proceeds, or approximately HK\$10.7 million will be applied for the opening of two new restaurants under our self-owned brand "*Taiwan Beef Noodle* (台灣牛肉麵)" in the PRC;

- approximately 17.6% of the net proceeds, or approximately HK\$7.0 million, for renovation of our restaurants operating at the Hong Kong International Airport;
- approximately 4.0% of the net proceeds, or approximately HK\$1.6 million, for recruitment and staff training;
- approximately 2.3% of the net proceeds, or approximately HK\$0.9 million, for upgrading existing restaurant facilities and systems; and
- approximately 1.5% of the net proceeds, or approximately HK\$0.6 million, for marketing activities to promote brand awareness.

In the event that the net proceeds from the issue of the Placing Shares is insufficient to finance the capital expenditure as mentioned above, we will finance our remaining business plans as scheduled up to 31 March 2019 from internal resources. Our Directors and the Sole Sponsor consider that the net proceeds from the issue of the Placing Shares (assuming the Offer Size Adjustment Option and any option(s) which may be granted under the Share Option Scheme are not exercised) of approximately HK\$39.8 million and our internal resources will be sufficient to finance our business plans as scheduled up to 31 March 2019.

The net proceeds of the Placing will be fully utilised by 31 March 2019 according to our business plans. We will finance our plans as scheduled after 31 March 2019 from internal resources. Our Directors and the Sole Sponsor consider that the net proceeds of the Placing of approximately HK\$39.8 million and our internal resources will be sufficient to finance our business plans as scheduled up to 31 March 2019.

If the Placing Price is set at the high-end or low-end of the proposed Placing Price range, the net proceeds to be received by the Placing (but not taking into account any Shares that may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option(s) which may be granted under the Share Option Scheme) will increase to approximately HK\$51.8 million or decrease to approximately HK\$27.7 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Offer Size Adjustment Option is exercised in full, the net proceeds to be received by us from the issue of new Shares will increase to approximately HK\$49.5 million, assuming the Placing Price of approximately HK\$0.135 per Share, being the mid-point of the proposed Placing Price range. If the Placing Price is set at the high-end or low-end of the proposed Placing Price range, the net proceeds to be received by us from the issue of new Shares (including the proceeds from the exercise of the Offer Size Adjustment Option) will increase to approximately HK\$63.4 million or decrease to approximately HK\$35.7 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds of the Placing are not immediately applied to the above purposes, it is the present intention of our Directors that such proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

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RaffAello Securities (HK) Limited

Koala Securities Limited

Sole Bookrunner

RaffAello Securities (HK) Limited

Sole Lead Manager

RaffAello Securities (HK) Limited

Co-Lead Manager

Koala Securities Limited

UNDERWRITING AGREEMENT AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, we are offering the Placing Shares for subscription by way of Placing on and subject to the terms and conditions set out in this prospectus and the Underwriting Agreement at the Placing Price.

Subject to, among other conditions, the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and certain other conditions under the Underwriting Agreement being satisfied or waived on or before the dates and times as specified therein or such other dates as the Sole Sponsor and the Sole Lead Manager (for itself and on behalf of the Underwriters) may agree and in any event not later than the 30th day after the date of this prospectus, the Underwriters have severally agreed to subscribe or procure subscribers for, their respective applicable proportions of the Placing Shares on the terms and conditions set out in this prospectus and the Underwriting Agreement.

Grounds for termination

The Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Underwriters) may in their absolute discretion, upon giving written notice to our Company, terminate the Underwriting Agreement with immediate effect if any of the following events occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on Monday, 8 August 2016):

- (a) there has come to the notice of the Sole Sponsor and/or the Sole Lead Manager:
 - (i) any statement contained in this prospectus, the formal notice, any submission(s), document(s) or information provided to the Sole Sponsor and/or the Sole Lead Manager, any announcement(s) or document(s) issued by our Company in connection with the Placing (including any supplement(s) or amendment(s) thereto) (the **“Placing Documents”**), considered by the Sole Sponsor and/or the Sole Lead Manager in its opinion was, when it was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading in any material respect or any expressions of opinion, intention or expectation contained in any

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of the Placing Documents are not, in the opinion of the Sole Sponsor and/or the Sole Lead Manager, fair and honest and based on reasonable assumptions, when taken as a whole;

- (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom;
- (iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreement;
- (iv) either (A) there has been a breach of any of the representations, warranties, undertakings or provisions of the Underwriting Agreement by any of our Company, our executive Directors and Controlling Shareholders (collectively, the "Warrantors"); or (B) any matter or event showing or rendering any of the representations, warranties and undertakings given by the Warrantors in the Underwriting Agreement, as applicable, in the opinion of the Sole Sponsor and/or the Sole Lead Manager, to be untrue, incorrect, inaccurate or misleading when given or repeated;
- (v) any event, act or omission which gives or is likely to give rise to any liability of any of the Warrantors pursuant to the indemnity provisions under the Underwriting Agreement or the Placing to be performed or implemented as envisaged;
- (vi) any event, series of events, matter or circumstance occurs or arises on or after the date of this prospectus and prior to 8:00 a.m. on the Listing Date, would have rendered any of the representations, warranties or undertakings contained in the Underwriting Agreement, in the opinion of the Sole Sponsor and/or the Sole Lead Manager, untrue, incorrect, inaccurate or misleading in any respect;
- (vii) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (viii) our Company withdraws any of the Placing Documents (and/or any other documents used in connection with the contemplated subscription and sale of the Placing Shares);
- (ix) any person (other than the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager and any of the Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Placing Documents with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;
- (x) any adverse change in the business or in the financial or trading position or prospects of our Group taken as a whole; or
- (xi) any information, matter or event which in the absolute opinion of the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Underwriters) (A) is inconsistent in any respect with any information or declaration provided by any Director in the relevant Director's declaration,

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undertaking and acknowledgment (Appendix 6, Form A of the GEM Listing Rules), or (B) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group;

- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or represent any change or development involving a prospective change or development, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of Hong Kong dollar or Renminbi against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting Hong Kong, China, the Cayman Islands or any relevant jurisdiction where any member of our Group is incorporated or operates (collectively, the **“Relevant Jurisdictions”** and individually, a **“Relevant Jurisdiction”**);
 - (ii) any event, or series of events in the nature of force majeure, including, without limitation, acts of government or orders of any court(s), labour dispute(s), strike(s), calamity, crisis, lock-out(s) (whether or not covered by insurance), fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics (including but not limited to the Severe Acute Respiratory Syndrome, H1N1 flu, severe acute respiratory syndrome and H5N1 and other related or mutated forms), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in any of the Relevant Jurisdictions;
 - (iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions;
 - (iv) the imposition of economic sanctions or changes in existing economic sanctions, in whatever form, directly or indirectly, by the United States or by the European Union (or any member thereof) on any of the Relevant Jurisdictions;
 - (v) a change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions;
 - (vi) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed **“Risk Factors”** of this prospectus;
 - (vii) any litigation or claim being threatened or instigated against any member of our Group or any Director;

UNDERWRITING

- (viii) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;
- (ix) the chairman of our Company vacating his office in circumstances where the operations of our Group may be adversely affected;
- (x) the commencement by any governmental, regulatory or political body or organisation of any action against any Director or member of our Group or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action;
- (xi) any contravention by any member of our Group or any Director of the Companies Ordinance, the Companies (WUMP) Ordinance, the Cayman Companies Law, the GEM Listing Rules, the SFO or any applicable law(s) and regulation(s);
- (xii) a prohibition on our Company for whatever reason from allotting the Placing Shares pursuant to the terms of the Placing;
- (xiii) non-compliance of this prospectus (and/or any other documents used in connection with the subscription of the Placing Shares) or any aspect of the Placing with the GEM Listing Rules or any other applicable law(s) and regulation(s);
- (xiv) other than with the written approval of the Sole Sponsor and/or the Sole Lead Manager, the issue or requirement to issue by our Company of a supplement or amendment to any of the Placing Documents (and/or any other documents used in connection with the subscription or sale of the Placing Shares) pursuant to the Companies (WUMP) Ordinance, the Cayman Companies Law, the GEM Listing Rules, the SFO or any applicable law(s) and regulation(s), or any requirement or request of the Stock Exchange and/or the SFC;
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;
- (xvi) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person);
- (xvii) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Group taken as a whole (including any litigation or claim being threatened or instigated against our Company or any member of our Group);
- (xviii) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group;

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- (xix) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions;
- (xx) any change or development in the conditions of local, national or international equity securities or other financial markets; or
- (xxi) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority,

which each case or in aggregate in the opinion of the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Underwriters):

- (A) is or will be adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other condition or prospects of our Group (as a whole) or any member of our Group;
- (B) has or will have an adverse effect on the success, marketability of the Placing or the level of interest under the Placing;
- (C) makes or may make it inadvisable, inexpedient or impracticable to proceed with or to market the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated by any of the Placing Documents; or
- (D) has or would have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Placing Documents and the Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange pursuant to the GEM Listing Rules

Undertaking by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that during the period commencing from the Listing Date up to the date falling six months from the Listing Date, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the prescribed circumstances as stated in Rule 17.29 of the GEM Listing Rules.

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Undertaking by Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that he/it shall not and shall procure that the relevant registered Shareholder(s) shall not:

- (a) during the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which he/it is shown by this prospectus to be the beneficial owners; or
- (b) during the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease either individually or taken together to be a Controlling Shareholder.

In addition to the undertakings pursuant to Rule 13.16A of the GEM Listing Rules, our Controlling Shareholders have further voluntarily undertaken to the Stock Exchange for a further 24 months commencing on the date on which the period referred to in (b) above expires, not to dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease either individually or taken together to be a Controlling Shareholder.

Our Controlling Shareholders have also undertaken to the Stock Exchange and our Company respectively that in the event that any of them:

- (1) pledge or charge any direct or indirect interest in relevant securities under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rules 13.18(4) of the GEM Listing Rules, at any time during the relevant periods specified above, he/it must inform our Company immediately thereafter, disposing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (2) having pledged or charged any interest in securities under sub-paragraph (1) above, he/it must inform our Company immediately in event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

Our Company will inform the Stock Exchange in writing as soon as we have been informed of matters referred in above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the GEM Listing Rules as soon as possible.

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Undertakings pursuant to the Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company has undertaken to and covenanted with each of the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager and the Underwriters that our Company shall not, and each of our executive Directors and Controlling Shareholders has undertaken to the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager and the Underwriters that it/he will procure our Company not to, without the prior written consent of Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules), except for the issue of Shares under the Placing, the Capitalisation Issue, the grant of any option under the Share Option Scheme or the issue of Shares upon exercise of option under the Offer Size Adjustment Option:

- (a) at any time within the period of six months from the Listing Date (the **"First Six-month Period"**) offer, allot, issue, agree to allot or issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase any of the share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of share capital or such other securities, in cash or otherwise, or publicly disclose that our Company will or may enter into any of the foregoing transactions (whether or not such transaction will be completed in the aforesaid period); and
- (b) at any time during the period of thirty (30) months commencing on the date on which the First Six-month Period expires (the **"Thirty-month Period"**), issue or grant (conditionally or unconditionally) any option or right to subscribe for or otherwise convert into or exchange for Shares or securities of our Company or of any of its subsidiaries so as to result in any of our Controlling Shareholders ceasing to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company;

and in the event our Company enters into any transaction specified in sub-paragraph (a) above during the Thirty-month Period (whether or not such transaction will be completed in the aforesaid period), it shall take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Each of our Controlling Shareholders has undertaken to and covenanted with each of our Company, the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager and the Underwriters that, without the prior written consent of the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules), it/he shall not, and will procure that none of its/his/her associates or companies controlled by it/him or any nominee or trustee holding in trust for it/him not to:

- (a) at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any option,

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right, interest or encumbrance in respect of, any of the securities of our Company in respect of which it/he is shown by this prospectus to be the beneficial owner (whether direct or indirect); and

- (b) at any time during the Thirty-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of any of the securities as referred to in sub-paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company;

and in the event that it/he enters into any transaction specified in sub-paragraph (a) above during the Thirty-month Period (whether or not such transaction will be completed in the aforesaid period), it/he will take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Each of our Controlling Shareholders undertakes to and covenants with each of our Company, the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager and the Underwriters that:

- (a) in the event that it/he pledges or charges any of its/his direct or indirect interest in the Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date on which the Thirty-month Period expires, it/he must inform our Company, the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager and the Underwriters immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any of its/his interests in the Shares or other securities of our Company under sub-paragraph (a) above, it/he must inform our Company, the Sole Sponsor, the Sole Lead Manager, the Co-Lead Manager and the Underwriters immediately in the event that it/he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of announcement in accordance with Rule 17.43 of the GEM Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Underwriters from certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreement and any breach by our Company or our Controlling Shareholders or our executive Directors of the Underwriting Agreement.

Commission and Expenses

The Underwriters will receive an underwriting commission at the rate of 3% of the aggregate Placing Price payable for the Placing Shares (including the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option), out of which they will pay sub-

UNDERWRITING

underwriting commission (if any), and the Sole Sponsor will receive sponsorship, financial advisory and documentation fees in relation to the Listing and will be reimbursed for their expenses. We will bear the underwriting commissions, SFC transaction levy and Stock Exchange trading fee payable by us in connection with the issue of the Placing Shares together with any applicable fees relating to the Placing.

SOLE BOOKRUNNER'S, SOLE LEAD MANAGER'S, CO-LEAD MANAGER'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as provided for under the Underwriting Agreement and save as disclosed in this prospectus, none of the Sole Bookrunner, the Sole Lead Manager, the Co-Lead Manager and the Underwriters has any shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any share in any member of our Group.

SOLE SPONSOR'S INTERESTS AND INDEPENDENCE

Save as provided for under the Underwriting Agreement and save as disclosed in this prospectus, neither the Sole Sponsor nor any of its directors, employees and close associates is interested legally or beneficially in the shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Placing or has any other business relationship with our Group.

