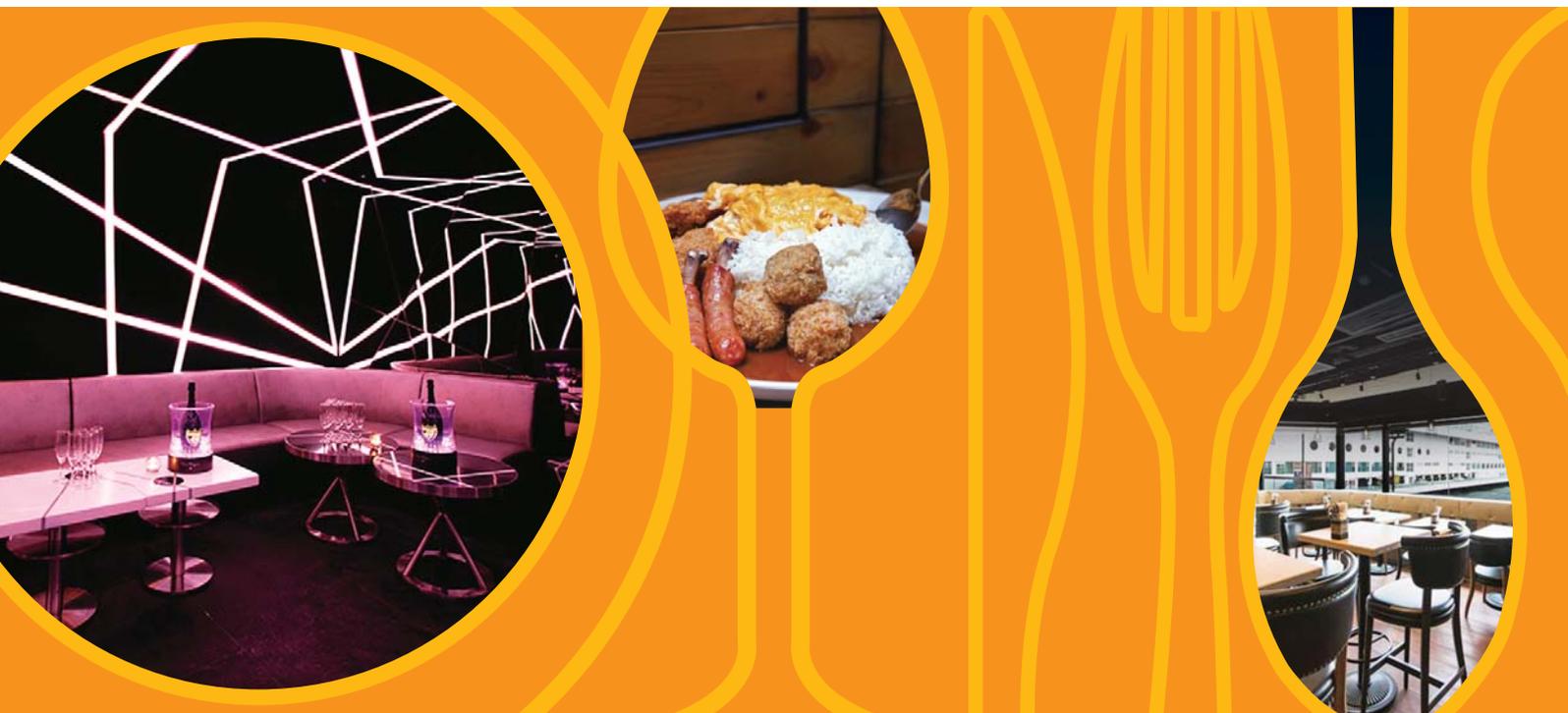


BCI Group Holdings Limited 高門集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8412



SHARE OFFER

Sponsor



Sole Bookrunner



Joint Lead Managers



IMPORTANT

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

BCI Group Holdings Limited 高門集團有限公司

(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 SHARE OFFER

Number of Offer Shares : 200,000,000 Shares
Number of Placing Shares : 180,000,000 Shares (subject to re-allocation)
Number of Public Offer Shares : 20,000,000 Shares (subject to re-allocation)
Offer Price : Not more than HK\$0.35 per Offer Share
and expected to be not less than HK\$0.25 per
Offer 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 in Hong Kong dollars and
subject to refund)
Nominal Value : HK\$0.01 per Share
Stock Code : 8412

Sponsor



Sole Bookrunner



Joint Lead Managers



Co-Managers



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, having attached thereto the documents specified in "Documents delivered to the Registrar of Companies" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) 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 documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or about Thursday, 30 March 2017 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company may agree. The Offer Price will be not more than HK\$0.35 and is currently expected to be not less than HK\$0.25, unless otherwise announced. Subscribers for the Offer Shares are required to pay, on subscription, the Offer Price for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to any necessary rounding.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with our Company's consent, reduce the number of Offer Shares being offered under the Share Offer and/or reduce the indicative Offer Price range stated in this prospectus at any time prior to the Price Determination Date. In such a case, notices of such reduction will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.bciigroup.com.hk as soon as practicable but in any event not later than the Price Determination Date. Further details are set out in "Structure and Conditions of the Share Offer".

If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to agree on the Offer Price on or before the Price Determination Date, the Offer Price will be HK\$0.25.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including the risk factors set out in "Risk Factors".

Pursuant to the termination provisions contained in the Public Offer Underwriting Agreement, the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) have the right in certain circumstances to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be Friday, 7 April 2017). Further details of these termination provisions are set out in "Underwriting". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with Regulation S of the U.S. Securities Act.

24 March 2017

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information and dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at www.hkexnews.hk in order to obtain up-to-date information on GEM listed issuers.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.bcigroup.com.hk.

	2017 ^(Note 1)
Application Lists open ^(Note 2)	11:45 a.m. on Wednesday, 29 March
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Wednesday, 29 March
Latest time for giving electronic application instructions to HKSCC ^(Note 3)	12:00 noon on Wednesday, 29 March
Application Lists close ^(Note 2)	12:00 noon on Wednesday, 29 March
Expected Price Determination Date ^(Note 4)	Thursday, 30 March
(1) Announcement of the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares	Thursday, 6 April
(2) Results of allocations in the Public Offer (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for Public Offer Shares — 10. Publication of results" from	Thursday, 6 April
(3) A full announcement containing (1) and (2) above to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.bcigroup.com.hk ^(Note 5) from	Thursday, 6 April
Results of allocations in the Public Offer will be available at www.ewhiteform.com.hk/results with a "search by ID" function from	Thursday, 6 April
Despatch of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before ^(Notes 6 and 8)	Thursday, 6 April
Despatch of refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before ^(Notes 7 and 8)	Thursday, 6 April
Dealings in the Shares on GEM expected to commence at 9:00 a.m. on	Friday, 7 April

Notes:

1. All times and dates refer to Hong Kong local time and date. If there is any change of the above expected timetable, a separate announcement will be made by our Company on the Stock Exchange's website and our Company's website accordingly.
2. If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 29 March 2017, the Application Lists will not open or close on that day. See "How to Apply for Public Offer Shares — 9. Effect of bad weather on the opening of the Application Lists". If the Application Lists do not open and close on Wednesday, 29 March 2017, the dates mentioned in this section may be affected.
3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to "How to Apply for Public Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS".

EXPECTED TIMETABLE

4. The Offer Price is expected to be determined on or about this date, being Thursday, 30 March 2017 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company may agree. If the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before the Price Determination Date, the Offer Price will be HK\$0.25.
5. None of our Company's website or any of the information contained in our Company's website forms part of this prospectus.
6. Share certificates will only become valid at 8:00 a.m. on Friday, 7 April 2017 provided that the Share Offer has become unconditional in all respects and none of the Underwriting Agreements has been terminated in accordance with their respective terms. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated in accordance with their respective terms, we will make an announcement as soon as possible.
7. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.
8. Applicants who have applied on **WHITE** Application Forms for 1,000,000 Shares or more and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong on Thursday, 6 April 2017. Applicants being individuals who are eligible for personal collection must not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the company's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to the Hong Kong Branch Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more and have provided all information required by the Application Form may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to their or the designated CCASS Participant's stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Public Offer Shares — 13. Despatch/collection of Share certificates and refund monies — Personal collection — (iii) If you apply via **electronic application instructions** to HKSCC" for details.

Applicants who have applied for 1,000,000 Public Offer Shares or more but do not collect their Share certificates (if applicable) and/or refund cheques, the Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' own risk, to the addresses specified in the relevant applications on or before Thursday, 6 April 2017.

Further information is set out in "How to Apply for Public Offer Shares — 12. Refund of application monies" and "How to Apply for Public Offer Shares — 13. Despatch/collection of Share certificates and refund monies".

The above expected timetable is a summary only. You should refer to "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" for details of the structure of the Share Offer, including the conditions of the Share Offer, and the procedures for application for the Public Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

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

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong, You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Public Offer is made solely on the basis of the information contained and the representations made in this prospectus. Our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any of our or their respective directors, advisers, officers, employees, agents, affiliates and/or representatives or any other persons or parties involved in the Share Offer. The information contained on our website at www.bcigroup.com.hk does not form part of this prospectus.

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SUMMARY

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 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 this prospectus in its entirety before you decide to invest in the Offer Shares.

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

OVERVIEW

We are a food and beverage and entertainment group based in Hong Kong that owns and operates two night entertainment clubs, namely Volar and Fly; and three restaurants focusing on Japanese-style curry dishes under our proprietary “Tiger” brand. According to the F&S Report, we were one of the leading market players in the clubbing market in Hong Kong in terms of revenue for the year ended 31 May 2016 with a market share of approximately 10.6% and Volar is internationally recognised. In May 2016, Volar was awarded “Asia’s Best Club” by the Asian Club and Bar Association. In December 2016, Volar and Fly were awarded “Quality Bar Label Award” by the Hong Kong Bar & Club Association.

We position our two clubs strategically to cover different segments of the night entertainment club market. Volar targets customers with strong spending power and aims to provide a premium clubbing experience, while Fly aims to appeal to the younger white collar professionals and university students and graduates and provide a high-end clubbing experience.^(Note) Volar is situated in Lan Kwai Fong, a night entertainment district in Hong Kong. Fly is also located in Central. In July 2013, we acquired Group Best (HK) (the operating company of Volar) from a company that Mr. Kester Ng and his associates had an effective ownership of 16.73%. In November 2015, we acquired 55.5% and an aggregate of 44.5% interests of Grand Diamond (the operating company of Fly) from (i) a company that Mr. Kester Ng’s associate had an effective ownership of 12.26%; and (ii) certain Independent Third Parties, respectively.

Our three “Tiger” branded restaurants are aimed at mass market customers. Tiger Curry and Tiger Curry & Cafe are casual dining restaurants while our Tiger Curry Jr. is a quick service restaurant. We seek to distinguish ourselves from other local casual dining and quick service restaurant concepts by creating food menus centred on Japanese-style curry dishes yet at the same time also offer a variety of other Japanese dishes with broad appeal. All of our restaurants are strategically located in prime areas.

The table below sets forth a breakdown of our revenue by principal business activity for the periods.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Clubbing operations	62,082	92.1	72,851	82.0	18,707	79.5	24,240	79.2
Restaurant operations	5,305	7.9	16,019	18.0	4,812	20.5	6,373	20.8
Total	67,387	100.0	88,870	100.0	23,519	100.0	30,613	100.0

Note: Customer base is determined by the estimated average spending of a customer. Premium refers to an estimated average spending of a customer of around HK\$500 and high-end refers to an estimated average spending of a customer of around HK\$300.

SUMMARY

The table below sets forth a breakdown of our revenue by outlet for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Revenue (HK\$'000)	% of total revenue (%)	Revenue (HK\$'000)	% of total revenue (%)	Revenue (HK\$'000) (Unaudited)	% of total revenue (%)	Revenue (HK\$'000)	% of total revenue (%)
Volar ^(Note)	62,082	92.1	62,748	70.6	18,707	79.5	19,726	64.4
Fly	—	—	10,103	11.4	—	—	4,514	14.8
Tiger Curry	5,208	7.8	6,044	6.8	2,294	9.8	1,960	6.4
Tiger Curry Jr.	97	0.1	4,982	5.6	1,548	6.6	2,003	6.5
Tiger Curry & Cafe	—	—	4,993	5.6	970	4.1	2,410	7.9
Total	67,387	100.0	88,870	100.0	23,519	100.0	30,613	100.0

Note: For the two years ended 31 May 2016 and the four months ended 30 September 2016, the profit before income tax expense of Volar amounted to approximately HK\$9.6 million, HK\$10.2 million and HK\$1.7 million, representing approximately 111.7%, 97.7% and 97.7% of the profit before income tax expense of our Group (after excluding the non-recurring Listing expenses of approximately HK\$8.2 million incurred during the four months ended 30 September 2016), respectively. The profit contribution from Volar to our Group exceed 100% for the year ended 31 May 2015 as we incurred lost mainly in our restaurant operations during the year.

The table below sets forth a breakdown of our revenue generated from our clubbing operations by service for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Revenue (HK\$'000)	% of revenue from clubbing operations (%)	Revenue (HK\$'000)	% of revenue from clubbing operations (%)	Revenue (HK\$'000) (Unaudited)	% of revenue from clubbing operations (%)	Revenue (HK\$'000)	% of revenue from clubbing operations (%)
Gross sales of beverage	65,341	105.2	78,188	107.3	20,645	110.3	26,031	107.4
Less: sales discount	(9,654)	(15.5)	(11,568)	(15.9)	(3,389)	(18.1)	(4,382)	(18.1)
Net sales of beverage ^(Note)	55,687	89.7	66,620	91.4	17,256	92.2	21,649	89.3
Entrance fee income	4,503	7.3	3,220	4.4	649	3.5	1,124	4.6
Sponsorship income	896	1.4	1,652	2.3	502	2.7	1,069	4.4
Others	996	1.6	1,359	1.9	300	1.6	398	1.7
Total	62,082	100.0	72,851	100.0	18,707	100.0	24,240	100.0

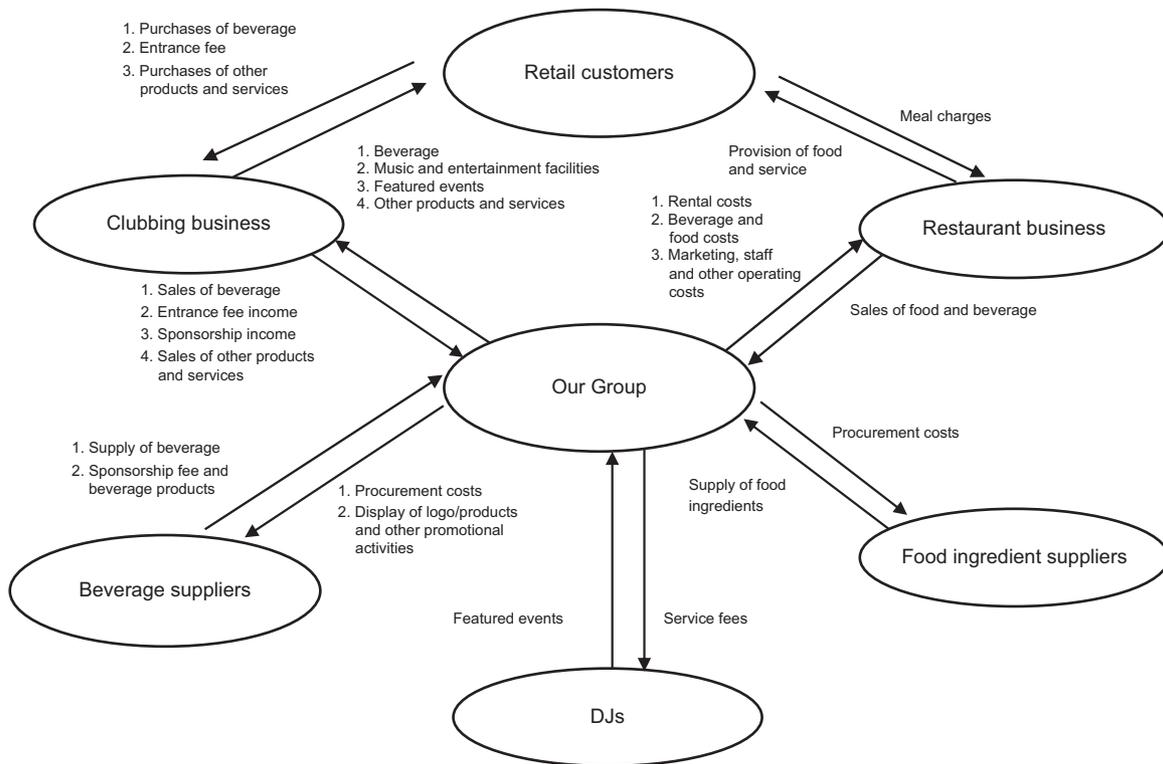
Note: According to the Hong Kong Accounting Standard (“HKAS”) 18 – Revenue, the amount of revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity. Therefore, sales of beverage of our Group were accounted for net of sales discounts.

SUMMARY

7. We submitted an application for renewal of the licence in December 2016. As at the Latest Practicable Date, the liquor licensing board had agreed to issue a renewed licence from 23 April 2017 to 22 January 2018.
8. As at the Latest Practicable Date, we had obtained a renewed licence for the period from 1 April 2017 to 31 March 2019.
9. We pay an aggregate of basic rent and turnover rent under the current tenancy agreement with the landlord. For details of the tenancy agreement, see “Business — Properties”.
10. We may not be able to renew the lease on terms commercially acceptable to us given the continuing rising rents in the past 11 years in respect of the premises where Volar has been operating. The rentals during the period from August 2004 to August 2008 were lower, which we believe were due to the effect of SARS in 2003 which generally caused difficulties for landlords in entering into or renewing leases in the property market in Hong Kong. During the period from August 2008 to August 2011, the rental was significantly higher, with an increase of approximately 326.9%, as the lease agreement was entered into during a period of active economic activities and before the financial crisis in October 2008. During the period from August 2011 to March 2013, the rental remained at a similar level, with an increase of approximately 34.2%, which we believed reflected the picking up of the economy and the then market rate. During the period from April 2013 to March 2016, the rental remained at a similar level, with an increase of approximately 20.4%, which we believed reflected the then market rate. The rental for the period from April 2016 to March 2019 remains unchanged. For the associated risk, see “Risk Factors — Risks relating to our business — We lease or license all the properties on which our outlets operate. Any failure to secure renewal of leases or licences on commercially acceptable terms or at all could adversely affect our growth prospects and business condition. We are also exposed to the commercial real estate rental market, including unpredictable and potentially high rental costs and competition for prime locations.”
11. We have an option to extend one more year subject to the terms agreed by both parties. Based on the existing circumstances as at the Latest Practicable Date, we will exercise the option to renew the current licence upon expiry.

BUSINESS MODEL

The diagram below illustrates our business model.



SUMMARY

OUR COST STRUCTURE

The following table presents the summary of our cost structure for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Cost	% of total cost	Cost	% of total cost	Cost	% of total cost	Cost	% of total cost
	(HK'000)	(%)	(HK'000)	(%)	(HK'000) (Unaudited)	(%)	(HK'000)	(%)
Cost of inventories sold	13,300	22.5	18,172	23.0	4,905	21.6	5,910	15.9
Property rentals and related expenses	16,066	27.1	20,919	26.5	6,274	27.6	7,748	20.9
Advertising and marketing expenses	11,278	19.0	11,709	14.8	3,363	14.8	3,684	9.9
Employee benefits expenses	7,656	12.9	13,068	16.5	3,514	15.4	5,929	16.0
Depreciation	3,472	5.9	4,199	5.3	1,294	5.7	1,436	3.9
Listing expenses	—	—	—	—	—	—	8,191	22.1
Other expenses	7,478	12.6	10,953	13.9	3,389	14.9	4,201	11.3
Total costs	<u>59,250</u>	<u>100.0</u>	<u>79,020</u>	<u>100.0</u>	<u>22,739</u>	<u>100.0</u>	<u>37,099</u>	<u>100.0</u>

For details, see “Financial Information”.

OUR KEY OFFERINGS

Clubbing operations

Below are key offerings for our clubbing operations:

- **Music and other entertainment facilities:** We play a wide range of music in our clubs on regular operating days. Volar has two dance floors, two DJ booths, one LED screen, a cloakroom and a lighting system which we can preprogramme to enable bands of coloured LED lights to crisscross around the club. Fly has a dance floor, a DJ booth and a LED screen;
- **Featured events:** For the two years ended 31 May 2016 and the four months ended 30 September 2016, we hosted 62, 70 and 17 featured events, respectively. Featured events included night entertainment events (i) headlined by an internationally renowned guest DJ; or (ii) based on festive and holiday themes such as Christmas, New Year’s Eve and Valentine’s Day. We believe that our featured events enhance the high-end image of our clubs, increase customer traffic and increase our overall revenue;
- **Beverage products:** We offer a variety of beverage products in our clubs. Our customers tend to order high priced alcoholic beverages such as Champagne, spirits and cocktails and liqueurs as opposed to wine, beer and soft drinks; and
- **Prepaid beverage packages:** We offer prepaid beverage package to our customers with a membership card which entitles them to discounts and other benefits and privileges.

For details, see “Business — Our clubs — Our key offerings”.

Restaurant operations

Below are menu offerings for our restaurant operations:

- **Tiger Curry:** the menu is themed around our popular Japanese curry sauce. We currently offer around 18 curry dishes on our menu. We also offer a wide variety of snacks and appetisers, including grilled sausages and Japanese-style dumplings;

SUMMARY

- *Tiger Curry Jr.*: the menu offers our popular curry dishes at more affordable prices which cater to the needs of working customers seeking for quality food; and
- *Tiger Curry & Cafe*: the restaurant provides an all-day dining menu and more non-curry Japanese-style dishes.

SUPPLIERS AND CUSTOMERS

For the two years ended 31 May 2016 and the four months ended 30 September 2016, we purchased from 56, 83 and 71 beverage and food ingredient suppliers, respectively. We also engaged external licensing consultant, cleaning and pest control company, security company, ticketing agent and public relations agencies. Purchases from our five largest suppliers for the two years ended 31 May 2016 and the four months ended 30 September 2016 were approximately HK\$10.7 million, HK\$12.4 million and HK\$4.3 million, respectively, representing approximately 82.7%, 70.2% and 67.7% of our total purchases, respectively. Purchases from our largest supplier for the two years ended 31 May 2016 and the four months ended 30 September 2016 were approximately HK\$8.4 million, HK\$9.4 million and HK\$3.3 million, respectively, representing approximately 65.0%, 53.4% and 51.5% of our total purchases, respectively. For details, see “Business — Suppliers”. We generate sponsorship income mainly from beverage suppliers. For the two years ended 31 May 2016 and the four months ended 30 September 2016, our sponsorship income represented approximately 1.3%, 1.9% and 3.5% of our total revenue, respectively.

During the Track Record Period, our largest supplier was Moët Hennessy Diageo Hong Kong Limited (“MHD”). According to the F&S Report, the top two best-selling Champagne brands in Hong Kong were Moët & Chandon and Veuve Clicquot which accounted for a total of 48.2% of the entire Champagne market in Hong Kong in 2015. MHD distributes premium brands such as Moët & Chandon and Veuve Clicquot in Hong Kong as the sole distributor and has exclusive right over such Champagne brands. We source Moët & Chandon and Veuve Clicquot from MHD.

Given that we are free to purchase beverage products and other Champagne brands from other suppliers and distributors and MHD is generally the supplier of the majority of market players, according to the F&S Report, our Directors are of the view that our reliance on MHD would not impact our suitability for the Listing. See “Business — Suppliers — Relationship with MHD”.

Due to the nature of our business, our customers are mainly retail customers from the general public and we did not rely on any single customer during the Track Record Period.

INDUSTRY AND MARKET

There were a total of 47 clubs in Hong Kong in 2015, with 21 located in Central, according to the F&S Report. The market size of the clubbing market in terms of total revenue in Hong Kong increased steadily with a moderate growth from 2010 to 2015 at a CAGR of 3.1%. Although a high percentage of the clubs are geographically concentrated in Central, the clubbing market in Hong Kong is fragmented with a number of smaller clubs present. Primarily, the premium clubs are located in prime districts in Hong Kong such as Lan Kwai Fong in Central. The market is now well-established and the players in the market are eager to sustain their market share and to eliminate weaker and poor performing players.

As at 31 December 2015, there were approximately 5,500 and 4,000 casual dining and quick service restaurants in Hong Kong, according to the F&S Report. Casual dining restaurants recorded a higher growth in terms of revenue from 2010 to 2015 at a CAGR of 4.9% and quick service restaurants had also maintained the growing trend during 2010 to 2015. According to the F&S Report, the restaurant market in Hong Kong is highly fragmented with a large number of operators. Majority of restaurants are set up by individual operators while some catering groups are operating chains and different brands of restaurants, especially in quick service and casual dining sectors.

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COMPETITIVE STRENGTHS

We believe that the following competitive strengths of us have contributed to our success: (i) leading position with strong brand recognition; (ii) well-designed clubs and restaurants in prime locations with diverse offerings; (iii) established relationships with our major suppliers; and (iv) experienced management team with industry knowledge.

BUSINESS STRATEGIES

We intend to pursue the following key business strategies: (i) continue to expand and diversify our outlet network by establishing sports-themed bars and expanding our restaurant network under our “Tiger” brand; and (ii) upgrade our club facilities.

RISK FACTORS

There are certain risks involved in our operations and in connection with the Share Offer, many of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to the Share Offer; and (iv) risks relating to the statements made in this prospectus and from other sources. These risk factors are further described in “Risk Factors”. Set forth below are some of the major risks that could materially and adversely affect us:

- We experienced net current liabilities during the Track Record Period.
- If our expansion plan proves 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 derive a substantial portion of our revenue from Volar. Any significant operational or other difficulties in the business at or from Volar may reduce, disrupt or halt our operation and business at the premises.
- Tiger Curry Jr., Tiger Curry & Cafe and Fly have a short operating history in our Group and our multi-brand strategy may not be successful.
- We lease or license all the properties on which our outlets operate. Any failure to secure renewal of leases or licences on commercially acceptable terms or at all could adversely affect our growth prospects and business condition. We are also exposed to the commercial real estate rental market, including unpredictable and potentially high rental costs and competition for prime locations.
- Our current outlet locations may become unattractive, and attractive new locations may not be available for a commercially reasonable price, if at all.
- The availability and price fluctuations of beverage and food ingredients could adversely affect our margins, business and results of operations.
- Our purchases from our largest supplier accounted for a majority of our total purchases throughout the Track Record Period. If our arrangements with our largest supplier is terminated, interrupted, or adversely modified, our business, financial condition and results of operations could be adversely affected.

SHAREHOLDERS' INFORMATION

Immediately following the completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, our Company will be owned as to approximately 46.44% by Aplus, which is

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wholly owned by Mr. Kester Ng. As Aplus and Mr. Kester Ng 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 Aplus and Mr. Kester Ng will be regarded as our Controlling Shareholder under the GEM Listing Rules. For details, see “Relationship with Controlling Shareholders”.

On 22 July 2016, our Pre-IPO Investors, Perfect King and Jubilee Success subscribed for 250 Shares (representing 2.5% of the enlarged issued share capital of our Company, taking into account the 600 new Shares allotted and issued by our Company to Jubilee Success) and 600 Shares (representing 6.0% of the enlarged issued share capital of our Company, taking into account the 250 new Shares allotted and issued by our Company to Perfect King), respectively, at the subscription price of HK\$1.5 million and HK\$3.6 million, respectively. Immediately following the completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, our Company will be owned as to approximately 1.88% and 4.5% by Perfect King and Jubilee Success, respectively. The total proceeds from the Pre-IPO Investments were HK\$5,100,000 which were partially utilised for the payment of three months’ deposit for a standalone restaurant in Tsing Yi and general working capital. The remaining portion will be utilised for setting up a food court restaurant in Mong Kok, which is expected to commence operation in the first half of 2017. For details, see “History, Reorganisation and Corporate Structure — Pre-IPO Investments”.

REMUNERATION POLICY

For the two years ended 31 May 2016 and the four months ended 30 September 2016, the aggregate amount of remuneration paid or payable by our Group to our Directors was approximately HK\$240,000, HK\$240,000 and HK\$199,000, respectively. It is estimated that, under the arrangements currently in force, the aggregate remuneration (excluding any discretionary bonus) payable by our Group to our Directors for the year ending 31 May 2017 will be approximately HK\$0.9 million. For details of our remuneration policy, see “Directors and Senior Management — Remuneration policy”.

MAJOR ACQUISITION DURING THE TRACK RECORD PERIOD

We acquired Grand Diamond, the operating company of Fly, in November 2015. For details, see “History, Reorganisation and Corporate Structure — Corporate development — Our corporate history — Grand Diamond”.

MAJOR NON-COMPLIANCES

During the Track Record Period and up to the Latest Practicable Date, we had the following major non-compliance incidents: (i) operation of Tiger Curry without obtaining the full general restaurant licence for a specific period when the provisional restaurant licence had expired; (ii) failure to obtain the water pollution control licences for our clubbing and restaurant operations for a specific period; (iii) failure to file Form IR56E for our employees in time; and (iv) contravention of a condition of the liquor licence of Volar. For details of our non-compliances, see “Business — Litigation and compliance”.

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KEY FINANCIAL INFORMATION AND OPERATIONAL DATA

The following is a summary of our consolidated results for the periods indicated, which has been extracted from the Accountant's Report.

Key income statement information

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i> <i>(Unaudited)</i>	<i>(HK\$'000)</i>
Revenue	67,387	88,870	23,519	30,613
Profit/(loss) before income tax expense	8,569	10,407	924	(6,414)
Profit/(loss) and total comprehensive income/(expense) for the year/period	7,099	8,384	631	(6,775)

Our total revenue increased by approximately 31.9% from approximately HK\$67.4 million for the year ended 31 May 2015 to approximately HK\$88.9 million for the year ended 31 May 2016. Such increase was mainly due to (i) the revenue contributed by Fly, which came under our operation through acquisition in November 2015, of approximately HK\$10.1 million; (ii) the increase in revenue from restaurant operations of approximately HK\$10.7 million due to the commencement of operation of Tiger Curry Jr. and Tiger Curry & Cafe in May 2015 and July 2015, respectively; and (iii) the revenue growth from Tiger Curry by approximately HK\$0.8 million for the year ended 31 May 2016 as compared to the year ended 31 May 2015.

Our total revenue increased by approximately 30.2% from approximately HK\$23.5 million for the four months ended 30 September 2015 to approximately HK\$30.6 million for the four months ended 30 September 2016. Such increase was mainly due to (i) the revenue contributed by Fly of approximately HK\$4.5 million; and (ii) the increase in revenue from restaurant operations of approximately HK\$1.6 million mainly as a result of our full-period operation of Tiger Curry & Cafe which commenced business on 30 July 2015.

The profit and total comprehensive income for the year increased by approximately HK\$1.3 million, or 18.1%, from approximately HK\$7.1 million for the year ended 31 May 2015 to approximately HK\$8.4 million for the year ended 31 May 2016. Such increase was mainly due to the increase in revenue mitigated by the rising operating expenses as a result of the operations of Fly, Tiger Curry Jr. and Tiger Curry & Cafe during the year ended 31 May 2016. The profit and total comprehensive income for the year decreased from approximately HK\$0.6 million for the four months ended 30 September 2015 to loss for the period of approximately HK\$6.8 million for the four months ended 30 September 2016. Excluding the non-recurring Listing expenses of approximately HK\$8.2 million, the profit and total comprehensive income would increase by approximately HK\$0.8 million to approximately HK\$1.4 million for the four months ended 30 September 2016.

Key balance sheet information

	As at 31 May		As at 30 September
	2015	2016	2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Non-current assets	12,611	19,003	19,103
Current assets	17,403	20,677	16,002
Current liabilities	(25,793)	(25,519)	(22,030)
Net current liabilities	(8,390)	(4,842)	(6,028)
Total equity	3,590	11,974	10,924

Our net current liabilities position decreased by approximately HK\$3.6 million from approximately HK\$8.4 million as at 31 May 2015 to approximately HK\$4.8 million as at 31 May 2016. Such decrease was

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mainly due to an increase in cash and cash equivalents of approximately HK\$14.6 million as a result of the profit generated from our operating activities and the settlements from our related companies of approximately HK\$8.8 million during the year ended 31 May 2016.

Our net current liabilities position increased by approximately HK\$1.2 million from approximately HK\$4.8 million as at 31 May 2016 to approximately HK\$6.0 million as at 30 September 2016. Such increase was mainly due to (i) a decrease in the cash and cash equivalents of approximately HK\$8.2 million mainly as a result of the payment of non-recurring Listing expenses; and (ii) an increase in trade and other payables of approximately HK\$1.3 million resulting from accruals for Listing expenses. For further details regarding our net current liabilities position, see “Financial Information — Net current liabilities”.

Selected cash flow items

	Year ended 31 May		Four months ended 30 September	
	2015 (HK\$'000)	2016 (HK\$'000)	2015 (HK\$'000) (Unaudited)	2016 (HK\$'000)
Operating cash flows before movements in working capital	12,041	14,481	2,218	(4,978)
Net movement in working capital	(970)	717	(271)	(2,623)
Net cash generated from/(used in) operating activities	11,137	15,198	1,947	(7,601)
Net cash (used in)/generated from investing activities	(8,299)	1,938	(4,350)	(517)
Net cash (used in)/generated from financing activities	(1,629)	(2,558)	2,020	(99)
Net increase/(decrease) in cash and cash equivalents	1,209	14,578	(383)	(8,217)

We recorded net cash inflow from operating activities and net increase in cash and cash equivalents for the two years ended 31 May 2016. For the four months ended 30 September 2016, we recorded net cash outflow from operation activities and net decrease in cash and cash equivalents, primarily due to (i) the prepayment of Listing expenses; (ii) the prepayment of operating expenses for Fly; (iii) the sponsorship fee and incentive receivables from beverage suppliers; and (iv) the deposit paid for a new standalone restaurant to be opened in Tsing Yi.