Neither the Sole Sponsor nor any of its directors, employees and close associates has accrued any material benefit as a result of the successful outcome of the Placing, other than the following:

- (a) by way of documentation and financial advisory fee to be paid to the Sole Sponsor for acting as the sponsor of the Placing;
- (b) certain close associates of the Sole Sponsor whose usual and ordinary courses of businesses involved trading of and dealing in securities may derive missions from the trading of and dealing in securities of our Company or provide margin financing in connection thereto or purchase or sell securities of our Company or hold securities of our Company for investment purposes after the Listing;
- (c) in taking up the underwriting obligation under the Underwriting Agreement; and
- (d) by way of an underwriting commission to be paid to the Sole Lead Manager for acting as the Underwriters to the Placing pursuant to the Underwriting Agreement.

None of the directors and employees of the Sole Sponsor has any directorship in our Company or any other companies comprising our Group.

The Sole Sponsor satisfies the independence criteria applicable to the Sole Sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE PLACING

PLACING PRICE

The Placing Price will not be more than HK\$0.16 per Placing Share and is currently expected to be not less than HK\$0.11 per Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%). Prospective investors, when investing for the Placing Shares, shall pay the Placing Price (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%).

Assuming the Placing Price of HK\$0.16 or HK\$0.11 per Share (being the highest and lowest prices of the indicative Placing Price range stated in this prospectus), prospective investors shall pay HK\$3,232.25 or HK\$2,222.17 for every board lot of 20,000 Shares.

The Placing Price is expected to be determined by an agreement between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Wednesday, 3 August 2016 or such later time as may be agreed between the parties.

If, for any reasons, the Placing Price is not agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) by Wednesday, 3 August 2016, or the Price Determination Agreement is not signed, the Placing will not become unconditional and will not proceed. Prospective investors should be aware that the Placing Price may be, but is currently not expected to be, lower than the indicative Placing Price range stated in this prospectus.

The Sole Lead Manager (for itself and on behalf of the Underwriters) may with the consent of our Company reduce the number of the Placing Shares initially offered under the Placing and/or the indicative Placing Price range stated in this prospectus at any time on or prior to the Price Determination Date. In such case, our Company shall, as soon as practicable following the decision to make such reduction, and in any event not later than 9:00 a.m. on the Price Determination Date publish an announcement on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.hkrcg.com.

An announcement of the determination of the Placing Price, the level of indication of interest in the Placing and the basis of allocations of the Placing Shares is expected to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.hkrcg.com at or before 9:00 a.m. on Friday, 5 August 2016.

CONDITIONS OF THE PLACING

The Placing is conditional upon, among other things:

- the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares which may fall to be issued pursuant to the Capitalisation Issue and upon exercise of the Offer Size Adjustment Option and exercise of the options that may be granted under the Share Option Scheme) and such grant and permission not subsequently being revoked prior to the Listing Date;
- the Price Determination Agreement being entered into on or before the Price Determination Date; and

STRUCTURE AND CONDITIONS OF THE PLACING

- the obligations of the Underwriters under the Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Sponsor and the Underwriting Agreement not being terminated in accordance with its terms or otherwise prior to 8:00 a.m. on the Listing Date).

In each case, on or before the dates and times specified in the Underwriting Agreement (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If these conditions are not fulfilled or (where applicable) waived on or before the day which is the 30th day after the date of this prospectus, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.hkrcg.com on the next Business Day after such lapse.

THE PLACING

Subject to the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme, our Company is initially offering 500,000,000 Placing Shares for subscription by way of the Placing, representing in aggregate 25% of the enlarged issued share capital of our Company upon completion of the Placing.

The Placing is fully underwritten by the Underwriters pursuant to the Underwriting Agreement subject to the Placing Price being agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) on or about the Price Determination Date.

Pursuant to the Placing, it is expected that the Sole Lead Manager and the Underwriters, on behalf of our Company, will conditionally place 500,000,000 Placing Shares at the Placing Price to selected individual, professional and institutional investors in Hong Kong.

BASIS OF ALLOCATION

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not is expected that the relevant investors are likely to purchase further Shares and/or hold or sell their Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole. In particular, the Placing Shares will be allocated in accordance with Rule 11.23(8) of the GEM Listing Rules such that not more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any person.

Subject to prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE PLACING

OFFER SIZE ADJUSTMENT OPTION

Pursuant to the Underwriting Agreement, our Company will grant to the Sole Lead Manager the Offer Size Adjustment Option, which is exercisable by the Sole Lead Manager (for itself and on behalf of the Underwriters) at any time before 6:00 p.m. on the Business Day immediately before the date of allotment results announcement with respect to the level of indication of interest in the Placing, in writing, to require our Company to allot and issue up to an aggregate of 75,000,000 additional new Shares at the Placing Price, representing 15% of the total number of Shares initially made available for subscription under the Placing. Any such additional Shares may be issued to cover any excess demand in the Placing at the discretion of the Sole Lead Manager.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Lead Manager to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the listing of the Shares on GEM and will not be subject to the Securities and Futures (Price Stabilising) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.hkrcg.com.

In the event that the Offer Size Adjustment Option is exercised in full, 75,000,000 additional Shares will be issued resulting in a total number of 2,075,000,000 Shares in issue and the shareholding of our Shareholders will be diluted by approximately 3.6%. If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the placing of the additional Shares allotted and issued will be allocated in accordance with the allocations as disclosed in the section headed "Future Plans and Use of Proceeds" of this prospectus, on a pro-rata basis.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for listing of and permission to deal in the Shares in issue and to be issued in this prospectus. Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the Rules of CCASS. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

DEALINGS AND SETTLEMENT

Dealings in the Shares on the GEM are expected to commence at 9:00 a.m. on 8 August 2016. The Shares will be traded in board lot of 20,000 Shares each and are freely transferable.

The following is the text of a report received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

1 August 2016

The Directors
Royal Catering Group Holdings Company Limited
RaffAello Capital Limited

Dear Sirs,

We report on the financial information (the **"Financial Information"**) of Royal Catering Group Holdings Company Limited (the **"Company"**) and its subsidiaries (hereinafter collectively referred to as the **"Group"**), which comprises the combined statements of financial position at 31 March 2014, 2015 and 2016, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2014, 2015 and 2016 (the **"Relevant Years"**), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III for inclusion in Appendix I to the prospectus of the Company dated 1 August 2016 (the **"Prospectus"**) in connection with the initial listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 19 August 2015 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a group reorganisation, as more fully explained in the section headed "History, Development and Reorganisation" to the Prospectus (the **"Reorganisation"**), which was completed on 6 June 2016, the Company became the holding company of the subsidiaries now comprising the Group.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries, associates and a joint venture as set out in Note 1(c), Note 16 and Note 17 of Section II below. All of these companies are private companies.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their respective place of incorporation. The details of the statutory auditors of the subsidiaries are set out in Note 1(c) of Section II below.

The directors of the Company have prepared the combined financial statements of the Group for the Relevant Years in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) (the “**Underlying Financial Statements**”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “**HKSAs**”) issued by the HKICPA.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 1(b) of Section II below.

Directors' responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the Financial Information that give a true and fair view in accordance with the basis of presentation set out in Note 1(b) of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion

In our opinion, the Financial Information gives, for the purpose of this report, and presented on the basis set out in Note 1(b) of Section II below, a true and fair view of the financial position of the Group at 31 March 2014, 2015 and 2016 and of the Company at 31 March 2016 and of the Group's combined financial performance and combined cash flows for the Relevant Years.

I. FINANCIAL INFORMATION OF THE GROUP

Combined Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 March		
		2014	2015	2016
		HK\$'000	HK\$'000	HK\$'000
Revenue	7	121,791	141,259	125,502
Cost of inventories sold		(28,560)	(31,791)	(27,255)
Gross profit		93,231	109,468	98,247
Other revenue and other income		2,175	2,674	4,321
Staff costs		(35,851)	(40,701)	(36,436)
Depreciation of property, plant and equipment	15	(2,357)	(3,755)	(3,242)
Property rentals and related expenses		(25,397)	(33,057)	(32,002)
Fuel and utility expenses		(6,183)	(6,328)	(5,112)
Administrative expenses		(15,869)	(10,130)	(19,516)
Profit from operations		9,749	18,171	6,260
(Loss)/gain on disposal of subsidiaries		(680)	—	636
Share of result of an associate		6,004	6,566	8,806
Share of result of a joint venture		—	—	(54)
Finance costs	8	(483)	(404)	(353)
Profit before tax	9	14,590	24,333	15,295
Income tax expenses	12	(931)	(3,079)	(2,698)
Profit and total comprehensive income for the year		<u>13,659</u>	<u>21,254</u>	<u>12,597</u>
Profit and total comprehensive income for the year attributable to:				
Owner of the Company		13,637	21,213	12,619
Non-controlling interests		22	41	(22)
		<u>13,659</u>	<u>21,254</u>	<u>12,597</u>
Earnings per share attributable to owner of the Company				
Basic and diluted earnings per share (HK cents)	14	<u>0.91</u>	<u>1.41</u>	<u>0.84</u>

Details of dividend paid to owner of the Company are set out in Note 13 to the Financial Information.

Combined Statements of Financial Position

		At 31 March		
	Notes	2014	2015	2016
		HK\$'000	HK\$'000	HK\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	15	13,671	12,087	5,466
Interests in associates	16	2,002	1,008	742
Interest in a joint venture	17	—	—	—
Non-current rental deposits	20	2,159	2,313	1,237
		<u>17,832</u>	<u>15,408</u>	<u>7,445</u>
Current assets				
Inventories	18	254	248	246
Trade receivables	19	657	780	1,188
Deposits and prepayments	20	2,723	2,184	6,059
Prepaid tax		1,141	713	198
Amount due from an associate	21	34	34	34
Amount due from a joint venture	21	213	526	500
Amount due from a director	21	8,760	31,711	—
Amount due from a related company	21	300	1,500	—
Cash and bank balances	22	13,850	19,182	16,857
		<u>27,932</u>	<u>56,878</u>	<u>25,082</u>
LIABILITIES				
Current liabilities				
Amount due to non-controlling interests	21	840	492	—
Amount due to a related company	21	298	261	—
Trade payables	23	3,170	3,781	1,933
Accruals and other payables	24	4,997	8,908	6,973
Tax payables		376	3,297	89
Borrowings	25	11,000	9,348	8,377
Obligation under a finance lease	26	138	147	—
		<u>20,819</u>	<u>26,234</u>	<u>17,372</u>
Net current assets		<u>7,113</u>	<u>30,644</u>	<u>7,710</u>
Total assets less current liabilities		<u>24,945</u>	<u>46,052</u>	<u>15,155</u>
Non-current liability				
Obligation under a finance lease	26	341	194	—
Net assets		<u>24,604</u>	<u>45,858</u>	<u>15,155</u>
EQUITY				
Share capital	27	—	—	—
Reserves		25,261	46,474	15,608
Equity attributable to owner of the Company		25,261	46,474	15,608
Non-controlling interests		(657)	(616)	(453)
Total equity		<u>24,604</u>	<u>45,858</u>	<u>15,155</u>

Statement of Financial Position of the Company

	<u>Notes</u>	<u>At 31 March 2016</u> HK\$'000
LIABILITY		
Current liability		
Amount due to a subsidiary		<u>4</u>
Net liability		<u><u>4</u></u>
EQUITY		
Share capital	27	—
Accumulated losses	35	<u>(4)</u>
Total equity		<u><u>(4)</u></u>

Combined Statements of Changes in Equity

	Attributable to owner of the Company			Non- controlling interests	Total equity
	Share capital	Retained earnings	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013	—	15,632	15,632	(679)	14,953
Dividend paid (<i>Note 13</i>)	—	(4,008)	(4,008)	—	(4,008)
Total comprehensive income for the year	—	13,637	13,637	22	13,659
At 31 March 2014 and at 1 April 2014	—	25,261	25,261	(657)	24,604
Total comprehensive income for the year	—	21,213	21,213	41	21,254
At 31 March 2015 and at 1 April 2015	—	46,474	46,474	(616)	45,858
Acquisition of additional interests in a subsidiary (<i>Note 31</i>)	—	(485)	(485)	185	(300)
Dividend paid (<i>Note 13</i>)	—	(43,000)	(43,000)	—	(43,000)
Total comprehensive income/(loss) for the year	—	12,619	12,619	(22)	12,597
At 31 March 2016	—	15,608	15,608	(453)	15,155

Combined Statements of Cash Flows

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities			
Profit before tax	14,590	24,333	15,295
<i>Adjustments for:</i>			
Finance costs	483	404	353
Interest income	(1)	(2)	(2)
Depreciation of property, plant and equipment	2,357	3,755	3,242
Loss/(gain) on disposal of subsidiaries	680	—	(636)
Share of results of an associate	(6,004)	(6,566)	(8,806)
Share of result of a joint venture	—	—	54
Impairment loss recognised in respect of trade receivables	—	4	—
Reversal of impairment loss recognised in respect of amount due from an associate	—	—	(2,400)
Loss on written-off of items of property, plant and equipment	2,440	—	—
Operating cash flows before movements in working capital	14,545	21,928	7,100
Decrease/(increase) in inventories	(54)	6	(27)
Increase in trade receivables	479	(127)	(509)
Decrease/(increase) in deposits and prepayments	(1,078)	385	(4,382)
Increase in trade payables	(152)	611	698
Increase in accruals and other payables	(2,621)	3,903	2,365
Decrease in amount due to a related company	130	(37)	(261)
Decrease in amount due to non-controlling interests	840	(348)	(492)
Cash generated from operations	12,089	26,321	4,492
Profit tax (paid)/refund	(2,042)	270	(5,391)
Net cash generated from/(used in) operating activities	10,047	26,591	(899)
Cash flows from investing activities			
Interest received	1	2	2
Purchases of property, plant and equipment	(14,685)	(2,171)	(2,472)
Net proceed from disposal of subsidiaries	—	—	1,332
Dividend received from an associate	7,182	7,560	9,072
Net cash (used in)/generated from investing activities	(7,502)	5,391	7,934

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Cash flows from financing activities			
Acquisition of additional interests in a subsidiary	—	—	(300)
Interest paid	(481)	(396)	(353)
Proceeds from bank borrowings	5,951	3,000	7,856
Repayment of bank borrowings	(1,904)	(4,652)	(6,430)
Advance to a joint venture	(200)	(313)	(6)
Advance to a director	(5,097)	(22,951)	(11,289)
(Advance to)/repayment from a related company	(292)	(1,200)	1,500
Repayment of obligation under a finance lease	(130)	(138)	(341)
Dividend paid	(4,008)	—	—
Net cash used in financing activities	(6,161)	(26,650)	(9,363)
Net (decrease)/increase in cash and cash equivalents	(3,616)	5,332	(2,328)
Cash and cash equivalents at the beginning of the Relevant Years	17,466	13,850	19,182
Cash and cash equivalents at the end of the Relevant Years	13,850	19,182	16,854
Analysis of balances of cash and cash equivalents			
Cash and bank balances	13,850	19,182	16,857
Less: Bank overdraft	—	—	(3)
	13,850	19,182	16,854

II. NOTES TO THE FINANCIAL INFORMATION

1. Corporate Information and Basis of Presentation

(a) General information of the Group

The Company was incorporated in Cayman Islands on 19 August 2015 as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is Room 1207, 12/F., Wing On Kowloon Centre, No. 345 Nathan Road, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in provision of casual dining food catering services (the "**Listing Business**") in Hong Kong.