We recorded net cash outflows in investing activities for the year ended 31 May 2015 primarily due to (i) purchase of property, plant and equipment which was mainly related to the renovation of Tiger Curry and the opening of Tiger Curry Jr. during the year ended 31 May 2015 and (ii) the increase in advances to related parties. For the year ended 31 May 2016, we recorded net cash inflows from investing activities mainly due to repayment from related companies. For further details regarding the fluctuations in our cash flows, see “Financial Information — Cash flows”.

Key financial ratios

	Year ended 31 May		Four months ended 30 September
	2015 (HK\$'000)	2016 (HK\$'000)	2016 (HK\$'000)
Net profit/(loss) margin before interest and tax (%)	12.7%	11.7%	(21.0)%
Net profit/(loss) margin (%)	10.5%	9.4%	(22.1)%
Return on equity (%)	197.7%	70.0%	N/A
Return on total assets (%)	23.7%	21.1%	N/A
Current ratio	0.7	0.8	0.7
Quick ratio	0.7	0.8	0.7
Gearing ratio (%)	369.7%	77.8%	37.7%

Gearing ratio is calculated based on total debt at the end of the financial year/period divided by total equity attributable to owners of our Company at the end of the financial year/period and multiplied by 100%. Our

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gearing ratio was approximately 369.7%, 77.8% and 37.7% for the two years ended 31 May 2016 and the four months ended 30 September 2016, respectively. Our gearing ratio significantly improved mainly attributable to the repayment to our related parties of approximately HK\$5.2 million and the increase in our equity base as a result of the profit generated from the operation during the four months ended 30 September 2016. For details of fluctuation of key financial ratios, see “Financial Information — Financial ratios”.

Historical accumulated losses

At the beginning of the Track Record Period, we occurred accumulated losses, which was mainly due to (i) the incurrence of pre-opening and salary costs by City Silver, the operating company of Tiger Curry, which contributed only a small portion of revenue to our Group for the year ended 31 May 2014 given that Tiger Curry commenced business on 14 April 2014; and (ii) the incurrence of time for implementation, staff training, and fine tuning of the structure and staff commission during the early launch period of the prepaid beverage package (our then new marketing tool which substantially enhanced our revenue), and pending market assessment and acceptance. We turned from recording loss and negative cash flow from operating activities before working capital changes for the period between 1 August 2013 and 31 May 2014 to recording profit and positive cash flow from operating activities before capital changes for the two years ended 31 May 2016. We acquired Group Best (HK), the operating company of Volar, in July 2013. Although we have started utilising our prepaid beverage package for Volar since then, we had to incur time for implementation and assessment of market acceptance during the early launch period as stated above. For the two years ended 31 May 2016, we recorded an increase in the sales of prepaid beverage package, which we believe was a result of our successful market strategies in promoting the same. For the period from 1 August 2013 to 31 May 2014 and the two years ended 31 May 2016, receipts from sales of prepaid beverage package were approximately HK\$8.5 million, HK\$19.2 million and HK\$21.3 million, respectively and our revenue from the sales of prepaid beverage package was approximately HK\$4.9 million, HK\$18.9 million and HK\$21.5 million, respectively. Our Directors believe that as time went on, our prepaid beverage packages became more popular among our customers. The prepayment utilisation ratio of the prepaid beverage packages (which is calculated by dividing the amount of prepayment utilised and recognised as revenue by the prepayment received for the respective period) increased from approximately 57.8% during the period from 1 August 2013 to 31 May 2014 to approximately 98.5%, 100.9% and 97.6% for the two years ended 31 May 2016 and the four months ended 30 September 2016, respectively. As we record prepaid beverage packages as receipts in advance in the consolidated statements of financial position at the point of receipt and revenue is recognised in the consolidated statements of profit or loss and other comprehensive income based on the effective selling price when relevant beverages are sold to customers from time to time, the higher prepayment utilisation ratio means more net revenue can be recognised for the same year/period.

LISTING EXPENSES

Our Directors are of the view that our financial results for the year ending 31 May 2017 are expected to be adversely affected by, among others, the Listing expenses in relation to the Share Offer, the nature of which is non-recurring. The total Listing fee in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$21.2 million (based on the mid-point of the indicative Offer Price range of HK\$0.30 per Offer Share). Among the estimated total Listing fees, (i) approximately HK\$7.9 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$13.3 million is expected to be recognised as expenses in our consolidated statements of comprehensive income for the year ending 31 May 2017.

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USE OF PROCEEDS AND REASONS FOR LISTING

We estimate that the net proceeds to be received by us from the Share Offer, after deducting the underwriting commission and related expenses payable by our Company in the aggregate amount of approximately HK\$21.2 million, will be approximately HK\$38.8 million (assuming an Offer Price of HK\$0.30 per Offer Share, being the mid-point of the indicative Offer Price range). We intend to apply such net proceeds from the Share Offer as follows:

<u>Use of proceeds</u>	<u>Approximate amount or % of net proceeds</u>
Continue to expand and diversify our outlet network	HK\$23.2 million or 59.8%
Upgrade our club facilities	HK\$14.3 million or 36.8%
Working capital and other general purpose	HK\$1.3 million or 3.4%

The expected timing of the use of proceeds are as follows:

From the Latest Practicable Date to 31 May 2017	• Renovate and refurbish Fly	HK\$4.0 million
For the six months ending 30 November 2017	• Set up a sports-themed bar in Wan Chai, Sheung Wan or Causeway Bay	HK\$8.6 million
	• Set up a standalone restaurant in Tsing Yi	HK\$2.3 million
	• Set up a food court restaurant in Cheung Sha Wan	HK\$0.5 million
For the six months ending 31 May 2018	• Renovate and refurbish Volar	HK\$10.3 million
	• Set up a food court restaurant in Kwun Tong	HK\$0.5 million
For the six months ending 30 November 2018	• Set up a standalone restaurant in Tai Koo Shing	HK\$2.7 million
For the six months ending 31 May 2019	• Set up a sports-themed bar in Wan Chai, Sheung Wan or Causeway Bay	HK\$8.6 million

For details, see “Future Plans and Use of Proceeds”.

Our Directors are of the view that the Listing is beneficial to our future growth and will drive long-term company value for the following reasons: (i) the Listing will facilitate the implementation of our business strategies in the following ways: (a) the net proceeds from the Share Offer will provide us with the necessary financial resources to implement our business strategies as disclosed in “Business — Business strategies”; (b) the Listing will provide additional avenues to raise capital for expansion and other developmental needs; and (c) the listing status will strengthen our market position, enhance our reputation and corporate profile and raise our brand publicity, which we believe would enable us to increase our competitiveness and maintain and expand our customer base; (ii) the Listing will enhance our corporate governance practices including internal control, risk management and audit practices; and (iii) the Listing will improve our ability to recruit, select, motivate and retain key management personnel as well as to expediently and effectually capitalise on any of our business opportunities that may arise.

DIVIDEND

During the Track Record Period and up to the Latest Practicable Date, we did not declare any dividends. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. Our Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. The amount of any dividends to be declared and paid in the future will depend on, among other things, our dividend policy, results of operations, cash flows and financial conditions, operating and capital requirements and other relevant factors. Currently, we do not have any predetermined dividend distribution ratio. For details, see “Financial Information — Dividend and dividend policy”.

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RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

Based on the unaudited financial information of our Group, our revenue for the eight months ended 31 January 2017 was higher than that for the corresponding period in 2016, which was mainly attributable to an increase in revenue from our clubbing operations and restaurant operations as a result of (i) the acquisition of Grand Diamond, the operating company of Fly, in November 2015; and (ii) our full-period operation of Tiger Curry & Cafe which commenced business on 30 July 2015. We recorded a loss before taxation for the eight months ended 31 January 2017, which was mainly due to the expenses incurred for the Listing. Without taking into account of such non-recurring Listing expenses, we would have recorded a profit before taxation for the eight months ended 31 January 2017 at a relatively stable level as compared to that for the corresponding period in 2016.

Prospective investors should note that the financial performance of our Group for the year ending 31 May 2017 is expected to be materially affected by the estimated non-recurring expenses in relation to the Listing and we may even record a loss for the year ending 31 May 2017. Such Listing expenses are a current estimate for reference only and the final amount to be charged to profit and loss account of our Group for the year ending 31 May 2017 and the amount to be deducted from our Group's capital is subject to change.

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects since 30 September 2016, being the date to which our latest audited financial information was prepared, and there had been no event since 30 September 2016 which would materially and adversely affect the information shown in our consolidated financial information included in the Accountant's Report.

OFFER STATISTICS

	Based on a Offer Price of	
	HK\$0.25 per Offer Share	HK\$0.35 per Offer Share
Market capitalisation ^(Note)	HK\$200 million	HK\$280 million
Unaudited pro forma consolidated net tangible assets per Share attributable to owners of our Company ^(Note)	HK\$0.06	HK\$0.08

Note: See "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for details regarding the assumptions and calculation basis used.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set out below.

“Accountant’s Report”	the report of our reporting accountant, the text of which is set out in Appendix I to this prospectus
“Ace Gain”	Ace Gain Limited, a company incorporated in Hong Kong with limited liability on 5 May 2016 and an indirect wholly-owned subsidiary of our Company
“affiliate(s)”	any other persons, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Aplus”	APLUS CONCEPT LIMITED, a company incorporated in the BVI with limited liability on 2 January 2013, which is wholly and beneficially owned by Mr. Kester Ng and a Controlling Shareholder
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s) or where the context so requires, any of them that are used in connection with the Public Offer
“Application Lists”	the application lists used in the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company adopted by resolutions of our Shareholders on 14 March 2017 to take effect on the Listing Date, as amended from time to time, a summary of which is set out in Appendix V to this prospectus
“Bannock Holdings”	BANNOCK HOLDINGS LIMITED, a company incorporated in the BVI with limited liability on 4 February 2014 and an indirect wholly-owned subsidiary of our Company
“BCI Group (BVI)”	BCI Group Holdings (BVI) Limited (formerly known as ALPHA SYSTEM INVESTMENTS LIMITED and Buzz Concepts International Holdings Limited), a company incorporated in the BVI with limited liability on 6 February 2013 and a direct wholly-owned subsidiary of our Company
“BCI Group (HK)”	BCI Group Enterprises Limited (formerly known as Solar Fortune Limited (饒昇有限公司) and Buzz Concepts International Limited), a company incorporated in Hong Kong with limited liability on 28 November 2012 and an indirect wholly-owned subsidiary of our Company
“Board” or “Board of Directors”	the board of Directors
“business day(s)”	any day(s) (other than a Saturday, a Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business
“Buzz Concepts Management”	Buzz Concepts Management (H.K.) Limited, a company incorporated in Hong Kong with limited liability on 17 February 2014 and an indirect wholly-owned subsidiary of our Company
“BVI”	the British Virgin Islands

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“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 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 “Further information about our Company and our subsidiaries — 3. Resolutions in writing of the Shareholders passed on 14 March 2017” in Appendix IV to this prospectus
“CASH”	Composers and Authors Society of Hong Kong Limited
“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
“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 Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China which, for the purpose of this prospectus, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan, unless otherwise specified
“City Silver”	City Silver Limited, a company incorporated in Hong Kong with limited liability on 12 October 2013 and an indirect non-wholly owned subsidiary of our Company
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Law” or “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	BCI Group Holdings Limited (高門集團有限公司), a company incorporated in the Cayman Islands on 19 May 2016 as an exempted company with limited liability
“Controlling Shareholder(s)”	Mr. Kester Ng and Aplus
“Crown Grand”	Crown Grand Limited, a company incorporated in Hong Kong with limited liability on 20 November 2014 and an indirect wholly owned subsidiary of our Company

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“CSI Properties”	CSI Properties Limited (formerly known as Ocean Information Holdings Limited, DCP Holdings Limited and Capital Strategic Investment Limited), a company incorporated in Bermuda with limited liability on 17 December 1991 whose shares are listed on the Main Board of the Stock Exchange (stock code: 497) and a substantial shareholder of our Company
“Deed of Indemnity”	the deed of indemnity dated 14 March 2017 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), particulars of which are set out in “Other information — 16. Estate duty, tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition undertaking dated 14 March 2017 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), particulars of which are set out in “Relationship with Controlling Shareholders — Deed of Non-competition”
“Director(s)”	the director(s) of our Company
“electronic application instruction(s)”	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Public Offer Shares
“Etchers Entertainment”	Etchers Entertainment Ltd, a company incorporated in the BVI with limited liability on 30 May 2013, a Shareholder directly holding approximately 1.0% Shares upon completion of the Share Offer (assuming the options granted or to be granted under the Share Option Scheme are not exercised) and an Independent Third Party
“Fly”	Fly, a night entertainment club situated at G/F, 24-30 Ice House Street, Central, Hong Kong and operating under Grand Diamond
“F&S Report”	an industry expert report commissioned by our Company and prepared by Frost & Sullivan
“Frost & Sullivan”	Frost & Sullivan Limited, a market research and consulting company and an Independent Third Party
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market operated by 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
“Grand Diamond”	Grand Diamond Limited (浩鑽有限公司), a company incorporated in Hong Kong with limited liability on 13 February 2008 and an indirect wholly-owned subsidiary of our Company
“Group Best (BVI)”	Group Best Investment Holdings Limited, a company incorporated in the BVI with limited liability on 26 April 2013 and an indirect wholly-owned subsidiary of our Company

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“Group Best (HK)”	Group Best Investment Limited (聯倡投資有限公司), a company incorporated in Hong Kong with limited liability on 9 July 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 prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries or the business which have since been acquired or carried on by them or their predecessors for the time being
“HK Government”	the Government of Hong Kong
“HK\$”, “HKD” or “Hong Kong dollar(s)”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKASs”	Hong Kong Accounting Standards
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKRIA”	Hong Kong Recording Industry Alliance Limited
“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
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited
“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) of our Company
“Jet Top”	Jet Top Investment Limited (卓德投資有限公司), a company incorporated in Hong Kong with limited liability on 9 April 2013, a Shareholder directly holding approximately 1.29% Shares upon completion of the Share Offer (assuming the options granted or to be granted under the Share Option Scheme are not exercised) and an Independent Third Party
“Joint Ace”	Joint Ace Limited, a company incorporated in Hong Kong with limited liability on 18 March 2015 and an indirect wholly-owned subsidiary of our Company
“Joint Lead Managers”	Lego Securities Limited and Great Roc Capital Securities Limited

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“Jubilee Success”	JUBILEE SUCCESS INVESTMENTS LIMITED, a company incorporated in the BVI with limited liability on 23 June 2016, which is wholly and beneficially owned by Ms. Li Ka Kay, an Independent Third Party, and a Pre-IPO Investor which will directly hold approximately 4.5% Shares upon completion of the Share Offer (assuming the options granted or to be granted under the Share Option Scheme are not exercised)
“kg”	kilogramme
“Lan Kwai Fong”	a night entertainment area in Central which mainly consists of restaurants, clubs and bars along D’Aguilar Street and Lan Kwai Fong
“Latest Practicable Date”	15 March 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus
“Legend Vision”	Legend Vision Limited (新順成有限公司), a company incorporated in Hong Kong with limited liability on 8 April 2015 and an indirect wholly-owned subsidiary of our Company
“Lego Corporate Finance” or “Sponsor”	Lego Corporate Finance Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, acting as the sponsor of the Share Offer
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which dealings in the Shares first commence on GEM, which is expected to be 7 April 2017
“Listing Division”	the listing division of the Stock Exchange
“Litton Global”	LITTON GLOBAL LIMITED, a company incorporated in the BVI with limited liability on 4 February 2014 and an indirect wholly-owned subsidiary of our Company
“Lively World”	LIVELY WORLD LIMITED, a company incorporated in the BVI with limited liability on 2 January 2015 and an indirect wholly-owned subsidiary of our Company
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM and which, for the avoidance of doubt, excludes GEM
“MTR”	mass transit railway in Hong Kong
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, as amended from time to time
“Mr. Kester Ng”	Mr. Ng Shing Joe Kester, the chairman of our Board, an executive Director and a Controlling Shareholder

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“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed for pursuant to the Share Offer, as further described in “Structure and Conditions of the Share Offer — Pricing — Determining the Offer Price”
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Perfect King”	PERFECT KING INVESTMENTS LIMITED (佳皇投資有限公司), a company incorporated in the BVI with limited liability on 4 January 2016, which is wholly and beneficially owned by Mr. Kam Tik Lun, an Independent Third Party, and a Pre-IPO Investor which will directly hold approximately 1.88% Shares upon completion of the Share Offer (assuming the options granted or to be granted under the Share Option Scheme are not exercised)
“Phoenix Year”	PHOENIX YEAR LIMITED, a company incorporated in the BVI with limited liability on 9 January 2013, which is wholly and beneficially owned by CSI Properties and a substantial shareholder of our Company
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company for cash at the Offer Price, as further described in “Structure and Conditions of the Share Offer”
“Placing Shares”	180,000,000 new Shares being offered by our Company, for subscription under the Placing subject to re-allocation as further described in “Structure and Conditions of the Share Offer”
“Placing Underwriters”	the several underwriters for the Placing who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the underwriting agreement expected to be entered into on 27 March 2017 by our Company, our Controlling Shareholders, our executive Directors, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Placing Underwriters relating to the Placing
“PPSEAL”	Phonographic Performance (South East Asia) Limited
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Pre-IPO Investment”	the investments made by the Pre-IPO Investors pursuant to the Subscription Agreements
“Pre-IPO Investors”	Jubilee Success and Perfect King
“Price Determination Agreement”	the agreement to be entered into between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Offer Price
“Price Determination Date”	the date, expected to be on or about 30 March 2017 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company may agree, on which the Offer Price is expected to be fixed for the purposes of the Share Offer

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“Pride Legend”	PRIDE LEGEND LIMITED, a company incorporated in the BVI with limited liability on 2 January 2013, which is beneficially owned as to 50% and 50% by Mr. Kester Ng and his spouse, Ms. Louey Andrea Alice, respectively, and a connected person of our Company
“Public Offer”	the offer of Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms relating thereto, as further described in “Structure and Conditions of the Share Offer — The Public Offer”
“Public Offer Shares”	the 20,000,000 new Shares initially being offered by our Company for subscription pursuant to the Public Offer at the Offer Price, subject to re-allocation as described in “Structure and Conditions of the Share Offer”
“Public Offer Underwriters”	the underwriters for the Public Offer as listed out in “Underwriting — Public Offer Underwriters”
“Public Offer Underwriting Agreement”	the underwriting agreement dated 23 March 2017 relating to the Public Offer entered into among our Company, our executive Directors, our Controlling Shareholders, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters, as further described in “Underwriting — Underwriting arrangements, commissions and expenses — Public Offer — Public Offer Underwriting Agreement”
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in “History, Reorganisation and Corporate Structure — Reorganisation”
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 14 March 2017, a summary of principal terms of which is set out in “Other information — 15. Share option scheme” in Appendix IV to this prospectus
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Shareholder(s)”	holder(s) of the Share(s)
“Sole Bookrunner”	Great Roc Capital Securities Limited
“sq.ft.”	square foot/feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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“Subscription Agreement (Jubilee Success)”	the subscription agreement dated 22 July 2016 entered into among our Company, Jubilee Success, Aplus, Phoenix Year, Etchers Entertainment and Jet Top, particulars of which are set out in “History, Reorganisation and Corporate Structure — Pre-IPO Investments”
“Subscription Agreement (Perfect King)”	the subscription agreement dated 22 July 2016 entered into among our Company, Perfect King, Aplus, Phoenix Year, Etchers Entertainment and Jet Top, particulars of which are set out in “History, Reorganisation and Corporate Structure — Pre-IPO Investments”
“Subscription Agreements”	the Subscription Agreement (Jubilee Success) and the Subscription Agreement (Perfect King)
“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
“Tiger Curry”	Tiger Curry, a Japanese casual dining restaurant situated at G/F, 14 Pennington Street, Causeway Bay, Hong Kong and operating under City Silver
“Tiger Curry & Cafe”	Tiger Curry & Cafe, a Japanese casual dining restaurant situated at Shop 2602, Level 2, Gateway Arcade, Harbour City, Kowloon and operating under Crown Grand
“Tiger Curry Jr.”	Tiger Curry Jr., a Japanese quick service restaurant situated at Portion of Counter B, Shop B110, Basement 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and operating under Joint Ace
“Track Record Period”	the period comprising the two years ended 31 May 2016 and the four months ended 30 September 2016
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“US\$” or “US dollars”	United States dollars, the lawful currency of the U.S.
“Volar”	Volar, a night entertainment club situated at Basement, Ho Lee Commercial Building, 38-44 D’Aguilar Street, Central, Hong Kong and operating under Group Best (HK)
“ WHITE Application Form(s)”	the application form(s) to be completed by the public who require the Public Offer Shares to be issued in the applicants’ own name
“ YELLOW Application Form(s)”	the application form(s) to be completed by the public who require the Public Offer Shares to be deposited directly into CCASS

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“%” per cent.

In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “controlling shareholder”, “subsidiary”, “substantial shareholder” and “significant shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustment. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY

This glossary contains certain definitions and other terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry definitions.

“Champagne”	a sparkling wine (white or rose) produced in the Champagne area (around Reims and Epernay in France). Only products made in this area can be called Champagne
“club” or “clubbing venue” or “night entertainment club”	an entertainment venue which serves liquor and usually operates at night until late hours. A clubbing venue is generally distinguished from bars, pubs or taverns by the charging of entrance fees and the inclusion of a dance floor with DJs playing strong beat music
“DJ”	disc jockey
“gross sales of beverage”	our gross sales of beverage (includes service charge) including sales discounts offered under prepaid beverage package, the amounts of complimentary beverage package and staff drinks entitlement
“Happy Hour”	a marketing term for a period of time in which a venue offers discounts on alcoholic beverages, which is typically from 6:00 p.m. to 9:00 p.m., according to the F&S Report
“LED”	light-emitting diode
“net sales of beverage”	an amount which is calculated as being gross sales of beverage (includes service charge) deducting sales discounts offered under prepaid beverage package, the amounts of complimentary beverage package and staff drinks entitlement
“night entertainment”	a collective term for entertainment that is available or generally more popular at night until late hours which commonly includes clubs, bars, pubs, karaoke bars, lounges, concerts, cabarets, theatres, shows, nightclubs and some restaurants
“upmarket”	a term used to describe products and services which are more appealing to or designed for higher-spending consumers, for example, the products and services may have more differentiation or a higher quality, according to the F&S Report

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as “may”, “will”, “should”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “continue”, “seek”, “estimate”, or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our business strategies, development activities, estimates and projections, expectations concerning future operations, profit margins, profitability, dividend policy, competition and the effects of regulation.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Although these forward-looking statements are made by our Directors after due and careful consideration, these statements reflect the current views of the management of our Group with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in “Risk Factors”. Should one or more of the risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are neither statements of historical fact nor guarantees or assurances of future performance. Hence, you should not place undue reliance on such forward-looking statements.

Important factors that could cause our actual results to differ materially from those in the forward-looking statements include, but are not limited to, regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our business strategies and plan of operations;
- our capital commitment plans and funding requirements;
- our operations and business prospects, including development plans for our business;
- our ability to materialise and manage our planned business expansion;
- our ability to identify suitable locations for our outlets on commercially reasonable lease terms;
- our ability to attract customers and maintain customer loyalty;
- our ability to retain senior management team members and recruit qualified and experienced new team members;
- our ability to maintain our competitiveness and operational efficiency;
- our prospective financial condition;
- our ability to protect our brand, trademarks or other intellectual property rights;
- general economic market and business and financial condition in Hong Kong and globally;
- laws, regulations and rules for the clubbing and restaurant industry in Hong Kong;
- future trends, developments and condition in the clubbing and restaurant industry in Hong Kong;
- certain statements in “Financial Information” with respect to trends in prices, volumes and operations;
- other factors that are described in “Risk Factors”.

FORWARD-LOOKING STATEMENTS

Any forward-looking statement made in this prospectus applies only as at the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

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You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that the legal and regulatory environment in which our Group operates may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of our Group could be materially adversely affected by any of these risks and uncertainties. The trading price of the Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We experienced net current liabilities during the Track Record Period.

For the two years ended 31 May 2016 and the four months ended 30 September 2016, we had net current liabilities of approximately HK\$8.4 million, HK\$4.8 million and HK\$6.0 million. For details, see “Financial Information — Net current liabilities”. Our net current liabilities position exposes us to liquidity risk. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debts will primarily depend on our ability to generate adequate cash inflows from our operations and sufficient external financing. We cannot assure you that we will not have net current liabilities in the future. If we fail to secure adequate funds as working capital, our financial condition and results of operations will be adversely affected.

If our expansion plan proves 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 Directors believe that our future growth relies on our ability to open and operate new outlets in a profitable manner. We expect to open two sports-themed bars and five “Tiger” branded restaurants in Hong Kong. For details, see “Business — Business strategies”. The food and beverage and entertainment industry in Hong Kong is highly competitive. Our ability to successfully open new outlets is subject to a number of risks and uncertainties, including identifying suitable locations and/or securing leases on reasonable terms, timely securing necessary governmental approvals and licences, ability to hire quality personnel, timely delivery in decoration and renovation works, securing sufficient customer demand, securing adequate suppliers and inventory that meet our quality standards on timely basis, reducing potential cannibalisation effects between the locations of our outlets and the general economic conditions. The costs incurred in opening of new outlets and the expansion plans may place substantial strain on our managerial, operational and financial resources. There is no assurance that our managerial, operational and financial resources will be adequate to support the relatively rapid pace of our expansion plans. We have limited experience and expertise in operating restaurant outlets and entertainment venues in multiple locations across the city concurrently. We have no experience in operating a bar. We may not be able to successfully manage all our outlets under our multi-branding strategy. As such, we cannot assure that we can always operate the expanded network on a profitable basis or that any new outlet will reach the planned operating levels. If any new outlet experiences prolonged delays in breaking even or achieving our desired level of profitability or operate at a loss, our operational and financial resources could be strained and our overall profitability could be affected. As at the Latest Practicable Date, one of our restaurants had not achieved the investment payback point. One of our restaurants was loss making during the Track Record Period. For details on the breakeven period and investment payback period of our outlets, see “Business — Our restaurants — General information and operating data” and “Business — Our clubs — General information and operating data”.

For the three years ending 31 May 2017, 2018 and 2019, we expect we will require approximately HK\$4.0 million, HK\$22.2 million and HK\$11.3 million for expand and diversify our outlet network and upgrade our club facilities for our expansion plan. Accordingly, in the event that our expansion plan proves to be unsuccessful, our overall cash flow position, as well as our profitability, will be materially and adversely affected. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of our new outlet openings, our investments and the amount of cash flow from our operations. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit

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availability from banks or other lenders, investors' confidence in us, the performance of the food and beverage and entertainment industry in general, and our operating and financial performance in particular. We cannot assure you that future financing will be available in amounts or on terms acceptable to us, if at all. The unavailability of financing on terms acceptable to us or at all may adversely affect our business, results of operations and growth prospects.

We have conducted a feasibility study to assess both the feasibility and the profitability of our expansion plan. However, actual results may differ significantly from those currently estimated by our feasibility studies. We cannot assure you that we will achieve our operation estimates. Our failure to achieve our operation estimates could have a material and adverse effect on our business, results of operations and financial position.

We derive a substantial portion of our revenue from Volar. Any significant operational or other difficulties in the business at or from Volar may reduce, disrupt or halt our operation and business at the premises.

For the two years ended 31 May 2016 and the four months ended 30 September 2016, revenue generated from Volar accounted for approximately 92.1%, 70.6% and 64.4% of our total revenue, respectively. Our success therefore depends significantly on our ability to attract beverage sales, entrance income and market our other offerings under our "Volar" brand, which in turn depends on, among other things, the market perception and acceptance of the brand. Negative publicity about our "Volar" brand, the premises on which Volar operates or its offerings, us or our management could materially and adversely affect public perception of this brand. Any significant operational or other difficulties in the business at or from Volar may reduce, disrupt or halt our operation and business at the premises, which would materially and adversely affect our business, prospects, reputation, financial condition and results of operation. Experiencing problems in operation which result in the need to close the club temporarily or permanently will materially and adversely affect our results of operations and financial condition.

Tiger Curry Jr., Tiger Curry & Cafe and Fly have a short operating history in our Group and our multi-brand strategy may not be successful.

Tiger Curry Jr. and Tiger Curry & Cafe commenced business in May 2015 and July 2015, respectively. We acquired Grand Diamond, the operating company of Fly, in November 2015. We are exposed to uncertainties in relation to their long-term performance. Any evaluation of their prospects and profitability are based on their relatively short operating history in our Group and therefore such prospects and profitability must be considered in light of the risks, uncertainties, expenses and difficulties encountered by any of our new outlets. If any or all of them fail to perform as expected, our total revenue could fall and we might have to rely on the business and performance of our other outlets. We have expanded and intend to continue to expand at a relatively rapid pace. However, we have limited experience and expertise in operating restaurant outlets and entertainment venues in multiple locations concurrently. We will need to continue to improve our operation and administration systems, strengthen our relationships with our suppliers, promote our new outlets and maintain the quality of our food and beverage products and services to accommodate our expanded operating network, which could strain our operational, financial and other resources.

Tiger Curry Jr. and Tiger Curry & Cafe are a result of our efforts in reaching out to shopping mall customers and an integral part of our multi-brand strategy. We have no prior experience in operating a restaurant in a food court or shopping mall. We have adjusted our pricing strategy and menu offerings for Tiger Curry Jr. and Tiger Curry & Cafe, taking into account that customers who dine in a shopping mall restaurant may have different preferences and spending patterns compared to customers of standalone restaurants on street level. However, we cannot assure that our strategies will be successful. If we have not correctly anticipated and identified such preferences and patterns, we will need to further adjust our strategies or further develop our menu offerings. We cannot assure that customers will become familiar with our two relatively new sub-brands, Tiger Curry Jr. and Tiger Curry & Cafe, or if these brands will successfully enhance our main "Tiger" brand as originally planned. For these brands, we will need to make additional investments to build brand awareness among our target customers. Similarly, acquiring the operating company of Fly and adding it to our portfolio is

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part of our multi-brand strategy. For this club, we need to identify and respond to competitive conditions, consumer preferences and spending patterns which may be different from those of Volar. Experiencing significant operational or other difficulties which result in the closing of any of our outlets could materially and adversely affect our results of operations and financial conditions.

We lease or license all the properties on which our outlets operate. Any failure to secure renewal of leases or licences on commercially acceptable terms or at all could adversely affect our growth prospects and business condition. We are also exposed to the commercial real estate rental market, including unpredictable and potentially high rental costs and competition for prime locations.

We cannot assure you that we will be able to renew our current leases or licence upon expiry or that the terms, including tenure and rental charges or licence fees, will remain at least the same as those of our current leases or licence upon renewal. We also cannot guarantee that our landlords or licensors will not terminate our current leases or licence prior to expiry.

As we lease or license all of the properties on which our outlets operate, we are exposed to the fluctuations in the commercial real estate market. Such leases and licence will expire between 30 April 2017 and 31 January 2020. For the two years ended 31 May 2016 and the four months ended 30 September 2016, our property rentals and related expenses were approximately HK\$16.1 million, HK\$20.9 million and HK\$7.7 million, representing approximately 23.8%, 23.5% and 25.3% of our total revenue, respectively. There is no objective way for us to accurately predict the rental rates in the commercial real estate market in Hong Kong, and 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.

Any non-renewal (whether a result of the landlord's or licensor's or our decision) or termination of any of our leases or licence or substantial increased rentals or licence fees could cause us to close the relevant outlet or relocate to another site, depending on our business needs or performance from time to time. In such events, we could face a drop in sales, write off leasehold improvements, and could incur relocation costs for renovation, removal and resources allocation, which could in turn result in financial strain in our operations and diversion of management resources. Failing to secure a prompt relocation on commercially acceptable terms when we decide to relocate could adversely impact our business condition. In addition, we compete with other club and restaurant operators for prime locations. Volar has been operating in its current location in Lan Kwai Fong, one of the most established entertainment districts in Hong Kong, and for over 11 years. We believe our customers are highly familiar with Volar's current location and associate its location with our brand image. Our Directors consider suitable premises in such district for clubbing operations are scarce. If Volar is forced to relocate to a less established entertainment district, we could lose our customers to competitors and our brand, which could in turn harm our reputation. Any revenue and profit generated at the relocated outlet could be less than the revenue and profit of the closed outlet. Failure or prolonged delay in securing suitable or prime locations for our new outlets will affect our expansion plan and materially affect our business condition and results of operations.

Our current outlet locations may become unattractive, and attractive new locations may not be available for a commercially reasonable price, if at all.