The Financial Information is presented in Hong Kong Dollars ("**HK\$**" or "**HKD**") and all values are rounded to the nearest thousands ("**HK\$'000**"), unless otherwise stated.

(b) Reorganisation and Basis of Presentation

Pursuant to the Reorganisation as fully explained in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" of the Prospectus, the Company become the holding company of the companies now comprising the Group subsequent to the end of the Relevant Years on 6 June 2016. Immediately prior to and after the Reorganisation, the Listing Business was controlled by Mr. Wong Man Wai ("**Mr. Wong**"). The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owner of the business. Accordingly, the Financial Information has been prepared by applying the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by HKICPA, as if the Reorganisation had been completed at the beginning of the Relevant Years.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Relevant Years include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the controlling shareholders, where this is a shorter period. The combined statements of financial position of the Group at 31 March 2014, 2015 and 2016 have been prepared to present the assets and liabilities of the subsidiaries using the existing carrying amounts of the principal business of the Group for all Relevant Years. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

For companies disposed to third parties during the Relevant Years, they are included in the Financial Information of the Group from the date of acquisition and to the date of disposal.

All intra-group transactions and balances have been eliminated on combination in full.

(c) General information of the Group

Upon completion of the Reorganisation and at the date of this report, the Company had direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place/country and date of incorporation	Class of shares held	Issued and fully paid share capital	Equity interest held				Principal activities
				at 31 March			at the date of this report	
				2014	2015	2016		
				%	%	%	%	
Airport Catering Services Company Limited	Hong Kong 12 July 2011	Ordinary	HK\$100	100	100	100	100	Provision of casual dining food catering services
Deberie Investment Limited ("Deberie")	Hong Kong 6 July 1993	Ordinary	HK\$3	67	67	100	100	Provision of casual dining food catering services
Grand Richest Limited	Hong Kong 22 September 2004	Ordinary	HK\$100	100	100	100	100	Provision of casual dining food catering services
Palace Corporation Limited	Hong Kong 24 August 2007	Ordinary	HK\$1	100	100	100	100	Investment holding
Royal Catering Group Company Limited ("Royal Catering")	Hong Kong 21 July 2010	Ordinary	HK\$1	100	100	100	100	Investment holding
Royal Time Enterprises Limited	Hong Kong 1 June 1998	Ordinary	HK\$2	100	100	100	100	Provision of food catering services
Shiny Asia Investment Limited ("Shiny Asia")	Hong Kong 5 June 2014	Ordinary	HK\$1	—	100	100	100	Investment holding
Simple Future Investment Limited ("Simple Future")	British Virgin Islands ("BVI") 29 May 2015	Ordinary	United States Dollar ("USD")1	—	—	100	100	Investment holding
Golden Royal Food Management Limited ("Golden Royal")	Hong Kong 18 November 2011	Ordinary	HK\$100	50	50	100	100	Investment holding
Sunny Echo Limited ("Sunny Echo")	Hong Kong 20 July 2010	Ordinary	HK\$1	100	100	—	—	Provision of casual dining food catering services
Top Future Management Ltd ("Top Future")	BVI 20 May 2015	Ordinary	USD1	—	—	100	100	Holdings of trademark
Victor Inc. Limited ("Victor")	Hong Kong 5 July 2010	Ordinary	HK\$100	60	60	60	—	Cessation of business

At the date of this report, Simple Future is directly held by the Company. All other subsidiaries are indirectly held by the Company.

The statutory financial statements of the above companies (exclude Shiny Asia, Simple Future, Royal Catering and Top Future) for the year ended 31 March 2014 prepared under HKFRS for Private Entities were audited by K.S. Liu & Company, C.P.A. Limited, certified public accountants registered in Hong Kong.

The statutory financial statements of Golden Royal and Royal Catering for the year ended 31 March 2014 prepared under HKFRSs were audited by HLB Hodgson Impey Cheng Limited, certified public accountants registered in Hong Kong.

The statutory financial statements of all above companies (exclude Simple Future and Top Future) for the year ended 31 March 2015 prepared under HKFRSs were audited by HLB Hodgson Impey Cheng Limited, certified public accountants registered in Hong Kong.

The statutory financial statements of all above companies (exclude Simple Future, Sunny Echo and Victor) for the year ended 31 March 2016 prepared under HKFRSs were audited by HLB Hodgson Impey Cheng Limited, certified public accountants registered in Hong Kong.

No statutory financial statements have been prepared for Simple Future since its date of incorporation as there is no statutory requirement in BVI.

2. Application of HKFRSs

For the purpose of preparing and presenting the Financial Information for the Relevant Years, the Group has consistently applied all HKFRSs which are effective for the Group's financial year beginning on 1 April 2015 consistently throughout the Relevant Years.

Up to the date of issuance of this report, the Group has not early applied the following new and revised HKFRSs, which have been issued but are not yet effective:

HKAS 1 (Amendments)	Disclosure Initiative ¹
HKAS 7 (Amendments)	Disclosure Initiative ³
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses ³
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ¹
HKAS 27 (Amendments)	Equity Method in Separate Financial Statement ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception ¹
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ⁴
HKFRS 16	Leases ⁵

¹ Effective for annual periods beginning on or after 1 January 2016, with limited exceptions. Earlier application permitted.

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016. Earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2017. Earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2018. Earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2019. Earlier application permitted.

⁶ Effective for annual periods beginning on or after a date to be determined.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 "Leases", HK(IFRIC) — Int 4 "Determining whether an Arrangement contain a Lease", HK(SIC) — Int 15 "Operating Lease — Incentives" and HK(SIC) — Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 "Leases". Under HKFRS 16, leases are recorded on the combined statements of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the combined statements of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed to the Financial Information. As set out in Note 28 to the Financial Information, total operating lease commitment of the Group in respect of restaurants, office premises, warehouses and storage as at 31 March 2016 amounted to approximately HK\$40,085,000. The directors of the Company do not expect the application of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the combined statements of financial position as right-of-use assets and lease liabilities.

Except as described above, the directors of the Company do not anticipate that the application of other new and revised HKFRSs issued but not yet effective will have material impact on the Group's financial performance and financial position for the future and/or the disclosure set out in the Group's Financial Information.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") issued by the HKICPA are set out below.

The Financial Information has been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. This Financial Information also complies with the applicable disclosure provision of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5 to the Financial Information.

Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combination not under common control

The Group applies the acquisition method to account for business combinations other than those which are under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying amount of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement" either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest

measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined statements of profit or loss and other comprehensive income.

Intra-group transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Business combination under common control

The combined financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the previous date of reporting period or when they first came under common control, whichever is earlier.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains/losses on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

(iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are

accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee's net assets including goodwill.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in this Financial Information using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the combined statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with

HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a partial interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's combined financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Segment reporting

Operating segments and the amounts of each segment item are reported in the combined financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of resource allocation to, and performance assessment of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Foreign currency translation***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined statements of profit or loss and other comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

All foreign exchange gains and losses are presented in the combined statements of profit or loss and other comprehensive income within "other revenue and other income".

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the combined statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repair and maintenance, is normally charged to the combined statements of profit or loss and other comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Asset held under a finance lease is depreciated over its expected useful lives on the same basis as owned asset. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, asset is depreciated over the shorter of the lease term and their useful lives.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each Relevant Years, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Leasehold improvements	Over the lease terms
Furniture and fixtures	20%
Catering and other equipment	20% to 30%
Motor vehicles	30%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the combined statements of profit or loss and other comprehensive income.

Impairment of tangible assets

At the end of each Relevant Years, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the combined statements of profit or loss and other comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in the combined statements of profit or loss and other comprehensive income.

Financial assets

(a) Classification

The Group classifies its financial assets under the category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables, deposits paid, amount due from an associate, amount due from a joint venture, amount due from a director, amount due from a related company and cash and bank balances in the combined statements of financial position.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(c) Impairment of financial assets

The Group assesses at the end of each Relevant Years whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as construction delays due to fire, earthquake or other natural disasters, changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the combined statements of profit or loss and other comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined statements of profit or loss and other comprehensive income.

(d) Derecognition of financial assets

The 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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 in other comprehensive income and accumulated in equity is recognised in the profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

(a) Classification

The Group classifies its financial liabilities under the category of loans and borrowings. The classification depends on the substance of the contractual arrangements and the definitions of a financial liability. Management determines the classification of its financial liabilities at initial recognition.

Loans and borrowings are non-derivative financial liabilities. They are included in current liabilities, except for the amounts that are settled or expected to be settled more than twelve months after the end of the reporting period. These are classified as non-current liabilities. The Group's loans and borrowings comprise amount due to non-controlling interests, amount due to a related company, trade payables, accruals and other payables (exclude receipts in advance), borrowings and obligation under a finance lease in the combined statements of financial position.

(b) Subsequent measurement

Loans and borrowings

After recognition, interest-bearing borrowings and obligation under a finance lease are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the combined statements of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the combined statements of profit or loss and other comprehensive income.

(c) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the combined statements of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net carrying amount reported in the combined statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. When inventories are sold, the carrying amounts of those inventories is recognised as cost of inventories sold in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as cost of inventories sold in the period of write-down or loss occurs. The amount of any reversal of any write-down of inventories is offset against cost of inventories sold in period in which the reversal occurs.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks with original maturity of three months or less and bank overdrafts.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption values are recognised in the combined statements of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the Relevant Years.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the combined statements of profit or loss and other comprehensive income in the period in which they are incurred.

Current and deferred tax

The income tax expenses for the period comprise current and deferred tax. Income tax is recognised in the combined statements of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

(a) Current tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the Relevant Years in the countries/place where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the Relevant Years and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and a joint venture, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and a joint venture only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred tax assets and liabilities are offsetted when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits*Retirement benefit schemes*

The Group operates a Mandatory Provident Fund retirement benefit scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance for all of its Hong Kong employees. Contributions are required to make at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK\$30,000 (HK\$25,000 prior to 1 June 2014) and are charged to the combined statements of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

- (a) from restaurants operations, when catering services have been provided to the customers;
- (b) sales of food are recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the products are delivered to customers and title is passed;
- (c) franchise fee income is recognised on an accrual basis in accordance with the related agreement;
- (d) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (e) management fee income is recognised when the services are rendered.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Leases

Asset held under finance lease is initially recognised as asset of the Group at its fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position under the heading of "obligation under a finance lease".

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised immediately in the combined statements of profit or loss and other comprehensive income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Dividend distribution

Dividend distribution to the shareholder is recognised as a liability in the Group's combined financial statements in the period in which the dividend is approved by shareholder of the Company.

Related parties

A party is considered to be related to the Group if:

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- or
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);

- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

A related party transaction is a transfer of resources, services or obligation between the Group and a related party, regardless of whether a price is charged.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. Financial Instruments

(a) Financial risk management

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

Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong with majority of the transactions being settled in HKD, USD, Renminbi ("**RMB**") and Taiwan New Dollars ("**TWD**"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group.

The Group is not exposed to foreign exchange risk in respect of HKD against the USD as long as this currency is pegged.

The transactions and monetary assets denominated in RMB and TWD are minimal, the Group considers there have no significant foreign exchange risk in respect of RMB and TWD.

The Group currently does not have a foreign currency hedging policy in respect of assets and liabilities denominated in foreign currency. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(ii) Fair value and cash flow interest rate risk

The Group's interest rate risk arises from bank borrowings, bank overdraft and obligation under a finance lease. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk.

The Group regularly reviews and monitors the floating interest rate borrowings in order to manage its interest rate risk. The Group's interest-bearing bank borrowings, bank overdraft, obligation under a finance lease and cash and bank balances are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the combined statements of profit or loss and other comprehensive income as earned/incurred. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of cash and bank balance are not expected to change significantly.

If there would be a general increase/decrease in the market interest rates by 50 basis points, with all other variables held constant, the Group's combined pre-tax profit would have decreased/increased by approximately HK\$45,000, HK\$36,000 and HK\$42,000 for the years ended 31 March 2014, 2015 and 2016 respectively. The sensitivity analysis above has been determined assuming that the change in market interest rates had occurred at the end of each Relevant Years and had applied the exposure to interest rate risk to those financial instruments in existence at those dates. The estimated 50 basis points increase or decrease represents management's assessment of a reasonably possible change in market interest rates over the period until the next annual year end.

Credit risk

Credit risk is managed on a group basis. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and bank balances and trade receivables.

The Group deposited its cash and bank balances with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to cash and cash equivalents held to be delayed or limited. Management monitors the credit rating of these banks on an ongoing basis, and considers that the Group's exposure to credit risk were minimal.

The Group has no significant concentrations of credit risk due to the customers' base being large and unrelated. For trade receivables, the customers are primarily credit card receivables and airlines customers and management considers the credit risk is not high. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk.