We cannot assure that the current sites of our outlets would remain attractive or always commensurate with our site selection criteria as demographic patterns of the surrounding environment could decline or otherwise adversely change in the future. If there are adverse changes to the surroundings of the areas where our outlets are currently located, such as the closure of transportation system or the development of heavy construction works affecting pedestrian flow, sales from our outlets could drop significantly. According to the F&S Report, a club which was opened in 1982 in Lan Kwai Fong recently closed down. The closure of a long standing club in Lan Kwai Fong could adversely affect the image of the area. As at the Latest Practicable Date, two of our restaurants were located in major shopping malls in Hong Kong. We are thus subject to the development and management of such premises, which are outside our control. If these premises are required to close or temporarily suspend operations due to natural or other causes, such as weather, riots, natural disaster, fire or other technical and

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mechanical problems, or if the management company or office of these premises introduces operational policies unfavourable to tenants or licensees such as stringent requirements in refurbishment and restrictions in store front design, we could experience a drop in profitability of the relevant restaurants. We have no control over the mix and placement of tenants or licensees of the premises where our outlets are located. Any substantial increases in the number and proximity levels of competitors in these premises would intensify surrounding competition and could in turn affect our business performance. If we decide to relocate from a location that has become unattractive but fail to find an attractive location that is available on commercially acceptable terms, we could experience delay in implementation of our business strategies, which could adversely affect our business performance.

The availability and price fluctuations of beverage and food ingredients could adversely affect our margins, business and results of operations.

Our profitability depends significantly on our ability to anticipate and react to changes in purchase costs of beverage and food ingredients. Our costs of inventories sold accounted for approximately 19.7%, 20.4% and 19.3% of our total revenue for the two years ended 31 May 2016 and the four months ended 30 September 2016, respectively. Purchases of beverages accounted for approximately 86.9%, 77.9% and 74.8% of our total costs of inventories sold for the two years ended 31 May 2016 and the four months ended 30 September 2016, respectively. Food ingredients costs accounted for approximately 12.0%, 21.1% and 24.3% of our total costs of inventories sold for the two years ended 31 May 2016 and the four months ended 30 September 2016, respectively.

The availability, in terms of type, variety and quality, and prices of beverage and food supplies can fluctuate and be volatile and are subject to factors beyond our control, including seasonal fluctuations, climate conditions, natural disasters, general economic conditions, global demand, governmental regulations, exchange rates and availability, each of which may affect our beverage and food costs or cause a disruption in our supply. Our suppliers may also be affected by higher costs to produce the goods and services supplied to us, rising labour costs and other expenses that they pass through to their customers, which could result in higher costs for goods and services supplied to us. We source alcoholic beverages from the brands' designated distributors or agents. Increases in prices obtained by such distributors or agents from beverage brand owners for any reason could cause them to pass on the additional costs to us. We purchase beverage and food ingredients from our suppliers in Hong Kong who, we believe, in turn source the raw material and food ingredients from various overseas countries. According to the F&S Report, alcoholic beverage prices worldwide had been generally increasing slowly in recent years. In addition, any appreciation of foreign currencies in these countries against the Hong Kong dollar will increase the price of our beverage and food ingredients in Hong Kong dollars. We do not enter into any long-term contract with our beverage and food ingredient suppliers. We and our suppliers typically set the purchase prices for our beverages and food ingredients at a fixed price by way of purchase orders. We do not enter into futures contracts or engage in other financial risk management strategies against potential price fluctuations in beverage and food costs. We may not be able to anticipate and react to changes in beverage and food costs through our purchasing practices or by changing menu offerings and menu price adjustments in the future, or we may be unwilling or unable to pass these cost increases onto our customers, the failure of any of which could cause our operating margins to fall and materially and adversely affect our business and results of operations.

Our purchases from our largest supplier accounted for a majority of our total purchases throughout the Track Record Period. If our arrangements with our largest supplier is terminated, interrupted, or adversely modified, our business, financial condition and results of operations could be adversely affected.

For the two years ended 31 May 2016 and the four months ended 30 September 2016, purchases from our largest supplier, Moët Hennessy Diageo Hong Kong Limited ("MHD"), amounted to approximately HK\$8.4 million, HK\$9.4 million and HK\$3.3 million, respectively, representing approximately 65.0%, 53.4% and 51.5% of our total purchases, respectively. As at the Latest Practicable Date, we entered into a purchasing and sponsorship agreement with MHD which stipulates, among others, the selling prices of beverages during the contract period and sponsorship arrangements. Such agreement will expire on 31 March 2017. As at the Latest

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Practicable Date, as confirmed by MHD in writing, MHD will sign a new agreement with us on substantially the same terms as the current agreement on or before 31 March 2017. For details of our relationship with MHD, see “Business — Suppliers — Relationship with MHD”. MHD mainly supplied alcoholic beverages for use in our clubs during the Track Record Period. We cannot assure you that we will be able to renew our contract with MHD. If MHD for any reason reduces the volume supplied to us or ceases to supply to us, we will need to find alternative suppliers on similar sale terms and conditions acceptable to us. If we fail to do so in a timely manner, the operations of our clubs will be interrupted, our costs may increase and our business, financial condition, results of operations and growth prospects may therefore be materially and adversely affected. Moreover, we generate sponsorship income (in the form of sponsorship fees and beverage products equivalent to a certain value) from MHD. In the event of termination of our business relationship with MHD, we may not be able to locate another supplier which would provide such level of income, or if all, to us.

The stability of operations and business strategy of MHD, which is beyond our control, will also affect us. Any material disruption to its operations due to natural or other causes, such as bad weather, riots, natural disaster, fire or other technical and mechanical problems could adversely affect our procurement process and, in turn, could adversely affect our business and results of operations. If MHD changes its business strategy substantially, it could reduce its volume of supply to or cease business relationship with us, which could in turn materially affect our volume of business and performance. If any distribution arrangement relating to the beverage brands we source from MHD between MHD and the beverage brand owners ceases or if MHD is no longer entitled to distribute any beverage brand which is popular among our customers, we may need to incur investment costs to locate another supplier or beverage brand and to build brand awareness.

We may have to suspend or cease the sale of liquor in our clubs and restaurants if the relevant employee who holds the relevant liquor licence fails to transfer the licence in a timely manner.

As at the Latest Practicable Date, all holders of our liquor licences were our full-time employees. Details of our liquor licences are set out in “Business — Licences and permits”. Under regulation 15 of the DCR, any transfer of a liquor licence must be made on the form as determined by the LLB which, as at the Latest Practicable Date, required the holder of the licence to give consent to the transfer. If the relevant employee refuses to give such consent when we require a transfer due to the resignation of the relevant employee or other reasons, fails to make an application in respect of illness or temporary absence, or makes a cancellation application without our consent, or if an application for new issue of a liquor licence is required to be made to the LLB in case of death or insolvency of the relevant employee, it may cause the relevant club or restaurant to suspend or cease the sale of liquor for a certain period, which may adversely affect our business and profitability.

Our financial results for the year ending 31 May 2017 are expected to be adversely affected by the non-recurring Listing expenses.

Our financial results may be materially and adversely affected by the non-recurring Listing expenses. The total Listing fee in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$21.2 million (based on the midpoint of the indicative Offer Price range of HK\$0.30 per Offer Share). Among the estimated total Listing fees, (i) approximately HK\$7.9 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$13.3 million is expected to be recognised as expenses in our consolidated statements of comprehensive income, for the year ending 31 May 2017. The amount of the Listing expense is a current estimate for reference only and the final amount to be recognised in our consolidated financial statements for the year ending 31 May 2017 is subject to adjustment based on audit and the then changes in variables and assumptions. Prospective investors should note that we expect the estimated non-recurring Listing expenses mentioned above to adversely affect our financial performance for the year ending 31 May 2017, and may or may not be comparable to our financial performance in the past.

We have no long-term contract with our existing suppliers for the constant supply of beverage and food ingredients.

We have no long-term contract with our existing beverage and food ingredients suppliers. For the two years ended 31 May 2016 and the four months ended 30 September 2016, purchases from our five largest

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suppliers accounted for approximately 82.7%, 70.2% and 67.7% of our total purchases, respectively. Our suppliers may reduce their volume of supplies to us or cease supplies to us for a variety of reasons, many of which are beyond our control, including unanticipated demand, adverse weather conditions, natural disasters, diseases, changes in the operations or business strategies of suppliers or unexpected production shortages. There is no assurance that our current suppliers will always be able to meet our stringent selection criteria and quality control requirements. If we fail to maintain business relationships with our key suppliers, or if any of our key suppliers do not perform adequately or otherwise fail to make supplies to us in a timely manner, and if we fail to locate replacement suppliers on comparable terms in a timely manner or at all, we could face shortage in supply or increases in costs of purchases, which could cause us to remove items from our menus or adjust our recipes or cooking methods. If popular items are removed from our menus or any food items prepared with adjusted recipes or cooking methods are not acceptable to our target customers, we could lose our customers to competitors and our brand and reputation could be harmed. If we are no longer able to source the curry sauce we currently use which is popular among our customers from our supplier for any reason, we may need to divert extra costs and time to design a replacement sauce recipe or menu items.

Any incidents of food poisoning and related liability claims, regulatory investigations, customer complaints and adverse publicity resulting therefrom could adversely affect our reputation and our business.

Our business is susceptible to the inherent risk of food contamination or poisoning and related liability claims. While we have taken measures to mitigate such risk, we cannot guarantee that it can be completely eliminated. Incidents of food contamination caused by our suppliers or reasons beyond our control could affect a number of our restaurants. Our employees may fail to adhere to our food and beverage handling, hygiene and other quality control procedures. Any outbreak of allegations against us relating to food contamination or poisoning or poor standards of hygiene (whether with merit or not), or any investigation on our food quality or club or restaurant premises covered by press, could significantly harm our reputation and result in significant reduction in customer traffic at our outlets. For any related liability claims, regulatory investigations and customer complaints, we will also need to incur extra time, costs and resources to handle. Successful claims against us may result in imposition of penalties or severe liabilities or suspension of our relevant operating licences or even closure of our outlets, which would adversely affect our financial position and results of operations. In the event that our insurance coverage is inadequate, we may have to pay out of our own resources to cover our liabilities or compensate our customers for any illness or injuries.

Certain kinds of food including eggs, sauces, vegetables and various kinds of seafood have been found to contain hazardous substances to human's health. Any negative publicity on or any significant food recall involving a food ingredient or a beverage product we use could affect public confidence in our food and beverage products and may lead to a loss in consumer confidence and reduction in consumption of the food and beverage item concerned. We may have to look for alternative sources of beverage or food ingredient, which may be more costly. We cannot assure that the quality of any existing or future beverage and food ingredients used by us will not decline due to factors beyond our control, such as change in weather conditions, decline of quality of animal feed and change of feeding conditions and methods, which may adversely affect the quality of the beverage and food ingredients and in turn have an adverse effect on our business and financial results.

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

We operate a business with multiple locations and substantially all our customers are retail customers from the general public. Any negative publicity or news reports, whether with merit or not, regarding food and service quality issues, public health concerns, illness, safety, injury, loss of property, or government or industry findings concerning our clubs and restaurants or other clubs and restaurants in Hong Kong could materially harm our business and results of operations and result in damage to our brands.

We cannot assure you that we can successfully prevent all customer complaints in the future. Significant numbers 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

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operations. Adverse publicity resulting from such allegations, even if meritless or unsuccessful, could cause customers to lose confidence in us and our brands, which may not only adversely affect the business of the relevant club or restaurant being the subject of such complaints, but also our other clubs and restaurants under the same or related brand. As a result, we may experience significant declines in our revenues and customer traffic from which we may not be able to recover.

Any failure to maintain an effective quality control system could have a material adverse effect on our reputation, operations and financial condition.

We rely on our internal quality control system to ensure the levels of quality of our products and services. We cannot assure that we would be able to discover all defects in our procurement process and food handling procedures. Our current quality control measures may fail to ensure a high quality of our food and beverage products, our service and our operating premises. Any significant failure or deterioration of our Group's quality control systems could have a material adverse effect on our reputation, results of operations and financial condition.

Our business 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 and our reputation. As at the Latest Practicable Date, we operated our clubs under our "Volar" and "Fly" brands and our restaurant operations under our "Tiger" brand. We have invested significant effort and financial resources to establish brand recognition. Any incident that erodes consumer trust in or affinity for our brands could significantly reduce their value. As we continue to grow in size, expand our food and beverage and entertainment offerings and services and extend our geographic reach, maintaining quality and consistency may become more difficult and we cannot assure you that customer confidence in our brands will not diminish. If consumers perceive or experience a reduction in food and beverage 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.

It is common in the industry we operate in that random food and beverage critics analyse food, beverage and services of clubs and restaurants and publish their recommendations, experience and other comments. We may not be informed of such critics' visits to our clubs and restaurants and we have no control on what could be written about us. Negative comments or reviews published by such critics, regardless of their validity, may result in negative publicity which could adversely affect our brands and reputation.

Our future success depends on our ability to meet customer expectations and anticipate and respond to changing customer preferences.

Our future success depends to a large extent on our ability to increase customer traffic and average spending. We aim to achieve that by offering new menu items, creatively designed clubbing and restaurant venues and featured events based on changing market trends and changing tastes, dietary habits, expectations and other preferences of our target customers. The food and beverage and entertainment industry is characterised by the continuous introduction of new concepts and is subject to rapidly changing customer preferences. If we are unable to identify new customer trends or preferences and offer new products and services accordingly, or if we lag behind our competitors in introducing new or popular products or services that appeal to our customers, our business and results of operations may be adversely affected. Changing customer preferences may require us to incur significant costs to survey and research customer trends and preferences as well as develop and market new menu items, clubbing and restaurant venues and featured events, which may place substantial strain on our managerial and financial resources.

Our sales and profit may be adversely affected from temporary closure of our operations for club and restaurant renovations to accommodate the changes in customer tastes and preferences.

To counteract any changes in customer preference, we may re-design our menus to suit a new concept and upgrade or renovate our clubs and restaurants which may cause us to temporarily suspend operations for

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renovation. We plan to upgrade our club facilities, including renovating Fly in or around the second quarter of 2017 and Volar in or around the first quarter of 2018 and we may suspend the operations of the relevant club or part of it depending on the extent of renovation required. During the period of temporary closure, we will not be able to record any revenue while incurring additional capital expenditures relating to renovation. We may record a decline in the operating margin or net profit margin due to such temporary closure.

We experienced net operating cash outflow for the four months ended 30 September 2016.

We recorded net cash outflows in operating activities of approximately HK\$7.6 million for the four months ended 30 September 2016. For details, see “Financial Information — Cash flows — Cash flows in operating activities”. While our Directors believe that we have sufficient funds to finance our current working capital requirements, our operating cash flow may be adversely affected by unforeseeable factors. As such, we cannot assure you that we will not experience net operating cash outflow in the future. In the event that we fail to maintain sufficient cash inflows, we may default on our payment obligations and may not be able to meet our capital expenditure requirements which may in turn have a material adverse impact on our business, financial condition, results of operations and our business prospects.

We recognised deferred tax assets during the Track Record Period and some or all of them may not be utilisable.

As at 31 May 2015 and 2016 and 30 September 2016, we had estimated tax losses of approximately HK\$2.1 million, HK\$6.2 million and HK\$5.9 million respectively, which were available for offsetting against future taxable profits. These tax losses are subject to the final assessment by the Inland Revenue Department of HK Government. Deferred tax assets of approximately HK\$0.3 million, HK\$1.1 million and HK\$1.0 million had been recognised in respect of such estimated tax losses as at 31 May 2015, 31 May 2016 and 30 September 2016 respectively. If there is a significant adverse change in the business and performance of our clubs and restaurants, some or all of these deferred tax assets may not be utilised, which could have an adverse effect on our financial condition and results of operations.

Goodwill impairment could negatively affect our reported results of operations.

At 31 May 2016 and 30 September 2016, we had approximately HK\$2.2 million of goodwill, which was related to our acquisition of Grand Diamond on 1 November 2015. The recoverable amount of the goodwill has been determined from value-in-use calculation based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-year period is extrapolated using an estimated weighted average growth rate of 0%. For details, see “note 17 goodwill” to the Accountant’s Report. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Testing for impairment requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. There are inherent uncertainties related to these factors and to our judgement in applying these factors to the assessment of goodwill recoverability. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if there are any impairment indicators which could potentially be caused by our failure to successfully integrate the operations of Grand Diamond with our other operations. Impairment charges could substantially affect our reported results of operations in the periods of such charges. In addition, impairment charges would negatively impact our financial ratios and could limit our ability to obtain financing in the future.

The application of HKFRS 16 on our operating lease commitments may materially affect the amounts of right-of-use asset, financial liability, property rental and related expenses, depreciation and amortisation and interest expense.

As at the Latest Practicable Date, we leased or licensed all of the properties for our outlets under which the relevant leases or licence were classified as operating leases. Our current accounting policy for such leases or licence is set out in note 5.8 to the Accountant’s Report. As at 30 September 2016, our future minimum operating lease commitments under current valid leases and licence amounted to approximately HK\$48.9 million.

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During the Track Record Period, our future operating lease commitments were not reflected in our consolidated statements of financial position. HKFRS 16, which is expected to be effective for financial periods beginning on or after 1 January 2019, provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated statements of financial position. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than 12 months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in right-of-use asset and an increase in financial liability in the consolidated statements of financial position. This will affect related ratios, such as increase in debt to equity ratio. In the consolidated statements of comprehensive income, leases and licences will be recognised in the future as depreciation and amortisation and will no longer be recorded as property rental and related expenses. Interest expense on the lease liability will be presented separately from depreciation and amortisation under finance costs. As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until financial year 2019, including the adjustment of prior years. The application of HKFRS16 may affect our financial position and results of operations.