Liquidity risk

Cash flow is managed at group level by the management. The Group manages liquidity risk by maintaining adequate cash and cash equivalents, monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The liquidity risk is under continuous monitoring by the management. Reports with maturity dates of bank borrowings and thus the liquidity requirement are provided to management for review periodically. Management will raise or refinance bank borrowings whenever necessary.

The following table shows the details of the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date, on which the Group can be required to pay.

Specifically, bank borrowings with repayable on demand clause are included in “on demand or within one year” regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are prepared based on the agreed repayment dates. The amounts disclosed in the table are based on the contractual undiscounted payments, are as follows:

	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2014					
Non-derivative financial liabilities					
Amount due to non-controlling interests	840	—	—	840	840
Amount due to a related company	298	—	—	298	298
Trade payables	3,170	—	—	3,170	3,170
Accruals and other payables	4,997	—	—	4,997	4,997
Bank borrowings — variable rate	9,168	—	—	9,168	8,600
Other borrowing	2,400	—	—	2,400	2,400
Obligation under a finance lease	161	161	201	523	479
	<u>21,034</u>	<u>161</u>	<u>201</u>	<u>21,396</u>	<u>20,784</u>

	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2015					
Non-derivative financial liabilities					
Amount due to non-controlling interests	492	—	—	492	492
Amount due to a related company	261	—	—	261	261
Trade payables	3,781	—	—	3,781	3,781
Accruals and other payables	8,906	—	—	8,906	8,906
Bank borrowings — variable rate	7,369	—	—	7,369	6,948
Other borrowing	2,400	—	—	2,400	2,400
Obligation under a finance lease	161	161	40	362	341
	<u>23,370</u>	<u>161</u>	<u>40</u>	<u>23,571</u>	<u>23,129</u>

	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2016					
Non-derivative financial liabilities					
Trade payables	1,933	—	—	1,933	1,933
Accruals and other payables	6,913	—	—	6,913	6,913
Bank borrowings and bank overdraft — variable rate	8,578	—	—	8,578	8,377
	<u>17,424</u>	<u>—</u>	<u>—</u>	<u>17,424</u>	<u>17,223</u>

The following table summarises the maturity analysis of bank borrowings with repayable on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates. Taking into account the Group's net assets, the directors of the Company do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis — bank borrowings subject to a repayment on demand clause based on scheduled repayments		
	Within one year	More than one year but less than two years	More than two years but less than five years
	HK\$'000	HK\$'000	HK\$'000
At 31 March 2014	4,918	2,757	1,493
At 31 March 2015	4,051	2,416	902
At 31 March 2016	8,041	537	—

(b) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to the shareholder, return capital to the shareholder or issue of new shares as well as issue of new debts or redemption of existing debts. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Years.

The Group monitors capital using a gearing ratio, which is expressed as a percentage of total borrowings over equity attributable to owner of the Company. The gearing ratios at the end of each Relevant Years were as follows:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Total borrowings (Note (i))	11,479	9,689	8,377
Less: cash and bank balances	(13,850)	(19,182)	(16,857)
Net cash	(2,371)	(9,493)	(8,480)
Equity attributable to owner of the Company	25,261	46,474	15,608
Total borrowings to equity ratio (%)	45%	21%	54%

Note:

- (i) Total borrowings include borrowings and obligation under a finance lease in Notes 25 and 26 to the Financial Information respectively.

(c) Categories of financial instruments

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
<i>Loans and receivables</i>			
— Trade receivables	657	780	1,188
— Deposits	4,715	4,186	3,133
— Amount due from an associate	34	34	34
— Amount due from a joint venture	213	526	500
— Amount due from a director	8,760	31,711	—
— Amount due from a related company	300	1,500	—
— Cash and bank balances	13,850	19,182	16,857
Financial liabilities			
<i>Amortised cost</i>			
— Amount due to non-controlling interests	840	492	—
— Amount due to a related company	298	261	—
— Trade payables	3,170	3,781	1,933
— Accruals and other payables	4,997	8,906	6,913
— Borrowings	11,000	9,348	8,377
— Obligation under a finance lease	479	341	—

(d) Fair value estimation

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the Financial Information approximate to their fair values.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates and judgements used in preparing this Financial Information are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Classification of Golden Royal and Starz Kitchen Management Limited (“Starz Kitchen”) as joint ventures

Golden Royal and Starz Kitchen are limited liability companies whose legal form confers separation between the parties to the joint arrangements and the companies themselves. Furthermore, there are no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangements have rights to the assets and obligations for the liabilities of the joint arrangements. Accordingly, Golden Royal and Starz Kitchen are classified as joint ventures of the Group. See Note 17 to the Financial Information for details.

(b) Impairment of trade receivables

The Group's management determines the provision for impairment of trade receivables based on an assessment of the recoverability of trade receivables. This assessment is based on the credit history of its debtors and the current market condition, and requires the use of judgements and estimates. Provisions are applied where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and the provision for impairment losses in the period in which such estimate has been changed. Management reassess the provision at the end of each Relevant Years.

(c) Income taxes

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

(d) Useful lives and residual values of property, plant and equipment

The Group's management determines the useful lives, residual values and related depreciation charges for its property, plant and equipment and reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with expected pattern of realisation of economic benefits from property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to server industry cycles. If there are significant changes from previous estimated useful lives and residual values, the amount of depreciation expenses may changes.

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer taste or competitor actions. Management reassesses these estimates at the end of each Relevant Years.

6. Segment Information

The Group is principally engaged in the provision of food catering services through a chain of casual dining food catering services restaurant. Information reported to the Group's management for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no additional reportable segment and geographical information have been presented.

7. Revenue

Revenue represents amounts received and receivable from restaurants operations, sales of food and franchise fee income. An analysis of revenue is as follows:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Restaurants operations	119,390	138,407	114,581
Sales of food	2,401	2,852	10,649
Franchise fee income	—	—	272
	<u>121,791</u>	<u>141,259</u>	<u>125,502</u>

8. Finance Costs

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	452	381	338
Interest on finance lease	<u>31</u>	<u>23</u>	<u>15</u>
	<u>483</u>	<u>404</u>	<u>353</u>

9. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Auditors' remuneration — audit services	136	300	283
Cost of inventories sold	28,560	31,791	27,255
Depreciation of property, plant and equipment	2,357	3,755	3,242
Lease payments under operating leases in respect of land and buildings:			
— Minimum lease payments	22,767	26,271	25,795
— Contingent rents	825	4,537	4,045
	23,592	30,808	29,840
Employee benefit expenses (excluding directors' remuneration (<i>Note 10</i>)):			
— Salaries and wages	31,335	35,223	30,672
— Staff benefits	1,994	1,687	2,266
— Retirement benefit scheme contributions	1,286	2,456	1,876
	34,615	39,366	34,814
Impairment loss recognised in respect of trade receivables	—	4	—
Listing expenses	—	—	8,464
Loss on written-off of items of property, plant and equipment	2,440	—	—
Loss/(gain) on disposal of subsidiaries	680	—	(636)
Management fee income	(408)	(408)	(408)
Net foreign exchange gain	(1,135)	(1,397)	(736)
Reversal of impairment loss recognised in respect of amount due from an associate	—	—	(2,400)
Interest income	(1)	(2)	(2)

10. Directors' Remuneration

The remuneration of directors were set out below:

	Year ended 31 March 2014			
	Directors' fees	Salaries allowances, and benefits in kind	Retirement benefit scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:				
Mr. Wong	—	384	12	396
Chan Chak To Raymond	—	505	14	519
Lam Wai Kwan	—	306	15	321
	—	1,195	41	1,236

Year ended 31 March 2015				
	Directors' fees	Salaries allowances, and benefits in kind	Retirement benefit scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:				
Mr. Wong	—	384	12	396
Chan Chak To Raymond	—	579	18	597
Lam Wai Kwan	—	326	16	342
	—	1,289	46	1,335
Year ended 31 March 2016				
	Directors' fees	Salaries allowances, and benefits in kind	Retirement benefit scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:				
Mr. Wong	—	452	12	464
Chan Chak To Raymond	—	977	13	990
Lam Wai Kwan	—	160	8	168
	—	1,589	33	1,622

No directors have waived or agreed to waive any remuneration during the Relevant Years. No remuneration was paid to the independent non-executive directors during the Relevant Years as the independent non-executive directors have not been appointed during the Relevant Years.

During the Relevant Years, there were no amount paid or payable by the Group to the directors or any of the five highest paid individuals as set out in Note 11 below as an inducement to join or upon joining the Group or as compensation for loss of office.

11. Five Highest Paid Employees

2, 1 and 2 of the five individuals with the highest emoluments are directors of the Company, whose emoluments are disclosed in Note 10 to the Financial Information, for the years ended 31 March 2014, 2015 and 2016 respectively. The aggregate of the emoluments in respect of the remaining individuals are as follows:

Year ended 31 March			
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Salaries and other benefits	1,241	1,658	1,015
Retirement benefit scheme contributions	72	101	49
	1,313	1,759	1,064

The above individuals with the highest emoluments are within the following bands:

	Year ended 31 March		
	2014	2015	2016
Nil to HK\$1,000,000	3	4	3

12. Income Tax Expenses

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Current tax — Hong Kong Profits Tax			
Charge for the year	931	2,731	2,509
Under-provision in prior years	—	348	189
	<u>931</u>	<u>3,079</u>	<u>2,698</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Relevant Years.

The income tax expenses for the Relevant Years can be reconciled to the profit before tax per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Profit before tax	14,590	24,333	15,295
Tax at Hong Kong Profits Tax rate of 16.5%	2,407	4,015	2,524
Tax effect of:			
Share of result of an associate	(991)	(1,083)	(1,453)
Share of result of a joint venture	—	—	9
Income not taxable for tax purpose	(1)	—	(501)
Expenses not deductible for tax purpose	643	76	1,554
Estimated tax losses not recognised	821	7	157
Accelerated accounting depreciation over tax depreciation (under)/over provided	(1,147)	350	347
Under-provision of income tax expenses in prior years	—	348	189
Tax reduction	(40)	(76)	(84)
Utilisation of tax losses previously not recognised	(761)	(558)	(44)
Income tax expenses for Relevant Years	<u>931</u>	<u>3,079</u>	<u>2,698</u>

Tax effect of expenses not deductible for tax purpose mainly comprise of loss on disposal of subsidiaries and listing expenses.

The Group had unused estimated tax losses of approximately HK\$6,864,000, HK\$3,525,000 and HK\$4,210,000 available for offsetting against future profits at 31 March 2014, 2015 and 2016 respectively. No deferred tax asset has been recognised in respect of tax losses due to the unpredictability of future profit streams and unrecognised tax losses could be carried forward indefinitely.

13. Dividend

No dividend has been paid or proposed by the Company since its date of incorporation.

Prior to the Reorganisation, the Company's subsidiaries had declared and paid dividend to the shareholder during the Relevant Years as follows:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Dividend paid	4,008	—	43,000

Subsequent to the year ended 31 March 2016, dividend of HK\$3,000,000 was declared on 31 May 2016 and paid on 1 June 2016.

14. Earnings Per Share

The calculation of basic earnings per share for the Relevant Years is based on the profit attributable to owner of the Company for the Relevant Years and on the assumption that the proposed 1,500,000,000 ordinary shares in issue, comprising two ordinary shares in issue as at the date of this prospectus and 1,499,999,998 ordinary shares to be issued pursuant to the capitalisation issue as detailed in the section headed "Share Capital" set out in this Prospectus, as if the shares as there were outstanding throughout the entire Relevant Years.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existences during the Relevant Years.

15. Property, Plant and Equipment

	Leasehold improvements	Furniture and fixtures	Catering and other equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost					
At 1 April 2013	11,976	1,934	6,551	962	21,423
Additions	8,469	306	5,910	—	14,685
Derecognition upon disposal of a subsidiary (Note 29)	(1,118)	(45)	(173)	—	(1,336)
Disposals and written-off	(3,485)	(30)	(318)	—	(3,833)
At 31 March 2014 and at 1 April 2014	15,842	2,165	11,970	962	30,939
Additions	1,781	—	390	—	2,171
At 31 March 2015 and at 1 April 2015	17,623	2,165	12,360	962	33,110
Additions	1,883	65	524	—	2,472
Written-off	(7,179)	(1,584)	—	—	(8,763)
Derecognition upon disposal of a subsidiary (Note 29)	(3,483)	(35)	(5,697)	—	(9,215)
At 31 March 2016	8,844	611	7,187	962	17,604
Accumulated depreciation and impairment					
At 1 April 2013	9,362	1,681	6,411	186	17,640
Charge for the year	1,124	114	830	289	2,357
Derecognition upon disposal of a subsidiary (Note 29)	(1,118)	(45)	(173)	—	(1,336)
Disposals and written-off	(1,162)	(19)	(212)	—	(1,393)
At 31 March 2014 and at 1 April 2014	8,206	1,731	6,856	475	17,268
Charge for the year	2,060	116	1,290	289	3,755
At 31 March 2015 and at 1 April 2015	10,266	1,847	8,146	764	21,023
Charge for the year	2,067	103	880	192	3,242
Written-off	(7,179)	(1,584)	—	—	(8,763)
Derecognition upon disposal of a subsidiary (Note 29)	(784)	(16)	(2,564)	—	(3,364)
At 31 March 2016	4,370	350	6,462	956	12,138
Carrying amounts					
At 31 March 2014	7,636	434	5,114	487	13,671
At 31 March 2015	7,357	318	4,214	198	12,087
At 31 March 2016	4,474	261	725	6	5,466

The carrying amounts of motor vehicles includes an amount of HK\$373,000 and HK\$138,000 in respect of asset held under finance lease at 31 March 2014 and 2015 (see Note 26 to the Financial Information).

16. Interests in Associates

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Cost of investments in associates	—	—	—
Share of post-acquisition profit and other comprehensive income in associates, net of dividend received	2,002	1,008	742
	<u>2,002</u>	<u>1,008</u>	<u>742</u>

The Group's associates are unlisted corporate entities whose quoted market prices are not available.

Particulars of the associates at the end of the Relevant Years are as follows:

Name of associate	Place of incorporation/ operation	Percentage of ownership interest attributable to the Group		
		At 31 March		
		2014	2015	2016
		%	%	%
Wingo Hong Kong Investment Limited ("Wingo")	Hong Kong	42	42	42
Friend Limited ("Friend")	Hong Kong	20	20	N/A
HK Star's Local Delicacy Limited ("HK Star's")	Hong Kong	N/A	N/A	30

Wingo and Friend are principally engaged in provision of casual dining food catering services. HK Star's is a company incorporated for the purpose of tender submission and it did not have business operation during the Relevant Years.

All associates are accounted for using the equity method in the Financial Information.

On 14 September 2015, the Group disposed of entire 20% equity interest in Friend held by the Group and a shareholder's loan due by Friend at a total consideration of HK\$2,400,000.

Wingo

Summarised financial information of Wingo is disclosed below:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Current assets	8,495	8,232	16,144
Non-current assets	6,206	4,878	62
Current liabilities	9,934	10,711	14,440
Non-current liabilities	—	—	—

The above amounts of assets and liabilities include the following:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	7,592	7,040	10,377
	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Revenue	83,923	92,415	108,755
Profit and total comprehensive income	14,295	15,632	20,967
Dividend received from Wingo	7,182	7,560	9,072

The above profit and total comprehensive income for the Relevant Years include the followings:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	307	1,328	316
Interest income	2	2	2
Income tax expenses	2,844	3,298	4,163

Reconciliation of the above summarised financial information to the carrying amount of interest in Wingo recognised in the Financial Information is disclosed below:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Net assets of Wingo	4,767	2,399	1,766
Proportion of the Group's ownership interest in Wingo	42%	42%	42%
Carrying amount of the Group's interest in Wingo	2,002	1,008	742

Friend

Summarised financial information of Friend is disclosed below:

	At 31 December		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Current assets	5,656	5,279	N/A
Non-current assets	8,031	6,005	N/A
Current liabilities	5,086	5,904	N/A
Non-current liabilities	14,945	19,852	N/A

The above amounts of assets and liabilities include the following:

	At 31 December		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	411	266	N/A
	Year ended 31 December		For the period from 1 January to respective date of disposal
	2013	2014	
	HK\$'000	HK\$'000	HK\$'000
Revenue	27,506	23,267	18,179
Loss and total comprehensive loss	3,314	8,127	5,886

The above loss and total comprehensive loss for the Relevant Years include the following:

	Year ended 31 December		For the period from 1 January to respective date of disposal
	2013	2014	
	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	2,018	2,081	1,561

Unrecognised share of loss of Friend

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
The unrecognised share of loss of Friend for the Relevant Years	663	1,625	N/A
Cumulative share of loss of Friend	1,269	2,894	N/A

The financial year end date for Friend is 31 December. For the purpose of applying the equity method of accounting, the financial statements of Friend for the year ended 31 December 2013, 2014 and 2015 have been used as the Group considers that it is impracticable for Friend to prepare a separate set of financial statements as of 31 March.

HK Star's

Summarised financial information of HK Star's is disclosed below:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Current assets	N/A	N/A	9
Non-current assets	N/A	N/A	—
Current liabilities	N/A	N/A	190
Non-current liabilities	N/A	N/A	—

The above amounts of assets and liabilities include the following:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	N/A	N/A	9

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Revenue	N/A	N/A	—
Loss and total comprehensive loss	N/A	N/A	1

Unrecognised share of loss of HK Star's

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
The unrecognised share of loss of HK Star's for the Relevant Years	N/A	N/A	1
Cumulative share of loss of HK Star's	N/A	N/A	1

17. Interest in a Joint Venture

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Cost of investment in a joint venture	—	—	54
Share of post-acquisition profit and other comprehensive income in a joint venture, net of dividend received	—	—	(54)
	—	—	—

The Group's joint ventures are unlisted corporate entities whose quoted market price is not available.

Particular of the joint venture at the end of the Relevant Years is as follows:

Name of joint venture	Place of incorporation/ operation	Percentage of ownership interest attributable to the Group		
		At 31 March		
		2014	2015	2016
		%	%	%
Golden Royal (<i>Note</i>)	Hong Kong	50	50	N/A
Starz Kitchen	Hong Kong	N/A	N/A	50

Note: On 24 November 2015, the Group acquired the remaining 50% equity interest in Golden Royal. After the completion of the acquisition, Golden Royal become a wholly owned subsidiary of the Group and ceased to be a joint venture of the Group. Details of the acquisition of Golden Royal are set out in Note 30 to the Financial Information.

Golden Royal is an investment holding company.

Starz Kitchen is engaged in provision of catering management and consultancy services.

The joint ventures are accounted for using the equity method in the Financial Information.

Golden Royal

Summarised financial information of Golden Royal is disclosed below:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Current assets	200	500	N/A
Non-current assets	—	—	N/A
Current liabilities	235	540	N/A
Non-current liabilities	—	—	N/A
	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Revenue	—	—	—
Loss and total comprehensive loss	15	5	14

Unrecognised share of loss of Golden Royal:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
The unrecognised share of loss of Golden Royal for the Relevant Years	5	2	N/A
Cumulative share of loss of Golden Royal	5	7	N/A

Starz Kitchen

Summarised financial information of Starz Kitchen is disclosed below:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Current assets	N/A	N/A	1,503
Non-current assets	N/A	N/A	168
Current liabilities	N/A	N/A	2,565
Non-current liabilities	N/A	N/A	—

The above amounts of assets and liabilities include the following:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	N/A	N/A	319

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Revenue	N/A	N/A	789
Loss and total comprehensive loss	N/A	N/A	297

The above loss and total comprehensive loss for the Relevant Years include the followings:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	N/A	N/A	14

Unrecognised share of loss of Starz Kitchen:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
The unrecognised share of loss of Starz Kitchen for the Relevant Years	—	—	95
Cumulative share of loss of Starz Kitchen	—	—	95

18. Inventories

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Food and beverage, and other operating items for restaurants operations	192	238	204
Others	62	10	42
	254	248	246

Inventories are expected to be recovered within one year. The inventories carried at net realisable value.

The cost of inventories sold of approximately HK\$28,560,000, HK\$31,791,000 and HK\$27,255,000 are recognised as expenses for the years ended 31 March 2014, 2015 and 2016 respectively.

19. Trade Receivables

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Credit card receivables	213	160	98
Airlines and other customers	444	624	1,090
	657	784	1,188
Less: Allowance for doubtful debts	—	(4)	—
	657	780	1,188

The Group's trading terms with its third party customers are mainly on cash and credit card settlement. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancement over its trade receivables balances. Trade receivables are interest-free.

The Group has a certain concentration of credit risk as certain of the Group's trade receivables were due from the Group's largest debtor and the five largest debtors as detailed below.

	At 31 March		
	2014	2015	2016
	%	%	%
Largest debtor	32	29	38
Five largest debtors	93	86	89

The following is an ageing analysis of trade receivables, presented based on the invoice dates, which approximates the respective revenue recognition dates and net of allowance for doubtful debts:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
0–30 days	381	349	603
31–60 days	104	204	329
61–90 days	127	96	193
Over 90 days	45	131	63
	657	780	1,188

The credit terms of the Group's trade receivables generally ranging from 1 day to 60 days.

The movement in the allowance for doubtful debts during the Relevant Years is as follows:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
At the beginning of the Relevant Years	—	—	4
Impairment loss recognised	—	4	—
Amounts written-off as uncollectible	—	—	(4)
At the end of the Relevant Years	—	4	—

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of approximately HK\$4,000 which are past due at 31 March 2015. The individually impaired trade receivables relate to customers that were in default in principal payments and are considered irrecoverable.

The following is an ageing analysis of trade receivables that are not individually nor collectively considered to be impaired:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Neither past due nor impaired	437	421	702
One to three months past due	175	228	423
More than three months past due	45	131	63
	657	780	1,188

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. Deposits and Prepayments

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Deposits paid	4,715	4,186	3,133
Prepayments	167	311	4,163
	4,882	4,497	7,296
Current portion included in deposits and prepayments	(2,723)	(2,184)	(6,059)
Non-current portion included in deposits	2,159	2,313	1,237

None of the above receivables is neither past due nor impaired. Financial assets included in the above balances related to receivables for which there was no recent history of default.

Ms. Li Wing Yin, who is the spouse of Mr. Wong, had provided guarantee with amount of HK\$7,500,000 issued to one of the landlord of the Group for the rental deposit during the Relevant Years.

21. Balance with Associate, Joint Venture, Director, Related Company and Non-controlling Interests

Particulars of the amount due from an associate, a joint venture, a director, a related company and non-controlling interests are as follows:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Due from an associate			
Wingo	34	34	34
Due from a joint venture			
Golden Royal	213	526	—
Starz Kitchen	—	—	500
	213	526	500
Due from a director			
Mr. Wong	8,760	31,711	—
Due from a related company			
Guang Xing Holdings Limited ("Guang Xing") (Note (i))	300	1,500	—

The maximum amount due from an associate, a joint venture, a director and a related company during the Relevant Years are as follows:

	During the years ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Due from an associate			
Wingo	34	34	34
Due from a joint venture			
Golden Royal	213	526	530
Starz Kitchen	—	—	500
Due from a director			
Mr. Wong	8,760	31,711	45,819
Due from a related company			
Guang Xing	300	1,500	1,500

An analysis of the amount due to non-controlling interests and a related company are as follows:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Due to non-controlling interests			
So Chi Keung ("Mr. So") (Note (ii))	840	492	—
Due to a related company			
Rich Forever Limited ("Rich Forever") (Note (iii))	298	261	—

Notes:

- (i) Guang Xing is controlled by Mr. Wong, who is the Controlling Shareholder.
- (ii) Deberie, a non-wholly owned subsidiary of the Company, was held by Mr. So for the year ended 31 March 2015.
- (iii) Rich Forever is controlled by Mr. Wong Shu Pui, who is the father of Mr. Wong.

Balance with associate, joint venture, director, related company and non-controlling interests is non-trade nature, unsecured, interest-free and repayable on demand.

None of the amount due from an associate, a joint venture, a director and a related company is neither past due nor impaired. The financial assets included in the above balance related to receivable for which there was no recent history of default.

22. Cash and Bank Balances

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	13,850	19,182	16,857
Cash and bank balances denominated in:			
HKD	13,590	19,067	16,574
USD	133	38	89
RMB	21	25	89
TWD	30	22	48
Currencies other than above	76	30	57
	13,850	19,182	16,857

Bank balances carry interest at floating rates and placed with creditworthy banks with no recent history of default.

RMB is not a freely convertible currency in the People's Republic of China (the "PRC") and the remittance of funds out of the PRC is subject to the foreign exchange control promulgated imposed by the PRC government. The Group's cash and bank balances denominated in RMB are located in Hong Kong which is not subject to the foreign exchange control.

23. Trade Payables

The following is ageing analysis of trade payables, based on the invoice dates:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
0–30 days	1,374	1,353	1,340
31–60 days	743	944	406
61–90 days	502	465	76
Over 90 days	551	1,019	111
	3,170	3,781	1,933

The average credit period granted by suppliers ranging from 30 to 90 days.

24. Accruals and Other Payables

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Accruals	3,411	7,326	5,385
Receipts in advance	—	2	60
Other payables	1,586	1,580	1,528
	<u>4,997</u>	<u>8,908</u>	<u>6,973</u>

25. Borrowings

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Unsecured bank borrowings	8,600	6,948	8,374
Secured other borrowing	2,400	2,400	—
Bank overdraft	—	—	3
	<u>11,000</u>	<u>9,348</u>	<u>8,377</u>
Carrying amounts repayable:			
<i>Bank borrowings and bank overdraft:</i>			
Within one year	4,558	3,754	7,849
Carrying amounts of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayable on demand clause (shown under current liabilities)	4,042	3,194	528
	<u>8,600</u>	<u>6,948</u>	<u>8,377</u>
<i>Other borrowing:</i>			
Repayable on demand	2,400	2,400	—
	<u>11,000</u>	<u>9,348</u>	<u>8,377</u>

Bank overdraft carries at 8% per annum over Best Lending Rate.

The unsecured bank borrowings are interests bearing rates from 4.25% to 5.25%, 5.25% to 6.25% and 4.25% to 5.25% per annum at 31 March 2014, 2015 and 2016 respectively.

The unsecured bank borrowings with amount of HK\$4,987,000, HK\$2,454,000 and HK\$6,626,000 at 31 March 2014, 2015 and 2016 respectively have provided personal guaranteed by Mr. Wong.

The unsecured bank borrowings with amount of HK\$3,613,000, HK\$4,494,000 and HK\$1,748,000 at 31 March 2014, 2015 and 2016 respectively have been jointly guaranteed by Mr. Wong and Mr. Li Chi Keung.

Other borrowing is interest-free and secured by the equity interest of Friend held by the Group. Other borrowing was settled by consideration of disposal of Friend (see Note 34 to the Financial Information).

The Group's borrowings at the end of each Relevant Years are denominated in HKD.

26. Obligation Under A Finance Lease

The Group leased its motor vehicle under a finance lease. The lease term is 5 years. Interest rate underlying obligation under a finance lease at 5.8% per annum. The lease is on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

	Minimum lease payments			Present value of minimum lease payments		
	At 31 March			At 31 March		
	2014	2015	2016	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount payable under finance lease:						
Within one year	161	161	—	138	147	—
In the second to fifth years	362	201	—	341	194	—
	523	362	—	479	341	—
Less: Future finance charges	(44)	(21)	—	—	—	—
Present value of lease obligation	479	341	—	479	341	—
Less: Amount due for settlement within 12 months (shown under current liabilities)				(138)	(147)	—
Amount due for settlement after 12 months (shown under non-current liabilities)				341	194	—

The Group's obligation under a finance lease is secured by the lessor's charge over the leased asset with the carrying amount of approximately HK\$373,000 and HK\$138,000 at 31 March 2014 and 2015 (see Note 15 to the Financial Information). The obligation under a finance lease was fully settled during the year ended 31 March 2016.