As we generate all our revenues in Hong Kong, we are susceptible to developments and economy in Hong Kong.

We anticipate that our business in Hong Kong will continue to be our core business following the completion of the Share Offer. Hong Kong may experience adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or the local authorities may adopt regulations that place additional restrictions or burdens on us or on our industry in general, and the occurrence of any of which could materially and adversely affect our overall business and results of operations. In addition, we have limited experience in operating businesses in other places, and may have difficulties in relocating our business to other geographic markets. For instance, the recent economic downturn and deterioration in the consumer market in Hong Kong may have further adverse effect on our business as consumers may spend less on night entertainment or dining outside, which may result in a decrease in the number of customer visits and the average spending per customer in our clubs and restaurants. There is no assurance that our target customers are able to maintain their spending power under economic downturn and political and social instability. Therefore, any deterioration in the economic, political and regulatory environment in Hong Kong may materially and adversely affect our business.

Our self-developed dishes may face competition from competitors' imitation dishes.

Competition in the restaurant industry is intense. One way we compete is to review and adjust our menu offerings and develop new dishes to cater to ever-evolving customer tastes from time to time. Our self-developed dishes are not protected by any registered intellectual property, nor are such practice customary in our industry. We are subject to the risk that our competitors may imitate or develop more popular versions of our self-developed dishes and offer them at highly competitive prices. These imitation products and price competition may adversely affect our sales and profitability.

We require various approvals, licences and permits to operate our business and the loss of or failure to obtain or renew any or all of these approvals, licences, and permits could materially and adversely affect our business and results of operations.

Our operations are subject to various laws and regulations of Hong Kong which may be subject to change from time to time. For details of the regulatory environment regarding the key licences for our operations, see "Regulatory Overview — Hong Kong regulatory overview — (A) Key licences for business operation". Volar and Fly each currently has the light refreshment restaurant licence, the liquor licence and the water pollution control licence. Tiger Curry and Tiger Curry & Cafe each currently has the general restaurant licence, the liquor

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licence and the water pollution control licence. The light refreshment restaurant licence and the general restaurant licence are typically granted for a period of one year. The liquor licence is typically granted for two years or such lesser period as the Liquor Licensing Board of Hong Kong shall determine. The water pollution control licences are normally granted for a period of not less than two years.

New clubs and restaurants may be granted provisional licences which are valid for a period of six months pending the issue of full licences. Volar, Fly, Tiger Curry and Tiger Curry & Cafe also have certain music-related licences. For details of our licences, see “Business — Licences and permits”. There is no assurance that our existing licences can be successfully renewed upon their expiry. Further, there is no assurance that any new outlet to be opened by us can obtain all the requisite licences as intended. Failing to obtain or renew all or some of the requisite licences will adversely affect our business and the results of operations.

For details of the regulatory environment regarding the licences, see “Regulatory Overview — Hong Kong regulatory overview — (B) Licence required for environmental protection”. Failure to comply with such laws or regulations may result in fines, suspension of operations, revocation or suspension of licences and, in more extreme cases, criminal proceedings against us and our management within our Group. In addition, compliance with these changing laws and regulatory requirements may cause us to incur considerable time and significant expenses, which we may be unable to pass on to our customers and which, in turn, may adversely affect our business and results of operations.

Our acquisition within the Track Record Period may not perform as desired.

We acquired Grand Diamond, the operating company of Fly, our second club within our Group, in November 2015. For details, see “History, Reorganisation and Corporate Structure — Corporate development — Our corporate history — Grand Diamond”. Although our senior management team has considerable experience in the night entertainment industry, synergy of our newly acquired business may take longer than expected. Since the acquisition of Grand Diamond, the operating company of Fly, in November 2015 and up to 31 May 2016, Fly’s overall revenue was approximately HK\$10.1 million, representing approximately 11.4% of our total revenue for the same period and its overall revenue was approximately HK\$4.5 million for the four months ended 30 September 2016, representing 14.8% of our total revenue for the same period. The integration of our newly acquired business may be costly and time-consuming and could present us with significant risks and difficulties, including (i) integrating the operations and personnel of the acquired business and implementing uniform IT systems, procedures and policies; (ii) retaining relationships with customers, business partners and suppliers of the acquired business, and (iii) achieving the anticipated synergies and strategic or financial benefits from the acquisition. If any of the above risks cannot be mitigated, the financial performance of our newly acquired business may not achieve its desired result, and in turn may adversely affect our business and results of operations.

We may not be able to secure a stable supply of skilled labour such as managers, food preparation staff and DJs due to escalation of labour costs or other reasons.

We rely on skilled labour force with technical capabilities to monitor, operate and administer our outlets and equipment including restaurant and club managers, food preparation staff as well as DJs. If we fail to retain our existing skilled labour and/or recruit sufficient skilled labour in a timely manner, we may not be able to cope with operation needs or our expansion plans. If we are not able to meet our operation needs and standard or if we are unable to implement our expansion plans, our business, financial condition, results of operations and prospects would be materially and adversely affected. In relation to DJs, we engage resident DJs who play in our clubs on regular basis and local or overseas guest DJs to perform at featured events. We believe engaging internationally renowned DJs to perform in our clubs is critical to attracting customer traffic and sponsorship income. For the two years ended 31 May 2016 and the four months ended 30 September 2016, expenses for engaging DJs directly or through third-party agents represented approximately 4.4%, 3.5% and 4.0% of our total revenue, respectively. Currently, we have not entered into any annual agreement with any agent that the agent would make a commitment in relation to the number and identity of DJs which it may successfully procure. There is also no guarantee that the agents who represent the DJs will continue working with us. Failing to

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successfully attract internationally renowned DJs to perform in our clubs may adversely affect our ability to attract customer traffic and sponsorship income.

If there is a significant increase in our labour costs due to increase in the statutory minimum wage (currently at HK\$32.5 per hour in Hong Kong), shortage of labour or other reasons, our cost of sales will increase thereby reducing our profit margin. According to the F&S Report, the median monthly wage in the clubbing market has seen a steady growth, with monthly wages of bartenders, waiters and waitresses, and security guards having increased from 2010 to 2015 at a CAGR of 5.5%, 6.1% and 6.2%, respectively. The salary level of employees in the restaurant industry in Hong Kong has also been increasing in recent years and the average hourly wage of an employee in the restaurant industry has increased from HK\$33.7 per hour per employee in 2010 to HK\$42.3 per hour per employee in 2015, representing a CAGR of approximately 4.7%. For the two years ended 31 May 2016 and the four months ended 30 September 2016, our staff costs represented approximately 11.4%, 14.7% and 19.4% of our total revenue, respectively. We expect our staff costs to continue to increase as inflationary pressures in Hong Kong will continue to drive up salary levels and under the arrangements currently in force, the aggregate remuneration (excluding any discretionary bonus) payable by our Group to our Directors for the year ending 31 May 2017 will be approximately HK\$0.9 million. We may not be able to increase our prices sufficiently to pass these increased staff costs onto our customers, which in turn would materially and adversely affect our business and results of operations.

We may not be able to detect, deter and prevent all instances of illegal activities or other misconduct committed by our employees, customers or other third parties. Any wrongdoing by our employees and/or outsiders may harm our reputation and business.

Our customers who have consumed excess alcohol may not maintain sobriety and disturb other customers and the operation of our clubs. We are susceptible to illegal activities or misconduct, including pilferage, theft, fights, drug abuse, sexual harassment, bribery, usage of false personal identification, corruption, among others and we may not be able to detect, deter and prevent all instances of misconduct committed by our employees, customers or other third parties in our clubs. Such wrongdoing may harm our reputation, profits and operation results. For the two years ended 31 May 2016 and the four months ended 30 September 2016, 14, 38 and eight checks have been conducted by the Hong Kong Police Force. If our customers were repeatedly found conducting illegal activities in our club premises during inspection or being reported, the HK Government authorities may take into account of such factor for vetting the application of our clubs when applying for the renewal of its licences. Such incidents may also seriously harm our reputation, which may affect our customer traffic and ability to attract sponsorship income, business results and financial condition. We handle cash and credit card transactions in our daily operations. We cannot assure that there will not be any instances of fraud, theft and other misconduct involving employees, customers and other third parties in 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.

Information technology system failures could interrupt our operations and adversely affect our business.

We rely on computer systems and network infrastructure across our operations to monitor our daily operations and to collect accurate up-to-date financial and operating data for business analysis and enhance our inventory management. Our information technology systems may be vulnerable to various interruptions which are beyond our control, including telecommunications failures, computer viruses, cyber-attacks, hackers, unauthorised access attempts and other security risks. We also maintain information of customers of our prepaid beverage packages. If the network security is breached and such information is stolen or obtained by unauthorised persons or used inappropriately, we may become subject to litigation or other proceedings brought by the our customers. Any such litigation or proceedings may distract the management from running our operation and cause us to incur significant unplanned expenses. Any damage or failure of our computer systems or network infrastructure that causes an interruption in our operations could also have a material and adverse effect on our business and results of operations.

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We may not be able to secure the continued service of our key management personnel.

The development of our business is, to a large extent, attributable to the contribution of our management, including our executive Directors and members of senior management. There could be an adverse impact on our operations should any of our senior management personnel cease to serve our Group.

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

As at the Latest Practicable Date, we were the owner of six trademarks registered in Hong Kong and four trademarks registered in Macau. There is no assurance that any of the pending trademark applications would be successful and we may not be able to protect our intellectual property adequately. Unauthorised use of our brand names by third parties may adversely affect our business and reputation. We rely on trademark law, company brand name protection policies and agreements with our employees and business partners and others to protect the value of our brand name. We cannot assure you that procedures we have taken will provide effective prevention for unauthorised third party use of our brand name. In addition, we currently own the exclusive right to use three domain names containing or relating to our company name and brands. We may be unable to prevent third parties from acquiring and maintaining domain names that infringe or otherwise decrease the value of our brand name, trademarks and other proprietary rights. Failure to protect our domain names could adversely affect our reputation and brand, and make it more difficult for users to find our websites. In addition, we may not be able to complete relevant trademark registration prior to the opening of any new outlet. Third parties may obtain intellectual property rights in the future and claim that our brands infringe their intellectual property rights. Even if we were to prevail against such claims, there is no assurance that such party may not launch any claims in future against any of our outlets. Future litigation could also result in substantial costs and diversion of our resources, and could adversely affect our business, financial condition and results of operations.

Record labels, recording associations or other third parties may make claims against our Group.

We play music in our outlets during our operation of business. The record labels, recording association or other third parties may make claims against us for copyright infringement. We have reached an agreement with three licensing bodies which are registered with the Copyright Licensing Bodies Registry of the Intellectual Property Department of Hong Kong, namely PPSEAL, HKRIA and CASH as to the amounts of the licensing fees and have settled licensing fees for the usage of music until between mid-2017 and early 2018. For further details, see “Business — Our clubs — Our key offerings — Music and other entertainment facilities”.

However, it is possible that (i) the copyright owners of some music may not have licensed their musical work with those record labels that are covered under the three licensing bodies and the copyright owners of the music, which are not members of the three licensing bodies, may claim against us if such music is played in our outlets; and (ii) after the expiration of the licensing agreements, the relevant licensing bodies may refuse to grant further licence for the usage of the music. We may be required to stop using the music in our outlets or even institute litigation, arbitration or other proceedings to defend ourselves, which would likely consume our management’s time and attention. Such proceedings are likely to be expensive to resolve regardless of its outcome.

Any unforeseeable disruptions to our outlets could materially and adversely affect our business, reputation and financial condition.

Our operations are vulnerable to interruption by accidents, natural disasters and events beyond our control such as typhoons, fires, floods, earthquakes, power failures and power shortages, blackouts or shortage of electricity/water, computer hardware and software failures, computer viruses and massive riots, which may lead to evacuations and other disruptions in our operations, and may also prevent us from providing quality food and service to customers for an indefinite period of time. Any prolonged interruption to the operation of our outlets could have a material adverse effect on our business and financial results. Further, our business also relies on prompt delivery and quality transportation of our beverage and food ingredients by our suppliers and the

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provision of services by certain third-party vendors. Perishable food ingredients, such as fresh, chilled or frozen food ingredients may deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our suppliers or our logistics partners. Certain events, such as adverse weather conditions, riots, natural disasters, severe traffic accidents and delays, suspension of public transportation systems, non-cooperation of our suppliers or their logistics partners and labour strikes, could lead to delayed or lost deliveries, cancellation of featured events, reduced customer traffic at our outlets and our outlets could result in the loss of revenue.

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

There are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, such as loss of reputation. Being held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage may materially and adversely affect our business and results of operations.

Our results of operations may fluctuate significantly from period to period due to seasonality and other factors.

Our overall results of operations may fluctuate significantly from period to period because of various factors, including the timing of new outlet openings and the incurrence of associated pre-opening costs and expenses, operating costs for our newly opened outlets, any losses associated with our outlet closings and seasonal fluctuations that may vary depending upon the region in which a particular restaurant is located. We experience seasonality in sales. For details, see “Business — Sales and marketing — Seasonality”. As a result of the above factors, our results of operations may fluctuate significantly 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.

RISKS RELATING TO OUR INDUSTRY

Our business depends on the macro-economic situation in Hong Kong and may be adversely affected by reductions in discretionary consumer spending as a result of downturns in the economy and increase in inflation.

The performance of our club and restaurant operations in Hong Kong is closely related to the economic conditions of Hong Kong. In the event of an economic downturn and increase in inflation, consumers will tend to become more budget conscious and sensitive to the amounts they spend on entertainment and dining out. As our clubs and restaurants are operated in Hong Kong, our business and performance is heavily dependent on the economy of Hong Kong. Our inability to direct our business to other geographic locations in case of changes in consumers’ spending pattern changes or any deterioration of the economy of Hong Kong will materially affect our revenue, profitability and business prospects will be materially affected.

We operate in a highly competitive industry.

We face intense competition from other night entertainment venues, various restaurant chains and individual restaurant operators which target the same or similar group of customers. There are numerous night entertainment venues in Hong Kong that serve alcoholic beverages in venues that open at night and restaurants in Hong Kong offering Japanese-style cuisine. These establishments compete with us in terms of, among other things, taste, quality, price, customer service, ambience, and the overall entertainment and dining experience. Some of our competitors may have longer operating history, larger customer bases, better brand recognition and reputation, and better financial position, marketing strategies and public relations resources. We face intense competition from other competitors as well as new market entrants. Our failing to stay competitive in terms of our pricing or any deterioration in the quality of our products and services may adversely affect our business and results of operations.

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As we intend to expand our outlet network, we have to compete with other night entertainment business owners, restaurant operators and retailers for space and experienced employees. The competition for prime locations may increase the bargaining power of landlords and thus leading to potentially high rents for prime locations. Consequently, we may not be able to secure these prime locations on terms comparable to those offered to our existing outlets, or our competitors may offer better terms than those offered by us. We may also have to offer experienced management staff higher wages in order to recruit or retain them. Such instances will increase our operating costs, thereby affecting our financial performance.

Our business is subject to stringent licensing requirements, environmental protection regulations and hygiene standards which can increase the operating costs of the business.

The operations of clubs and restaurants in Hong Kong is highly regulated under Hong Kong law. We are required to comply with numerous legislations, including environmental protection regulations, hygiene standards and liquor licence. There can be no assurance that the requirements for obtaining the licences we require in Hong Kong will not become more stringent or that we will be able to comply with the relevant regulations or even be able to renew the existing licences in a timely manner or at all.

Any failure by us to comply with the existing regulations, or any future legislative changes, could result in our Group incurring significant compliance costs or expenses or result in the assessment of damages, imposition of fines against us or a suspension of any part of our business, which could materially and adversely affect our financial condition and results of operations. We may have to incur more costs in complying with any changing laws and regulations in relation to the food and beverage industry on hygiene, fire and safety standards. In addition, should we fail to comply with these stringent requirements and are unable to timely renew our licences, the relevant authority may require our clubs and restaurants to temporarily or permanently cease operation which in turn may adversely affect our profitability.

Incidents of outbreaks of diseases such as contagious disease of animals, food borne illness as well as negative publicity relating to such incidents in Hong Kong could adversely affect our business.

Hong Kong may be prone to epidemic outbreak, such as severe acute respiratory syndrome, which is known as SARS, and avian influenza, outbreak of which could severely reduce customer traffic of our restaurants and adversely affect our results of operations. In addition, any outbreak of food-borne disease such as Swine Influenza, which is also known as pig flu, and Bovine Spongiform Encephalopathy, which is also known as mad cow disease, may lead to a loss in customer confidence and reduce customer traffic and results of operations. In addition, any negative publicity relating to these and other health-related matters may affect consumers' perception of our restaurants and our food safety, which will consequently reduce customer traffic of our restaurants and adversely affect our results of operations. We do not have any specific insurance coverage for any of our loss as a result of any outbreak of the abovementioned contagious disease.

RISKS RELATING TO THE SHARE OFFER

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 Share Offer, there has been no public market for our Shares. An active trading market for our Shares may not develop after the Share Offer and this may adversely affect the market price and liquidity of our Shares.

The determination of the indicative Offer Price range stated in this prospectus was a result of negotiations between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company. As such, the Offer Price may not be an indicative trading price of our Shares on the Stock Exchange. Future sales by our Group or its existing Shareholders of substantial amounts of our Shares after the Share Offer could adversely affect the prevailing market prices from time to time.

RISK FACTORS

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 Offer 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 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 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.

Stock markets and the shares of some listed companies in Hong Kong have experienced price and volume fluctuations in recent years, some of which may have been unrelated or disproportionate to the operating performance of such companies.

The market price of the Shares when trading begins could be lower than the Offer Price as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The Offer Price will be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Future sale or perceived sale of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares.

There is no assurance that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Share Offer. We cannot predict the effect, if any, of any future sale of our Shares by any of our Controlling Shareholders, or that the availability of our Shares for sale by any of our Controlling Shareholders may have on the market price of our Shares. Sale of a substantial number of our Shares by any of our Controlling Shareholders in the public market, or the market perception that such sale may occur, could materially and adversely affect the prevailing market price of our Shares.

Investors for our Shares will experience dilution if we issue additional Shares or other securities in the future.

Additional funds may be required in the future to finance the expansion or new developments of our business and operations. If additional funds are raised through the issuance of new equity or equity-linked

RISK FACTORS

securities of our Company other than on a pro rata basis to the existing Shareholders, the percentage ownership of the existing Shareholders in our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

Also, if we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exerts pressure to the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

Issue of new shares pursuant to any options granted under the Share Option Scheme may dilute the Shareholders' equity interests.

We have conditionally adopted the Share Option Scheme. Following any issue of new Shares upon exercise of any options which may be granted under the Share Option Scheme, there will be an increase in the number of issued Shares. As such, there may be a dilution or reduction of shareholding of the Shareholders which results in a dilution or reduction of the earnings per Share or net asset value per Share. In addition, the fair value of the options to be granted to the eligible participants under the Share Option Scheme will be charged to our consolidated income statements over the vesting periods, if any, of the options. The determination of the fair value of the options will take place on the date of granting of the options. Accordingly, this may adversely affect our financial results and profitability.

Shareholders and investors could face difficulties in protecting their interests because our Company was incorporated under the laws of the Cayman Islands and these laws could provide different protections to minority Shareholders than the laws of Hong Kong.

Our corporate affairs are governed by the Memorandum and Articles of Association and by the 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 could differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences could mean that the minority Shareholders could have different protections than they would have under the laws of Hong Kong.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS AND FROM OTHER SOURCES

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

This prospectus includes certain statistics and facts that have been extracted from government official sources and publications or other sources. We believe that the sources of these statistics and facts are appropriate for such statistics and facts and have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that there is omission of any material information that would render such statistics and facts false or misleading. None of our Group, our Controlling Shareholders, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any of our or their respective directors, advisers, officers, employees, agents, affiliates and/or representatives or any other persons or parties involved in the Share Offer has independently verified these statistics and facts from these sources and therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus could be inaccurate or there is a risk that they are not comparable to statistics produced for other economies and should not be relied upon. Furthermore, we cannot assure you that the facts and other statistics are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

RISK FACTORS

In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or other statistics.

Forward-looking statements in this prospectus could prove inaccurate.

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors. Such forward-looking statements are based on numerous assumptions as to our present and future business strategies and the development of the environment in which we operate. Our actual financial results, performance or achievements could differ materially from those discussed in this prospectus. Investors should be cautious against placing undue reliance on any forward-looking statements as these statements involve known and unknown risks, uncertainties and other factors which could cause our actual financial results, performance or achievements to be materially different from our anticipated financial results, performance or achievements expressed or implied by these statements. We are not obliged to update or revise any forward-looking statements in this prospectus, whether by reason of new information, future events or otherwise.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us and the Share Offer.

There could be press articles, media coverage and/or research analyst reports regarding us and the Share Offer, which could include certain financial information, financial projections, industry comparisons, and/or other information about us and the Share Offer that do not appear in this prospectus. We do not accept any responsibility for any such press articles, media coverage or research analyst report or the accuracy or completeness or reliability of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. We have not authorised the disclosure of any such information in the press, media or research analyst report. 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 and accordingly, you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute non-exempt continuing connected transactions for our Company that are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under the GEM Listing Rules. Pursuant to Rule 20.103 of the GEM Listing Rules, we have applied to the Stock Exchange for a waiver from strict compliance with the announcement requirement under Rule 20.33 of the GEM Listing Rules in respect of such non-exempt continuing connected transactions.

The Stock Exchange has granted us a waiver from strict compliance with the applicable requirement(s) under the GEM Listing Rules as mentioned above and we will comply with the relevant requirements of Chapter 20 of the GEM Listing Rules upon Listing. For details of such non-exempt continuing connected transactions and such waiver, see "Connected Transactions".

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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 (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information with regard to our Company. 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;
- there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other person or party involved in the Share Offer. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation 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 of any date subsequent to the date of this prospectus. Details of the structure of the Share Offer, including its conditions, are set out in “Structure and Conditions of the Share Offer”, and the procedures for applying for the Public Offer Shares are set out in “How to Apply for Public Offer Shares” and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

The Listing is sponsored by the Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered into on 27 March 2017. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement to be entered into.

If, for any reason, our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Thursday, 30 March 2017, the Offer Price will be HK\$0.25. For full information about the Underwriters and the underwriting arrangements, please see “Underwriting”.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Public Offer Shares under the Public Offer will be required to, or by his/her acquisition of the Offer Shares be deemed to, confirm that he/she is aware of the restrictions on the offers of the Offer Shares described in this prospectus and the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation nor is it calculated to invite or solicit offers in any jurisdiction 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. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

APPLICATION FOR LISTING ON GEM

We have applied to the Listing Division for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer as mentioned in this prospectus (including any new Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme).

Under section 44B(1) of the Companies (Winding Up and Miscellaneous) Ordinance, if the permission for our Shares to be listed on GEM pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing of our Shares on GEM and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

No part of our Shares or loan capital is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of our Shares or loan capital on any other stock exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on 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. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for our Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALINGS AND SETTLEMENT

Dealings in our Shares are expected to commence at 9:00 a.m. on Friday, 7 April 2017. Shares will be traded in board lots of 10,000 Shares each and are freely transferable. The GEM stock code for our Shares is 8412.

Our Company will not issue any temporary document of title.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

HONG KONG BRANCH SHARE REGISTRAR AND STAMP DUTY

All of our Shares will be registered on our Company's branch register of members to be maintained in Hong Kong by our Hong Kong Branch Share Registrar and transfer office, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong. Our Company's principal register of members will be maintained by the principal share registrar and transfer office, Estera Trust (Cayman) Limited, at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

Only Shares registered on our Company's Hong Kong branch register of members maintained in Hong Kong may be traded on GEM. Dealings in our Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in HK dollars in respect of our Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to, the Offer Shares, they should consult an expert. None of our Company, our Directors, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any of our or their respective directors, advisers, officers, employees, agents, affiliates and/or representatives or any other persons or parties involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Offer Shares.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for application for the Public Offer Shares is set out in "How to Apply for Public Offer Shares" and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in "Structure and Conditions of the Share Offer".

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Any discrepancies in any table or chart between the totals and the sums of the amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Ng Shing Joe Kester (吳繩祖)	11/F Interocean Court 26 Peak Road The Peak Hong Kong	Chinese
Ms. Lau Sze Yuen (劉思婉)	Flat 8 Floor 6 Block E Perfect Mount Gardens 1 Po Man Street Shau Kei Wan Hong Kong	Chinese
Non-executive Directors		
Mr. Kan Sze Man (簡士民)	House C 10 Hang Hau Wing Lung Road Blanche Villas Clear Water Bay New Territories Hong Kong	Chinese
Independent non-executive Directors		
Mr. Wong Sui Chi (黃瑞熾)	Flat E, 18/F, Block 5 Ocean Shores Tseung Kwan O New Territories Hong Kong	Chinese
Mr. Li Lap Sun (李立新)	Flat D, 17/F Celeste Court 12 Fung Fai Terrace Happy Valley Hong Kong	Chinese
Mr. Ng Kwok Kei Sammy (伍國基)	Flat E, 32/F, Block 2 Centenary Mansion 1 Victoria Road Kennedy Town Hong Kong	Chinese

See “Directors and Senior Management” for further information of our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor

Lego Corporate Finance Limited

(a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO)

Room 1601, 16/F, China Building
29 Queen's Road Central
Central, Hong Kong

Sole Bookrunner

Great Roc Capital Securities Limited

(a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO)

Suite 3712, 37/F., West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Joint Lead Managers

Lego Securities Limited

(a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO)

Room 804, 8/F., Jubilee Centre
46 Gloucester Road
Wanchai, Hong Kong

Great Roc Capital Securities Limited

(a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO)

Suite 3712, 37/F., West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Co-Managers

RHB Securities Hong Kong Limited

(a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO)

12/F, World-Wide House
19 Des Voeux Road Central
Central, Hong Kong

South China Securities Limited

(a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO)

28/F, Bank of China Tower
1 Garden Road, Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law

Locke Lord

21/F Bank of China Tower
1 Garden Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

	<p><i>As to Cayman Islands law</i> Appleby 2206-19 Jardine House 1 Connaught Place Central, Hong Kong</p>
Legal adviser to the Sponsor and the Underwriters	<p><i>As to Hong Kong law</i> Pinsent Masons 50th Floor Central Plaza 18 Harbour Road Hong Kong</p>
Auditor and Reporting Accountant	<p>BDO Limited <i>Certified Public Accountants</i> 25th Floor Wing On Centre 111 Connaught Road Central Hong Kong</p>
Industry Consultant	<p>Frost & Sullivan Limited Unit 08, 26/F 9 Queen's Road Central Hong Kong</p>
Receiving bank	<p>Standard Chartered Bank (Hong Kong) Limited 15/F, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Kowloon Hong Kong</p>
Compliance adviser	<p>Lego Corporate Finance Limited Room 1601, 16/F China Building 29 Queen's Road Central Hong Kong</p>

CORPORATE INFORMATION

Registered office	PO Box 1350, Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Head office and principal place of business in Hong Kong	Unit B, 24th Floor Wyndham Place 44 Wyndham Street Central Hong Kong
Company's website	www.bcigroup.com.hk <i>(Note: contents on this website does not form part of this prospectus)</i>
Company secretary	Mr. Wong Chi Wai (黃志威) (HKICPA) Flat 4, 6/F Lei Yi House Lei On Court Lam Tin Hong Kong
Authorised representatives <i>(for the purpose of GEM Listing Rules)</i>	Mr. Ng Shing Joe Kester (吳繩祖) 11/F Interocean Court 26 Peak Road The Peak Hong Kong Mr. Wong Chi Wai (黃志威) Flat 4, 6/F Lei Yi House Lei On Court Lam Tin Hong Kong
Compliance officer	Ms. Lau Sze Yuen (劉思婉) Flat 8, Floor 6 Block E Perfect Mount Gardens 1 Po Man Street Shau Kei Wan Hong Kong
Audit committee	Mr. Wong Sui Chi (黃瑞熾) (Chairman) Mr. Li Lap Sun (李立新) Mr. Ng Kwok Kei Sammy (伍國基)
Remuneration committee	Mr. Ng Kwok Kei Sammy (伍國基) (Chairman) Mr. Wong Sui Chi (黃瑞熾) Mr. Li Lap Sun (李立新)
Nomination committee	Mr. Li Lap Sun (李立新) (Chairman) Mr. Ng Kwok Kei Sammy (伍國基) Mr. Wong Sui Chi (黃瑞熾)

CORPORATE INFORMATION

Principal share registrar and transfer office in the Cayman Islands

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

Hong Kong branch share registrar and transfer office

Boardroom Share Registrars (HK) Limited
31/F, 148 Electric Road
North Point
Hong Kong

Principal banker

The Hong Kong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

INDUSTRY OVERVIEW

This section contains certain information which is derived from a commissioned report, the F&S Report, prepared by Frost & Sullivan which is an Independent Third Party. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information derived from the above sources has not been independently verified by us, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any of our or their respective directors, advisers, officers, employees, agents, affiliates and/or representatives or any other persons or parties involved in the Share Offer and no representation is given as to its accuracy. Please refer to “Risk Factors — Risks relating to the statements made in this prospectus and from other sources — Statistics and facts in this prospectus have not been independently verified.” for details. We confirm, after taking reasonable care, that there have been no material adverse change in the market information since the date of the F&S Report which may qualify, contradict or have an impact on the information in this section.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consultant, to prepare a report on the night entertainment and restaurant markets in Hong Kong at a fee of HK\$400,000. The F&S Report has been prepared by Frost & Sullivan without our influence.

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 covering various industry sectors including food, beverage and entertainment. Frost & Sullivan has proven track records in providing market research studies to government departments/agencies and private clients in the regions where the F&S Report covers.

The F&S Report includes information on the night entertainment and restaurant markets in Hong Kong. In preparing the F&S Report, Frost & Sullivan conducted detailed primary research which involved having in-depth discussions with the industrial association, industry experts and leading industry participants. Frost & Sullivan has also conducted secondary research which involved reviewing company annual reports, independent research reports and data from its own research database. Frost & Sullivan obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the industry drivers. 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 (ii) the information obtained from interviews is for reference only and the findings in the F&S Report are not based on the results of these interviews.

The F&S Report was compiled based on the following assumptions: (i) the global economy is to maintain a steady growth across the forecast period; and (ii) there is no external shock such as financial crisis or the wide outbreak of diseases to affect the demand and supply of services in clubbing and restaurant markets in Hong Kong during the forecast period. Frost & Sullivan and we believe that the basic assumptions used in preparing the F&S Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analysed the information.

The historical market information from 1 January 2016 to 31 May 2016 was not available as the overall industry research conducted by Frost & Sullivan was based on calendar year and 31 December is the typical time node for historical data analysis.

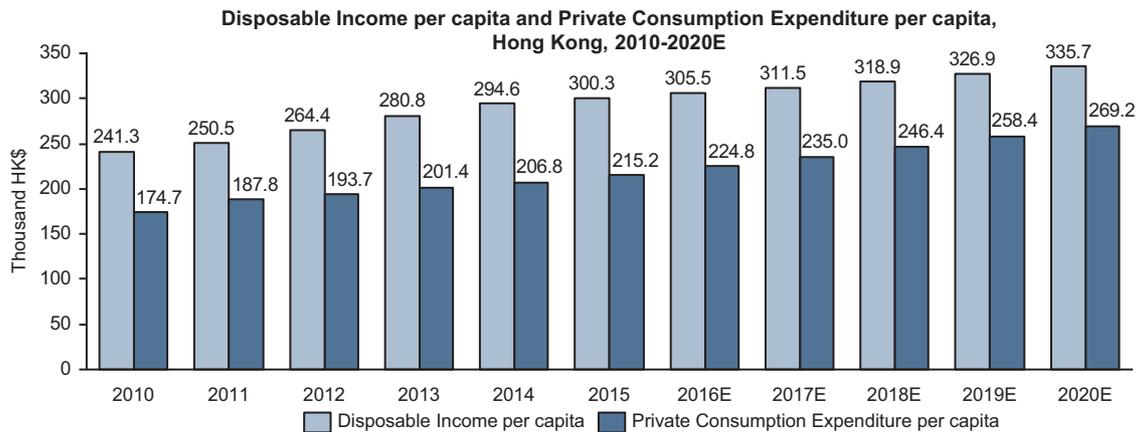
Except as otherwise noted, all of the data and forecasts contained in this section are derived from the F&S Report, various official government publications and other publications.

INDUSTRY OVERVIEW

MACRO ECONOMY IN HONG KONG

Per capita private consumption expenditure in Hong Kong has seen steady growth from 2010 to 2015, growing at a CAGR of 4.3% from approximately HK\$174,700 in 2010 to HK\$215,200 in 2015. It is anticipated that the private consumption expenditure per capita in Hong Kong will reach approximately HK\$269,200 in 2020 at a CAGR of 4.6% from 2016 to 2020 which is mainly driven by the increasing disposable income per capita and purchasing power of Hong Kong.

During 2010 to 2015, disposable income per capita in Hong Kong grew at a CAGR of 4.5% from approximately HK\$241,300 in 2010 to HK\$300,300 in 2015. From 2016 to 2020, it is expected to continue the growth at a CAGR of 2.4%, reaching approximately HK\$335,700 by the end of 2020 stimulated by steady inflation in coming years and the expected increase in per capita income. The growth in disposable income per capita would imply a higher domestic consumption, and thus there would be a potential increase in the demand for night entertainment and casual dining at restaurants.