The obligation under a finance lease is denominated in HKD.

27. Share Capital

The Company was incorporated on 19 August 2015 with an authorised share capital of 38,000,000 ordinary shares of HK\$0.01 each. On the same day, one ordinary share was allotted and issued in fully paid to the initial subscriber of the Company and was transferred to Fortune Round at HK\$0.01 as part of the Reorganisation. Since the Reorganisation was not completed at 31 March 2016, the capital in the combined statements of financial position at the respective reporting period represented the aggregate amount of capital of the companies comprising the Group.

28. Commitments

(a) Operating lease commitments

The Group as lessee

The Group leases certain restaurants, office premises, warehouses and storage room under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years.

At the end of each Relevant Years, the Group had commitments for future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Within one year	23,472	25,205	21,921
In the second to fifth years, inclusive	59,231	53,766	18,164
Over five years	14,858	10,172	—
	<u>97,561</u>	<u>89,143</u>	<u>40,085</u>

In addition, the operating leases rentals for certain restaurants are based on the higher of a fixed rental and contingent rent based on the sales of these restaurants or monthly average number of passenger trips at Hong Kong International Airport ("HKIA") (where appropriate), whichever is higher, pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these restaurants and monthly average number of passenger trips at HKIA could not be reliably determined, the relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table.

The Group does not have an option to purchase the leased premises at the expiry of the lease period.

29. Disposal of Subsidiaries

Deemed disposal of Rich Forever

On 6 November 2013, Rich Forever has allotted 97 shares to Mr. Wong Shu Pui, who is the father of Mr. Wong Man Wai, at a total consideration of HK\$97 (the "**Placing**"). Upon the completion of Placing, the Group deemed disposed of 97% equity interest of Rich Forever and Rich Forever became available-for-sale financial assets and ceased to be a subsidiary of the Group at the same date. The Group disposed the remaining 3% of the equity interest of Rich Forever to Mr. Wong Shu Pui on 13 December 2013 at consideration of HK\$3. The net assets of Rich Forever at the date of deemed disposal were as follows:

Analysis of assets and liabilities over which control was lost:

	HK\$'000
Net assets over which control was lost:	
Inventories	25
Trade and other receivables	62
Deposits and prepayments	956
Amount due from immediate holding company	365
Trade payables	(72)
Accruals and other payables	(314)
Tax payables	(67)
Amount due to a fellow subsidiary	(197)
Bank borrowings	(54)
Net assets disposed of	<u>704</u>
Loss on disposal of Rich Forever	
Fair value of investment retained	—
Net assets disposal of Rich Forever	<u>(704)</u>
Loss on disposal of Rich Forever	<u>(704)</u>

Disposal of Golden Royal

On 9 December 2013, the Group completed the disposal of 50% of the equity interest of Golden Royal at a total consideration of HK\$50. Upon completion of the disposal, Golden Royal became a joint venture and ceased to be a subsidiary of the Group. The net liabilities of Golden Royal at the date of disposal were as follows:

Analysis of liabilities over which control was lost:

	<u>HK\$'000</u>
Net liabilities over which control was lost:	
Accruals and other payables	(11)
Amount due to a related company	<u>(13)</u>
Net liabilities disposed of	<u><u>(24)</u></u>
Gain on disposal of Golden Royal	
Fair value of investment retained	—
Net liabilities disposal of Golden Royal	<u>24</u>
Gain on disposal of Golden Royal	<u><u>24</u></u>

The net cash inflow arising from the disposal of Golden Royal would be HK\$50.

Disposal of Sunny Echo

On 31 August 2015, the Group entered into a sale and purchase agreement with a purchaser in which the Group is agreed to sell, and the purchaser is agreed to buy, the entire equity interest in Sunny Echo with total consideration of HK\$1,450,000. Sunny Echo is engaged in casual dining food catering services. The disposal was completed on 30 October 2015. The net assets of Sunny Echo at the date of disposal were as follows:

Consideration transferred:

	<u>HK\$'000</u>
Cash received	<u><u>1,450</u></u>

Analysis of assets and liabilities over which control was lost:

	<u>HK\$'000</u>
Net assets over which control was lost:	
Property, plant and equipment	5,851
Inventories	29
Trade receivables	101
Deposits and prepayments	1,583
Cash and bank balances	118
Trade payables	(2,546)
Accruals and other payables	<u>(4,322)</u>
Net assets disposed of	<u>814</u>
Gain on disposal of Sunny Echo	
Consideration received	1,450
Net assets disposal of Sunny Echo	<u>(814)</u>
Gain on disposal of Sunny Echo	<u>636</u>
Net cash inflow arising on disposal:	
Cash received	1,450
Less: Cash and bank balances disposed of	<u>(118)</u>
Net cash inflow arising on disposal	<u>1,332</u>

30. Acquisition of Asset Through Acquisition of A Subsidiary

On 24 November 2015, the Group entered into a sale and purchase agreement with Mr. So to acquire 50% equity interest of Golden Royal at total consideration of HK\$1. Golden Royal is an investment holding company and its major asset is interest in Starz Kitchen, which engaged in provision of catering management and consultancy services. The acquisition was completed on the same date, upon completion of the acquisition, Golden Royal will become a wholly owned subsidiary and ceased to be a joint venture of the Group.

The acquisition has been accounted for as an acquisition of asset. The effect of the acquisition is summarised as follows:

	<u>HK\$'000</u>
Net assets acquired:	
Interest in a joint venture	54
Amount due from a joint venture	500
Accruals and other payables	<u>(554)</u>
Total consideration	<u>—</u>

The net cash outflow arising on acquisition would be HK\$1.

The acquisition of Golden Royal did not contribute any significant result or cash flow to the Group for the Relevant Years.

31. Transaction with Non-controlling Interests

On 6 July 2015, the Group further acquired one ordinary share in Deberie, representing 33% of the equity interest of Deberie at a total consideration of HK\$300,000, which is engaged in casual dining food catering services. As a result of the acquisition, the Group's shareholding in Deberie increased from 67% to 100%. The Group recognised an increase in non-controlling interests of approximately HK\$185,000 and a decrease in equity attributable to owner of the Company of approximately HK\$485,000.

32. Material Related Party Transactions

- (a) Save as disclosed elsewhere in the combined financial statements, the Group entered into the following material transactions with related parties:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Management fee income received from an associate:			
— Wingo	408	408	408
Purchase of food from a related company:			
— Rich Forever (Note (i))	1,370	2,946	1,450
Rental expense paid to a related company:			
— Million Cash Investment Limited (" Million Cash ") (Note (ii))	840	840	509

Notes:

- (i) Rich Forever is owned by Mr. Wong Shu Pui, who is the father of Mr. Wong.
(ii) Mr. Wong has significant influence in Million Cash, and is one of the directors of Million Cash during the Relevant Years.

The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The directors of the Company are of the opinion that those related party transactions were conducted in the normal ordinary course of business of the Group.

Mr. Wong, who is the director of the Company, had been provided personal guarantee for bank borrowings during the Relevant Years without any charge. The directors of the Company represent that the personal guarantees will be released upon the listing.

Ms. Li Wing Yin, who is the spouse of Mr. Wong, had been provided guarantee with amount of HK\$7,500,000 issued to one of the landlord of the Group for the rental deposit during the Relevant Years without any charge. The directors of the Company represent that the personal guarantees will be released upon the listing.

Mr. Li Chi Keung, who is the father-in-law of Mr. Wong, had been provided personal guarantee for bank borrowings during the Relevant Years without any charge. The directors of the Company represent that the personal guarantees will be released upon the listing.

On 13 December 2013, the Group disposed the remaining 3% equity interest in Rich Forever to Mr. Wong Shu Pui at HK\$3.

Except for management fee income received from an associate, other material related parties transactions will be discontinued to incur after listing.

- (b) Compensation of key management personnel of the Group, including directors' remuneration as disclosed in Note 10 to the Financial Information, is as follows:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Salaries and other allowances	1,435	1,486	2,034
Retirement benefit scheme contributions	52	52	55
	<u>1,487</u>	<u>1,538</u>	<u>2,089</u>

- (c) Details of the balance with related parties at the end of each Relevant Years are set out in Note 21 to the Financial Information.

33. Non-controlling Interests

The directors of the Company consider that the non-controlling interests of the Group during the Relevant Years were insignificant of the Group and thus are not separately presented in these Financial Information. In addition, no separate financial information of these non-wholly owned subsidiaries is required presented.

34. Major Non-cash Transactions

The Group entered into the following major non-cash investing and financing activities which are not reflected in the combined statements of cash flows:

On 14 September 2015, the Group disposed of entire 20% equity interest in Friend and a shareholder's loan due by Friend at a total consideration of HK\$2,400,000. The consideration was settled against other borrowing due by the Group.

The Group had declared and paid dividend with amount of HK\$43,000,000 during the year ended 31 March 2016. The dividend paid was settled against amount due from a director.

35. Reserve of the Company

	Accumulated losses
	HK\$'000
At 19 August 2015 (date of incorporation)	—
Loss and total comprehensive loss for the period	<u>4</u>
At 31 March 2016	<u><u>4</u></u>

III. EVENTS AFTER THE REPORTING PERIOD

- (a) Pursuant to the Reorganisation as fully explained in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" of the Prospectus, the Company become the holding company of the companies now comprising the Group subsequent to the end of the Relevant Years on 6 June 2016.
- (b) On 21 July 2016, the shareholder of the Company resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$200,000,000 by the creation of an additional of 19,962,000,000 shares, each ranking pari passu with the shares then in issue in all respects.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 March 2016.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong

The information set forth below does not form part of the Accountants' Report from HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountants' Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "**GEM Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") is for illustrative purposes only, and is set out below to illustrate the effect of the proposed listing of the Company's share on the Stock Exchange by way of placing (the "**Placing**") on the net tangible assets of the Group attributable to owners of the Company as of 31 March 2016 as if the Placing had taken place on 31 March 2016.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group at 31 March 2016 or at any future dates following the Placing. It is prepared based on the combined net assets of the Group at 31 March 2016 as set out in the Accountants' Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountants' Report.

	Audited combined net tangible assets of the Group attributable to owner of the Company at 31 March 2016 HK\$'000 (Note 1)	Add: Estimated net proceeds from the Placing HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company at 31 March 2016 HK\$'000	Unaudited pro forma adjusted net tangible assets per Share HK cents (Note 3)
Based on the minimum indicative Placing Price of HK\$0.11 per Share	<u>15,608</u>	<u>36,156</u>	<u>51,764</u>	<u>2.59</u>
Based on the maximum indicative Placing Price of HK\$0.16 per Share	<u>15,608</u>	<u>60,281</u>	<u>75,889</u>	<u>3.79</u>

Notes:

- (1) The audited combined net tangible assets attributable to owner of the Company at 31 March 2016 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to owner of the Company at 31 March 2016 of approximately HK\$15,608,000.

- (2) The estimated net proceeds from the Placing are based on the indicative Placing Price of HK\$0.11 per Share and HK\$0.16 per Share after deduction of the underwriting fees and other related expenses (excluding approximately HK\$8,464,000 which have been recognised in the combined statements of profit or loss and other comprehensive income for the year ended 31 March 2016) in connection with the Placing.
- (3) The unaudited pro forma net tangible assets per Shares is arrived at after having made the adjustments referred to in the preceding paragraphs and on the basis that 2,000,000,000 Shares in issue assuming the Capitalisation Issue and the Placing has been completed on 31 March 2016 but without taking into account any Shares which may fall to be issued upon the exercise of options granted under the Share Option Scheme or any Share which may be allotted and issued or repurchased by the Company pursuant to the General Mandate to Issue Shares or the General Mandate to Repurchase Shares as described in the section headed "Share Capital" of this prospectus.
- (4) No adjustment has been made to the audited combined net tangible assets of the Group attributable to owners of the Company at 31 March 2016 to reflect any trading result or other transaction of the Group entered into subsequent to 31 March 2016.
- (5) The unaudited pro forma adjusted combined net tangible assets of the Group has not taken into account the dividend of HK\$3,000,000 which was declared on 31 May 2016 and paid on 1 June 2016. Had the dividend of HK\$3,000,000 was declared and paid taken into account of, the unaudited pro forma adjusted combined net tangible assets per Share would have been HK2.44 cents and HK3.64 cents per Share based on the Placing Price of HK\$0.11 and HK\$0.16 respectively.

B. REPORT FROM REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

1 August 2016

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

TO THE DIRECTORS OF ROYAL CATERING GROUP HOLDINGS COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Royal Catering Group Holdings Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group at 31 March 2016 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-2 of the Company's prospectus dated 1 August 2016, in connection with the proposed placing of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed placing of the shares of the Company on the Group's financial position at 31 March 2016 as if the proposed placing of the shares of the Company had taken place at 31 March 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 31 March 2016, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 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" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited 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 Unaudited 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 accountants complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 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 Unaudited 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 Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction 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 proposed placing at 31 March 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited 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 in the compilation of the Unaudited 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 unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Company, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited 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 Unaudited Pro Forma Financial Information has been properly compiled by the directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate number: P05467
Hong Kong

Set out below is a summary of certain provisions of the Memorandum of Association and Articles of Association of our Company and of certain aspects of the Cayman Companies Law.

SUMMARY OF THE CONSTITUTION OF OUR COMPANY

1 Memorandum of Association

The Memorandum of Association was conditionally adopted on 21 July 2016 which shall become effective upon the Listing and states, inter alia, that the liability of the members of our Company is limited, that the objects for which our Company is established are unrestricted and our Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in the paragraph headed “Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — Documents available for inspection” in Appendix V to this prospectus.

2 Articles of Association

The Articles of Association were conditionally adopted on 21 July 2016 which shall become effective upon the Listing and include provisions to the following effect:

2.1 Classes of Shares

The share capital of our Company consists of ordinary shares. The capital of our Company at the date of the conditional adoption of the Articles is HK\$200,000,000 divided into 20,000,000,000 shares of HK\$0.01 par value each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles of Association, the unissued shares in our Company (whether forming part of its original or any increased capital) shall be at the disposal of our Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as our Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by our Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as our Directors may determine. Subject to the Cayman Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of our Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of our Company or any subsidiary

The management of the business of our Company shall be vested in our Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by our Company and are not by the Articles of Association or the Cayman Companies Law expressly directed or required to be exercised or done by our Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Law and of the Articles of Association and to any regulation from time to time made by our Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of our Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which our Director is contractually entitled) must first be approved by our Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in our Company or any such subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with our Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with our Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of our Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to our Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board of Directors at which it is practicable for him to do so,

either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by our Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of our Directors in respect of any contract or arrangement or any other proposal in which our Director or any of his close associates (or, if required by the GEM Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which our Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase where our Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which our Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which our Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

(g) Remuneration

Our Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by our Directors, or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst our Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Our Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from Board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

Our Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of our Company shall from time to time be fixed by our Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as our Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

Our Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of our Company and shall then be eligible for re-election at that meeting.

Our Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between our Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). Our Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as our Director in whose place he is appointed would have held the same if he had not been removed. Our Company may also by ordinary resolution elect

any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of our Company and shall then be eligible for re-election but shall not be taken into account in determining our Directors who are to retire by rotation at such meeting. No person shall, unless recommended by our Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the secretary of our Company notice in writing by a member of our Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to our Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and our Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of our Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and our Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of our Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of our Company under the Articles of Association.

At every annual general meeting of our Company one-third of our Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. Our Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

Our Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

Our Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

Our Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

Our Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, our Directors may settle any difficulty which

may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by our Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;

- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Cayman Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares.

Our Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Cayman Companies Law.

2.6 Special resolution – majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of our Company entitled to vote at a general meeting of our Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of our Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of our Company.

Where any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of our Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by our Directors, no person other than a member of our Company duly registered and who shall have paid all sums for the time being due from him payable to our Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of our Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the GEM Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of our Company or at any general meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of our Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

Our Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

2.9 Accounts and audit

Our Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Law.

Our Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of our Company, or any of them, shall be open to the inspection of members of our Company (other than officers of our Company) and no such member shall have any right of inspecting any accounts or books or documents of our Company except as conferred by the Cayman Companies Law or any other relevant law or regulation or as authorised by our Directors or by our Company in general meeting.

Our Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of our Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of our Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of our Company for the period covered by the profit and loss account and the state of our Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of our Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by our Company as provided in the Articles of Association to every member of our Company and every holder of debentures of our Company provided that our Company shall not be required to send copies of those documents to any person of whose address our Company is not aware or to more than one of the joint holders of any shares or debentures.

Our Company shall at every annual general meeting appoint an auditor or auditors of our Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by our Company at the annual general meeting at which they are appointed provided that in respect of any particular year our Company in general meeting may delegate the fixing of such remuneration to our Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special

resolution. Notice of every general meeting shall be given to the auditors and all members of our Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from our Company).

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of our Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of our Directors and of the auditors;
- (f) the granting of any mandate or authority to our Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than 20% (or such other percentage as may from time to time be specified in the GEM Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to our Directors to repurchase securities of our Company.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as our Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless our Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of our Company in respect thereof. All instruments of transfer shall be retained by our Company.

Our Directors may refuse to register any transfer of any share which is not fully paid up or on which our Company has a lien. Our Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with our Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as our Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of our Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as our Directors may from time to time require) is paid to our Company in respect thereof.

If our Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with our Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 Business Days' notice (or on 6 Business Days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of our Company closed at such times for such periods as our Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of our Company to purchase its own shares

Our Company is empowered by the Cayman Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and our Directors may only exercise this power on behalf of our Company subject to the authority of its members

in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the SFC. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of our Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Cayman Companies Law and Articles of Association, our Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by our Directors. No dividend may be declared or paid other than out of profits and reserves of our Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

Our Directors may from time to time pay to the members of our Company such interim dividends as appear to our Directors to be justified by the profits of our Company. Our Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

Our Directors may retain any dividends or other monies payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. Our Directors may also deduct from any dividend or other monies payable to any member of our Company all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

No dividend shall carry interest against our Company.

Whenever our Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, our Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of our Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of our Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. Our Company may upon the recommendation of our Directors by ordinary resolution resolve in respect of any one particular dividend of our Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of our Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of our Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of our Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of our Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to our Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Our Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, our Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by our Directors and shall revert to our Company.

Our Directors may, with the sanction of the members of our Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution our Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of our Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of our Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to our Directors.

2.15 Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of our Company.

Instruments of proxy shall be in common form or in such other form as our Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by our Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of our Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of our Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

Our Directors may from time to time make calls upon the members of our Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of our Company shall (subject to our Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as our Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of our Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as our Directors may determine, but our Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, our Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of our Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of our Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of our Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to our Company all monies which at the date of forfeiture were payable by him to our Company in respect of the shares, together with (if our Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as our Directors may prescribe from the date of forfeiture until payment, and our Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of our Company shall be kept in such manner as to show at all times the members of our Company for the time being and the shares respectively held by them. The register may, on 10 Business Days' notice (or on 6 Business Days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as our Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as our Directors may impose) be open to inspection by any member of our Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the GEM Listing Rules as our Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of our Company present in person or by proxy shall be a quorum provided always that if our Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of our Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of our directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

The quorum for a separate general meeting of the holders of a separate class of shares of our Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If our Company shall be wound up, and the assets available for distribution amongst the members of our Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of our Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of our Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If our Company shall be wound up, the liquidator may with the sanction of a special resolution of our Company and any other sanction required by the Cayman Companies Law, divide amongst the members of our Company in specie or kind the whole or any part of the assets of our Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of our Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of our Company as the liquidator, with the like sanction and subject to the Cayman Companies Law, shall think fit, but so that no member of our Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

Our Company shall be entitled to sell any shares of a member of our Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) our Company has not during that time or before the expiry of the three month

period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, our Company has caused an advertisement to be published in the newspapers or subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF THE CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Cayman Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 August 2015 under the Cayman Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Cayman Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premium on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's length basis.

4 Dividends and Distributions

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Cayman Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Cayman Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Cayman Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Cayman Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Cayman Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of

the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:
 - (i) on or in respect of the shares, debentures or other obligations of our Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years from 8 September 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to our Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder, our Company's legal advisers on Cayman Islands law, have sent to our Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 19 August 2015. Our Company has established a principal place of business in Hong Kong at Room 1207, 12th Floor, Wing On Kowloon Centre, No. 345 Nathan Road, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 30 September 2015. We have appointed Mr. Wong as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and the relevant aspects of the Cayman Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One fully-paid Share was allotted and issued to the subscriber on 19 August 2015, and was subsequently transferred to Fortune Round on the same day.
- (b) On 21 July 2016, Fortune Round resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$200,000,000 by the creation of an additional 19,962,000,000 Shares, each carrying the same rights as the Shares then in issue in all respects.
- (c) On 6 June 2016, as part of the Reorganisation, our Company, as consideration for the acquisition of the entire issued share capital of Simple Future, issued and allotted one fully paid Share to Fortune Round.
- (d) Immediately following completion of the Capitalisation Issue and the Placing (assuming that the Offer Size Adjustment Option is not exercised), and taking no account of any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, 2,000,000,000 Shares will be issued fully paid or credited as fully paid, and 18,000,000,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “A. Further information about our Group — 3. Written resolutions of the sole Shareholder passed on 21 July 2016” in this appendix, the Share Option Scheme and the Offer Size Adjustment Option, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, we will not issue any Shares which would effectively alter the control of our Company.
- (f) Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of the sole Shareholder passed on 21 July 2016

On 21 July 2016, Fortune Round passed resolutions in writing pursuant to which, among other things:

- (a) the Memorandum and the Articles be conditionally adopted which will take effect on the Listing Date, the terms of which are summarised in Appendix III to this prospectus;
- (b) the authorised share capital of our Company be increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$200,000,000 divided into 20,000,000,000 Shares of HK\$0.01 each by the creation of an additional 19,962,000,000 Shares of HK\$0.01 each, carrying the same rights as the existing Shares in all respects;
- (c) conditional on the Listing Division granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme and the Offer Size Adjustment Option) and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in any event no later than the date falling 30 days after the date of the issue of the prospectus:
 - (i) the Placing was approved and our Directors were authorised to allot and issue the Placing Shares pursuant to the Placing to carry the same rights as the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” below in this appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
 - (iii) the Offer Size Adjustment Option was approved and our Directors were authorised to allot and issue the Shares as may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option to carry the same rights as the then existing Shares in all respects;
 - (iv) conditional further on the share premium account of our Company being credited as a result of the Placing, our Directors were authorised to capitalise an amount of HK\$14,999,999.98 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 1,499,999,998 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 21 July 2016 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each carrying the same rights in all respects as the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;

- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by the Shareholders in general meeting or pursuant to the Placing, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Placing but excluding any Shares which may be issued under the Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Cayman Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Placing but excluding any Shares which may be issued under the Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Cayman Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and

the Capitalisation Issue but excluding any Shares which may be issued under the Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the paragraph headed “History, Development and Reorganisation — Reorganisation” in this prospectus for further details.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the paragraph headed “4. Corporate Reorganisation” in this appendix and in the paragraph headed “History, Development and Reorganisation — Reorganisation” in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of the Shares by our Company.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

(i) Shareholders’ approval

The GEM Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the sole Shareholder on 21 July 2016, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Placing but excluding any Shares which may be issued under the Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Cayman Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

(ii) Source of Funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Memorandum, the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account or, if authorised by the Articles and subject to the Cayman Companies Law, out of capital of our Company.

(iii) Connected parties

The GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on GEM from a "core connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of its subsidiaries and a core connected person shall not knowingly sell Shares to our Company on GEM.

(b) Exercise of the Repurchase Mandate

On the basis of 2,000,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Placing (assuming that the Offer Size Adjustment Option is not exercised), our Directors would be authorised under the Repurchase Mandate to repurchase up to 200,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or to the best of their knowledge, having made all reasonable enquiries, any of their close associates, has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable laws and regulations from time to time in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the Listing pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules). No core connected person of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus, which are or may be material in relation to the business of our Group taken as a whole:

- (a) an instrument of transfer dated 6 July 2015 entered into between Mr. So Chi Keung as transferor and Palace as transferee pursuant to which Mr. So Chi Keung transferred to Palace one issued share in the share capital of Deberie for the consideration of HK\$300,000;
- (b) a sale and purchase agreement dated 31 August 2015 entered into between Palace as vendor and Mr. Ho Chi Tim as purchaser in relation to the sale and purchase of the one issued share in Sunny Echo representing the entire issued share capital of Sunny Echo for a consideration of HK\$2,900,000;






- (c) a sale and purchase agreement dated 14 September 2015 entered into between Palace as vendor and Epicurean Investments Limited as purchaser pursuant to which Palace sold to Epicurean Investments Limited 20 issued shares in the share capital of Friend Limited and the shareholder loan of HK\$2,399,980 due by Friend Limited to Palace for an aggregate consideration of HK\$2,400,000;
- (d) a deed of assignment dated 14 September 2015 entered into amongst Palace as assignor, Epicurean Investments Limited as assignee and Friend Limited pursuant to which Palace assigned to Epicurean Investments Limited a loan for the principal amount of HK\$2,399,980 due by Friend Limited;
- (e) a supplemental agreement dated 30 October 2015 entered into between Palace as vendor and Mr. Ho Chi Tim as purchaser in relation to (b) above pursuant to which the consideration for the sale and purchase of the one issued share in Sunny Echo representing the entire issued share capital of Sunny Echo was adjusted to HK\$1,450,000;
- (f) a sale and purchase agreement dated 24 November 2015 entered into between Mr. So Chi Keung as vendor and Palace as purchaser pursuant to which Palace acquired from Mr. So Chi Keung 50 issued shares in the share capital of Golden Royal for the consideration of HK\$1;
- (g) a sale and purchase agreement dated 24 November 2015 entered into between Mr. Wong as vendor and Simple Future as purchaser pursuant to which Simple Future acquired from Mr. Wong one issued share in the share capital of Shiny Asia for the consideration of HK\$1 to be satisfied by allotment and issue of one fully paid new share of par value of US\$1 in the share capital of Simple Future;
- (h) a sale and purchase agreement dated 24 November 2015 entered into between Mr. Wong as vendor and Simple Future as purchaser pursuant to which Simple Future acquired from Mr. Wong 300 issued shares in the share capital of HK Star for the consideration of HK\$300 to be satisfied by allotment and issue of one fully paid new share of par value of US\$1 in the share capital of Simple Future;
- (i) a sale and purchase agreement dated 4 December 2015 entered into between Mr. Wong as vendor and Simple Future as purchaser pursuant to which Simple Future acquired from Mr. Wong one issued share in the share capital of Palace for the consideration of HK\$5,146,043.82 to be satisfied by the allotment and issue of one fully paid new share of par value of US\$1 in the share capital of Simple Future;
- (j) a sale and purchase agreement dated 4 December 2015 entered into between Mr. Wong as vendor and Simple Future as purchaser pursuant to which Simple Future acquired from Mr. Wong one issued share in the share capital of Royal Catering for the consideration of HK\$3,382,315.93 to be satisfied by allotment and issue of one fully paid new share of par value of US\$1 in the share capital of Simple Future;
- (k) a sale and purchase agreement dated 4 December 2015 entered into between Mr. Wong as vendor and Simple Future as purchaser pursuant to which Simple Future acquired from Mr. Wong one issued share in the share capital of Grand Richest for the consideration of HK\$20,486.40 to be satisfied by allotment and issue of one fully paid new share of par value of US\$1 in the share capital of Simple Future;

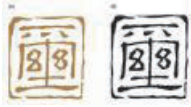




- (l) a sale and purchase agreement dated 6 June 2016 entered into between Fortune Round, Mr. Wong as vendor and our Company as purchaser pursuant to which our Company acquired from Mr. Wong six issued shares in the share capital of Simple Future for the consideration of allotment and issue of one fully paid new Share to Fortune Round;
- (m) the Deed of Indemnity dated 25 July 2016 and executed by Fortune Round and Mr. Wong, in favour of our Company (for itself and as trustee for its subsidiaries) containing indemnities referred to in the paragraph headed “1. Tax and other indemnities” in this appendix;
- (n) the Deed of Non-Competition dated 25 July 2016 and executed by Fortune Round and Mr. Wong in favour of our Company (for itself and as trustee for its subsidiaries), details of which are set out in the paragraph headed “Relationship with Controlling Shareholders — Deed of Non-Competition” in this prospectus; and
- (o) the Underwriting Agreement.

2. Intellectual property rights of our Group

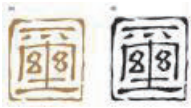

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks:

Trademark	Place of registration	Registrant	Class(es)	Registration no.	Duration of validity
MACAO HARBOUR 阿瑪港澳門餐廳 	Hong Kong	Grand Richest	43	300613089	4 April 2006– 3 April 2026
MY NOSH cafe 	Hong Kong	Grand Richest	43	300709632	28 August 2006– 27 August 2026
天皇 天皇台灣牛肉麵 	Hong Kong	Grand Richest	43	300733518	4 October 2006– 03 October 2026
Taiwan Beef Noodle 台灣牛肉麵 	Hong Kong	Top Future	30, 42, 43	303450861	23 June 2015– 22 June 2025
Royal Catering Group 皇璽餐飲集團 	Hong Kong	Top Future	42	303450843AA	23 June 2015– 22 June 2025

Trademark	Place of registration	Registrant	Class(es)	Registration no.	Duration of validity
	Hong Kong	Top Future	42	303512961AB	21 August 2015– 20 August 2025
Coffee Express 	Hong Kong	Top Future	30, 42, 43	303535100	14 September 2015 –13 September 2025
Chinese Kitchen 中國廚房 	Hong Kong	Top Future	42	303450870AB	23 June 2015 – 22 June 2025
Chinese Kitchen 中國廚房 	Hong Kong	Top Future	30, 43	303450870AA	23 June 2015 – 22 June 2025
Chinese Kitchen 中國廚房 	Hong Kong	Top Future	30, 42, 43	303450834	23 June 2015 – 22 June 2025

As at the Latest Practicable Date, our Group applied for registration of the following trademarks:

Trademark	Place of application	Applicant	Class	Application no.	Date of application
	Hong Kong	Top Future	35, 43	303512961AA	21 August 2015
阿瑪港 澳門餐廳 	Hong Kong	Top Future	30, 42, 43	303544029	22 September 2015

(b) Domain name

As at the Latest Practicable Date, our Group was the owner of the following domain name which is material to the business of our Group:

Domain Name	Registered owner	Date of registration	Expiry Date
hkrcg.com	Royal Catering	2 June 2015	2 June 2020

Note: Information contained in the website does not form part of this prospectus.

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS**1. Disclosure of Interests****(a) Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations**

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Placing, but taking no account of any Shares which may be issued under the Offer Size Adjustment Option or upon the exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed "A. Further information about our Company" in this appendix, the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the GEM, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, will be as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held	Percentage of shareholding
Mr. Wong	Interest in controlled corporation	1,500,000,000	75%

Note: These 1,500,000,000 Shares are held by Fortune Round, a company incorporated in BVI and wholly owned by Mr. Wong. Therefore, Mr. Wong is deemed to be interested in all the Shares held by Fortune Round for the purposes of the SFO.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature	No. of share held	Percentage of interest
Mr. Wong	Fortune Round	Beneficial owner	one	100%

(b) Interests of substantial and other Shareholders in the Shares and underlying Shares

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Placing, and Shares to be issued under the Offer Size Adjustment Option or pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Placing, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital

carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature	Number of Shares held	Percentage of shareholding
Fortune Round	Beneficial owner ^(Note 1)	1,500,000,000	75%
Ms. Li Wing Yin	Interest of spouse ^(Note 2)	1,500,000,000	75%

Note:

- Fortune Round is a company incorporated in BVI and wholly owned by Mr. Wong. Therefore, Mr. Wong is deemed to be interested in all the Shares held by Fortune Round for the purposes of the SFO. Mr. Wong is the sole director of Fortune Round.
- Ms. Li Wing Yin is the spouse of Mr. Wong. She is deemed to be interested in the Shares in which Mr. Wong is interested under the SFO.

2. Particulars of service contracts

None of our Directors has or is proposed to have any service agreement with the Company or any of its subsidiaries which cannot be terminated by the relevant member of our Group within one year without payment of compensation (other than statutory compensation).

3. Remuneration of Directors

- The aggregate remuneration paid by our Group to our Directors in respect of the three years ended 31 March 2014, 2015 and 2016 were approximately HK\$1,236,000, HK\$1,335,000 and HK\$1,622,000, respectively.
- Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2017 would be approximately HK\$2,750,000.
- Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	HK\$
Mr. Wong	HK\$1,800,000
Mr. Chan Chak To Raymond	HK\$960,000
Ms. Lam Wai Kwan	HK\$456,000
Independent Non-executive Directors	HK\$
Mr. Ma Yiu Ho Peter	HK\$150,000
Mr. Cheng Wing Hong	HK\$150,000
Mr. Cai Chun Fai	HK\$150,000

- Each of our executive Directors has entered into a service contract with our Company and each of our independent non-executive Director has entered into a letter of appointment with our Company, in all cases for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice

served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and Articles.

4. Agency fees or commissions received

Save as disclosed in the paragraph headed “Underwriting — Commission and expenses” in this prospectus, none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 32 to the Accountants’ Report of our Company set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be issued under the Offer Size Adjustment Option or upon the exercise of options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed “A. Further information about our Group” in this appendix, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Capitalisation Issue and the Placing, have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (b) none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the GEM;
- (c) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

- (e) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective associates or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group which cannot be terminated by the employer within one year without payment of compensation (other than statutory compensation); and
- (h) no remuneration or other benefits in kind had been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 21 July 2016. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by the sole Shareholder on 21 July 2016:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group.

(ii) Who may join

Our Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants (the “**Eligible Participants**”), to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of our Company, any of its subsidiaries (the “**Subsidiaries**”) or any entity (the “**Invested Entity**”) in which our Group holds an equity interest (the “**Eligible Employee**”);

- (bb) any non-executive directors (including independent non-executive directors) of our Company, any Subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of our Group or any Invested Entity;
- (dd) any customer of any member of our Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' option as to his contribution to the development and growth of our Group.

(iii) Maximum number of Shares

- (aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not exceed 30% of the issued share capital of our Company from time to time.
- (bb) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10.0% of the Shares in issue on the day on which dealings in the Shares first commence on GEM (i.e. not exceeding 200,000,000 Shares) (the "**General Scheme Limit**").
- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group shall not exceed 10.0% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

- (dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to Eligible Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

(iv) Maximum entitlement of each participant

Subject to (v) (bb) below, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1.0% of the issued share capital of our Company for the time being (the "**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of our Company with such participant and his close associates (or his associates, if such participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 23.03(9) of the GEM Listing Rules.

(v) Grant of options to connected persons

- (aa) Without prejudice to (v)(bb) below, any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates (as defined under the GEM Listing Rules) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed grantee of the options).
- (bb) Without prejudice to (v)(aa) above, where any grant of options to a substantial Shareholder of our Company or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- i. representing in aggregate over 0.1% of the Shares in issue; and
 - ii. having an aggregate value, based on the closing price of the Shares at the date of the offer of grant of each offer of the grant of options, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders of our Company in general meeting. Our Company must send a circular to the Shareholders. All proposed grantee, its associates and core connected persons of our Company must abstain from voting at such general meeting. Any change in the terms of options

granted to a substantial shareholder or an independent non-executive director of our Company or any of their respective associates must be approved by the Shareholders of our Company in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

A consideration of HK\$1.0 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

- (aa) Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank pari passu in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the name of the grantee on the register of members of our Company as the holder thereof.
- (bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification, reduction or re-construction of the share capital of our Company from time to time.

(x) Restrictions on the time of grant of options

No offer for grant of options shall be made after inside information has come to our knowledge until such information has been announced by our Company in accordance with the requirements of the GEM Listing Rules. In particular, our Company may not make any offer during the period commencing one month immediately preceding the earlier of (aa) the date of the meeting of the Board for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for our Company to publish an announcement of its results for any year or half-year (under the GEM Listing Rules), or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the announcement of the results.

Our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in subparagraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation or termination and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation or termination, which will be taken to be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent or serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which

in the opinion of our Directors does not bring the grantee or any member of our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If our Directors shall at their absolute discretion determine that (aa) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (bb) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) the grantee could no longer make any contribution to the growth and development of any member of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever, then the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (aa), (bb) or (cc) above.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of our Company. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to shareholders in our Company, a grantee shall, notwithstanding any other terms on which his options were granted, be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by Eligible Participants

If the grantee is a company wholly owned by one or more Eligible Participants:

- (i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options granted to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of authorised share capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital (as interpreted in accordance with the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers in relation to share option schemes) to which he was entitled to subscribe prior to such adjustment; (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iv) any adjustment must be made in compliance with the GEM Listing Rule and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the GEM Listing Rules and such other applicable guidance and/or interpretation of the GEM Listing Rules from time to time issued by the Stock Exchange, including but not limited to the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers in relation to share option schemes.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of our Directors. When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii)(cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period for exercise of the options referred to in paragraph (vi);
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi) and (xvii); and
- (cc) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) by the grantee in respect of that or any other options.

(xxiv) Others

- (aa) The Share Option Scheme is conditional on the Listing Division granting the listing of and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders of our Company in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules, the "Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note Immediately After the Rule" set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 and other relevant guidance of the Stock Exchange.
- (ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders of our Company in general meeting.

(b) Present status of the Share Option Scheme***(i) Approval of the Stock Exchange required***

The Share Option Scheme, which complies with Chapter 23 of the GEM Listing Rules, is conditional on the Listing Division granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

We have applied to the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION**1. Tax and other indemnities**

Mr. Wong and Fortune Round (collectively, the “Indemnifiers”) have, under a deed of indemnity referred to in paragraph (m) of the subsection headed “Summary of material contracts” in this appendix, given joint and several indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things, (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Placing becomes unconditional; or (ii) in respect of or in consequence of any transaction, act, omission or thing entered into or occurring or deemed to enter into or occur on or before the date on which the Placing becomes unconditional; and (b) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of

our Group in relation to events occurred on or before the date on which the Placing becomes unconditional. The Indemnifiers will, however, not be liable under the deed of indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited combined accounts of our Company for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Placing becomes unconditional; or
- (c) the taxation liability caused by act or omission of, or transaction voluntarily effected by, any members of our Group in the ordinary course of business after the date on which the Placing becomes unconditional.

Our legal advisers on Cayman Islands law advised our Directors that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Our Directors confirm that as at the Latest Practicable Date, our Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. The Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the exercise of the Offer Size Adjustment Option.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

The Sole Sponsor's fee in relation to the Listing is HK\$7,100,000.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$46,878 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualification
RaffAello Capital Limited	A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity as defined under the SFO
Broad & Bright	PRC attorneys-at-law
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
HLB Hodgson Impey Cheng Risk Advisory Services Limited	Internal control adviser
Maples and Calder	Cayman Islands attorneys-at-law
Edwin Yeung & Company (CPA) Limited	Tax adviser
Mr. Chan Chung	Barrister-at-law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry Consultant

7. Consents of experts

Each of RaffAello Capital Limited, Broad & Bright, HLB Hodgson Impey Cheng Limited, HLB Hodgson Impey Cheng Risk Advisory Services Limited, Maples and Calder, Edwin Yeung & Company (CPA) Limited, Mr. Chan Chung and Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. has given and has not withdrawn its written consents to the issue of this prospectus, with the inclusion of its letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which they respectively appear.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Registration procedures

Maples Fund Services (Cayman) Limited will maintain the principal register of members of our Company in the Cayman Islands and Tricor Investor Services Limited will maintain a branch register of members of our Company in Hong Kong. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. We have made all necessary arrangements to enable the Shares to be admitted into CCASS.

10. No material adverse change

Our Directors confirm that there had been no material adverse change in the financial or trading position or prospects of our Company or its subsidiaries since 31 March 2016 (being the date to which the latest audited financial statements of our Group were made up) and up to the Latest Practicable Date.

11. Taxation of holders of Shares**(a) Hong Kong**

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

We recommend intending holders of the Shares to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Placing accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

12. Miscellaneous**(a) Save as disclosed in this prospectus:**

- (i) Within the two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or loan capital of our Company or shares of any of our subsidiaries;
 - (dd) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and

- (ee) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option.
- (ii) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
- (iii) none of RaffAello Capital Limited, Broad & Bright, HLB Hodgson Impey Cheng Limited, HLB Hodgson Impey Cheng Risk Advisory Services Limited, Maples and Calder, Edwin Yeung & Company (CPA) Limited, Mr. Chan Chung and Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.:
- (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
- (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
- (iv) our Company and its subsidiaries did not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (v) our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Companies Law;
- (vi) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (vii) our Group has no outstanding convertible debt securities; and
- (viii) the English text of this prospectus shall prevail over the Chinese text.

13. Bilingual document

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the written consents referred to in the paragraph headed “Statutory and General Information — E. Other information — 7. Consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to in the paragraph headed “Statutory and General Information — B. Further information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of CFN Lawyers at 27th Floor, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, the text of which is set out in Appendix II to this prospectus;
- (d) the audited statutory financial statements of the companies comprising our Group for each of the two financial years ended 31 March 2016;
- (e) the material contracts referred to in the paragraph headed “Statutory and General Information — B. Further information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (f) the service agreements referred to in the paragraph headed “Statutory and General Information — C. Further information about substantial Shareholders, Directors and experts — 2. Particulars of service contracts” in Appendix IV to this prospectus;
- (g) the rules of the Share Option Scheme referred to in the paragraph headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus;
- (h) the written consents referred to in the paragraph headed “Statutory and General Information — E. Other information — 7. Consents of experts” in Appendix IV to this prospectus;
- (i) the tax opinion issued by Edwin Yeung & Company (CPA) Limited;
- (j) the legal opinions prepared by our Legal Counsel;
- (k) the letter of advice prepared by Broad & Bright;
- (l) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.;
- (m) the Cayman Companies Law; and
- (n) the letter prepared by Maples and Calder summarising certain aspects of the Cayman Islands company law and taxation referred to in Appendix III to this prospectus.

Royal Catering Group Holdings Company Limited
皇璽餐飲集團控股有限公司