Source: Census and Statistics Department of HK Government, Frost & Sullivan

Average private retail rent

The average rent for private retail is expected to have an overall moderate decrease from 2016 to 2020. The average rent for private retail properties in Hong Kong rose from HK\$ 1,118/m² per month in 2010 to HK\$ 1,472/m² per month in 2015 at a CAGR of 5.7%. It is expected that the average rent for private retail properties will drop from HK\$ 1,386/m² per month in 2016 to HK\$ 1,279/m² per month in 2020 at a CAGR of -2.8% which is mainly propelled by tourism and retail sales performance with the declining number of tourists from mainland China.



Source: Census and Statistics Department of HK Government, Frost & Sullivan

INDUSTRY OVERVIEW

OVERVIEW OF THE NIGHT ENTERTAINMENT INDUSTRY

The night entertainment industry in Hong Kong can be categorised into the following establishments based on the operation model and type of services offered as below.

<u>Market segment</u>	<u>Specific characteristics</u>
Clubs	Clubs in general can be identified by establishments operating at night until late hours with entrance fees, DJs playing strong beat music and dance floors. In Hong Kong, clubs with a dance floor must obtain a liquor licence with a dancing endorsement. Some clubs in Hong Kong are multi-functional with day-time operating as restaurants and night clubs from night hours. Primarily, the premium clubs are located in prime districts in Hong Kong such as Lan Kwai Fong in Central.
Bars and pubs	Bars and pubs are establishments that primarily serves alcoholic beverages and limited supply of snacks and hot food. The term “bar” is derived from the specialised counter setting at premises where beverages are served. Some bars and pubs offer entertainment equipment such as pool tables, darts, beer pong etc.
Restaurants	Restaurants in Hong Kong with a liquor licence are able to serve alcoholic beverages. Some restaurants in Hong Kong are multifunctional as night clubs at night-time or with a bar table set up as a bar/pub.
Karaoke Bars	Karaoke bars are establishments which offer karaoke entertainment and also serve alcoholic drinks.
Others	Any other businesses that serve alcoholic beverages for consumption at the premises.

As at 28 July 2016, there were 7,285 establishments in Hong Kong with a liquor licence with 108 of which having obtained a dancing endorsement. Entrance fee is one of the key differentiators between clubs and bars/pubs. Unlike bars/pubs which do not charge customers for entrance and generate revenue from the sales of food and beverages, clubs usually charge an entrance fee to ensure that specific groups of customers (i.e. those who are willing to pay for entertainment on top of food and beverages) can enjoy in an upscale, safe and private environment. For example, some clubs have their own lists of invited guests while entrance fee will be applied for other customers. Therefore, although entrance fee is not the main income stream for club operators, it serves as a tool to ensure a high quality social environment for customers in the club.

OVERVIEW OF THE CLUBBING MARKET

History and development

The origins of the clubbing market date back to 1978, when Gordon Huthart opened the first club in Lan Kwai Fong, “Disco Disco” which was located at 38-44 D’Aguilar Street, Central, which is the present location of our club, Volar. Allan Zeman, dubbed the “Father of Lan Kwai Fong”, came along in the 1980s and started to transform the area into restaurants and clubs.

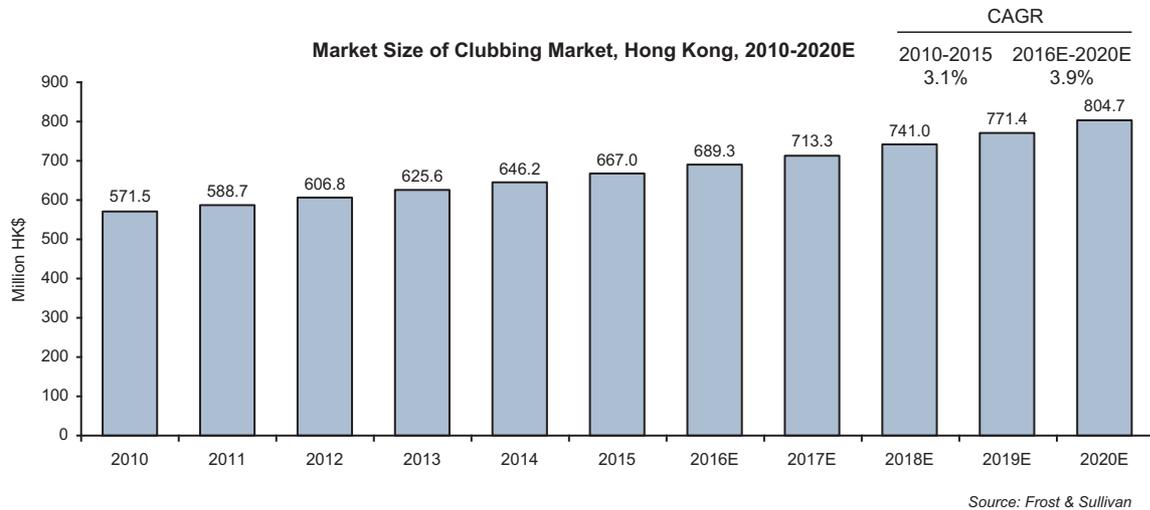
In 1980s, the nightclub culture was gaining popularity from expatriates as well as locals. Lusters of smaller bars and clubs emerged in Minden Avenue and Knutsford Terrace in the Tsim Sha Tsui district. In 1990s, Allan Zeman had developed Lan Kwai Fong into a world-famous night entertainment district. Clubbing industry recorded a rapid growth during this decade. In the Lan Kwai Fong area, there are currently over 100 bars, clubs and restaurants. The clubbing market is now well-established and the players in the market are eager to sustain, consolidate and gain their market share and to eliminate weaker and poor performing players. At present, the clubbing market in Hong Kong has potential for growth.

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Market size

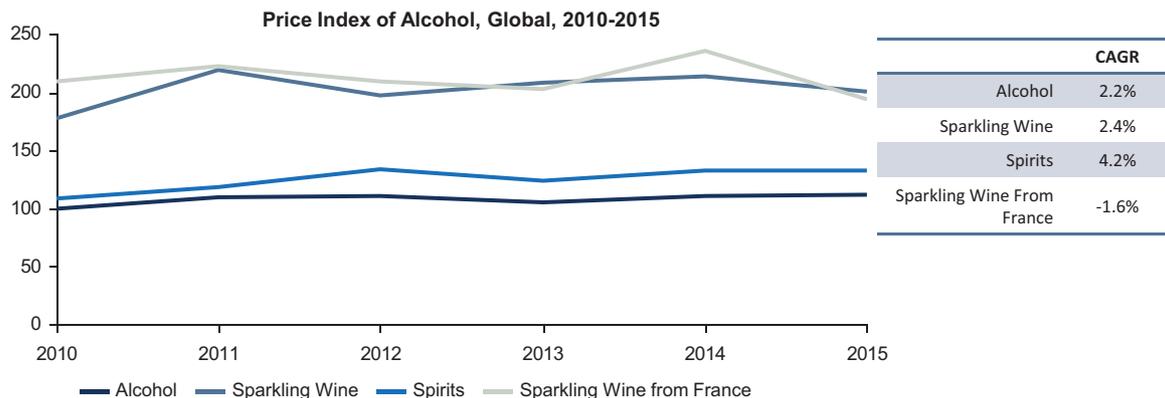
The market size of the clubbing market in terms of total revenue in Hong Kong increased steadily with a moderate growth from approximately HK\$571.5 million in 2010 to approximately HK\$667.0 million in 2015 registering a CAGR of 3.1%. This is primarily stimulated by the rising popularity of the night entertainment activities, especially for clubbing with an increasing number of expatriates in Hong Kong.

It is anticipated that the clubbing market is going to reach HK\$804.7 million in 2020 with a stable CAGR of 3.9% from 2016 to 2020 which is mainly driven by the increased number of expatriates and students pursuing or who have pursued education overseas and acquiring the foreign culture and lifestyle and also the popularity of the social networking platform for better marketing and advertisement.



Costs of alcoholic drink

The global price index of alcohol increased from 100.0 in 2010 to 111.3 in 2015 representing a CAGR of 2.2% with spirits achieving the highest growth at a CAGR of 4.2%. The global price index is referenced by the import prices of the beverages from various countries to Hong Kong. The price index of sparkling wine from France, which includes Champagne, recorded a decrease of CAGR of -1.6% from 210.0 in 2010 to 194.1 in 2015.



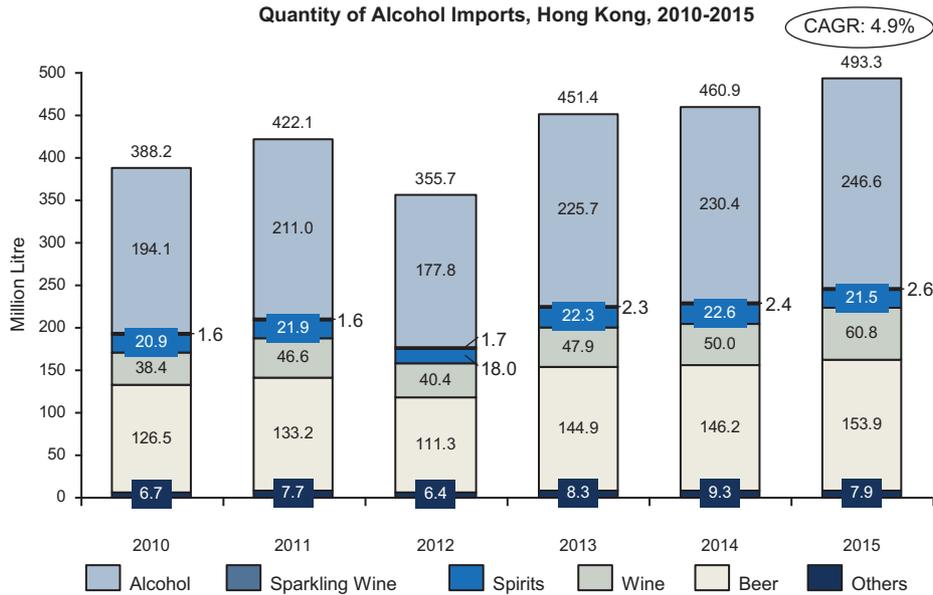
Note: Average alcohol price (HKD per litre) at 2010 = 100

Source: Census and Statistics Department of HK Government and Frost & Sullivan

The overall alcohol imports in Hong Kong increased from 388.2 million litres in 2010 to 493.3 million litres in 2015 representing a CAGR of 4.9%. The import quantity is a good representation of the sales volume of alcohol as over 90% of the alcoholic beverages in Hong Kong are imported. The robust development of clubbing

INDUSTRY OVERVIEW

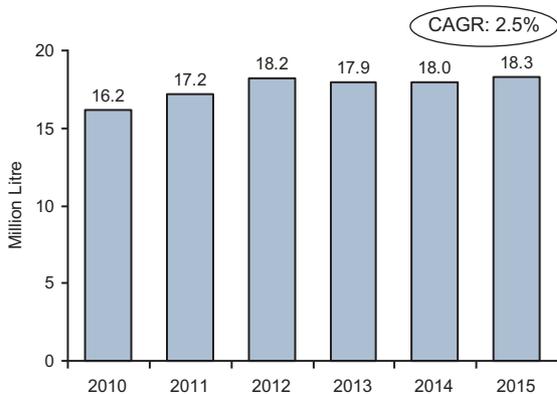
industry in recent years has stimulated the import volume of sparkling wine including Champagne, realising a strong increase.



Consumption of alcohol

The total pure alcohol consumption in Hong Kong has recorded a moderate increase from 16.2 million litres in 2010 to 18.3 million litres in 2015 at a CAGR of 2.5%. The alcohol consumption per capita rose from 2.6 litres in 2010 to 2.8 litre in 2015 at a CAGR of 1.6%. The rising alcohol consumption indicates the surging demand of alcoholic beverages in Hong Kong which is mainly driven by the booming development of drinking establishments and increasing popularity for night entertainment in bars and clubs.

Total Pure Alcohol Consumption, Hong Kong, 2010-2015



*The volume of pure alcohol consumed was estimated from the total volume of alcoholic beverages consumed by assuming that beer is 5% by volume, wine is 13.5% by volume, and spirits ≤ 30% and spirits > 30% are 30% and 40% by volume respectively.

Alcohol Consumption per Capita, Hong Kong, 2010-2015



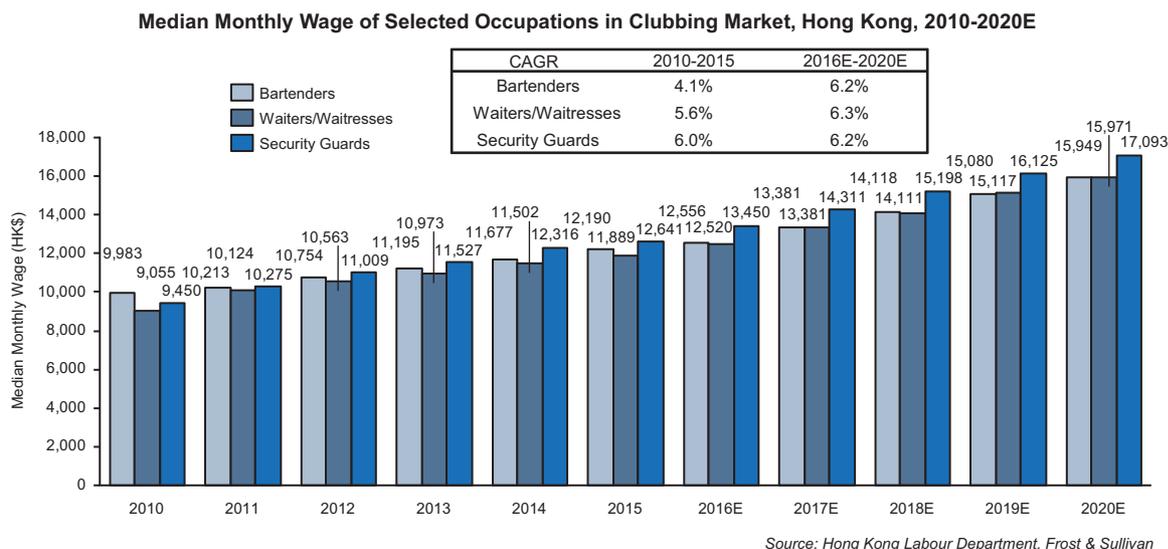
Source: Census and Statistics Department of HK Government, Frost & Sullivan

Costs of labour

Overall, the median monthly wage of selected occupations in the clubbing market including bartenders, waiters and waitresses and security guards have seen a steady growth from 2010 to 2015, mainly attributable to

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inflation and the introduction of the statutory minimum wage. The growth is expected to continue from 2016 to 2020 due to high demand for labour and the development of clubbing market in Hong Kong.



MARKET DRIVERS OF THE CLUBBING MARKET

Internationally renowned night entertainment in Hong Kong

The vibrant nightlife in Hong Kong is internationally renowned. Lan Kwai Fong is one of the few places in the world with a concentrated selection of bars and clubs in a relatively small area when compared to other major cities in the world. A number of premium clubs in Central have gained worldwide recognition with internationally renowned DJs and frequent visits from celebrities which further attracts expatriates, returning overseas Chinese, university students and graduates as well as tourists. Some of the DJs engaged by Volar are internationally renowned and named in online and printed media such as foreign music magazines as ones of the “Top 100 DJs”. These DJs have their proven track record of discography and recognition in music production and editing. For example, some of the tracks produced by these DJs have been included in popular computer and console games and played in private events, while there was a DJ working in an international radio broadcast channel.

Increasing popularity of clubbing in Hong Kong

The increased popularity of clubbing in Hong Kong is mainly driven by the higher living standard, frequent social activities and change of consumer consumption patterns. With the rising disposable income per capita in Hong Kong in recent years, people have been paying more attention to their entertainment options and social activities especially for white collar professionals after long hours of work. As a result, clubbing, especially for those situated in prime locations such as Lan Kwai Fong area, has become a popular entertainment event socialising and networking with friends and business associates. According to statistics on behavioural risk factors released by Centre for Health Protection of HK Government, the percentage of adults who drank alcoholic beverage has reached to 62.4% in 2014. Meanwhile, according to Census and Statistics Department of HK Government, the total pure alcohol consumption volume has demonstrated a general increase from 16.2 million litre in 2010 to 18.3 million litre in 2015 at CAGR of 2.5%, representing the increasing consumption levels of alcoholic beverages. Further, with the growth of the number of expatriates, returning overseas Chinese, university students and graduates, the market is driven by the increasing demand for night entertainment in Hong Kong as they are usually more affluent and willing to spend when they party in the clubs. According to the Immigration Department of HK Government, the number of employment visas under “General Employment Policy” has surged from 26,881 in 2010 to 34,403 in 2015 at a CAGR of 5.1%.

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Online social platform as a sophisticated marketing tool

Reputation and customer loyalty are key to success in the clubbing business. Marketing is one of the most prominent tools to raise the brand awareness. The growing importance of online marketing measures such as apps and social media platforms provide crucial ways for the club to build relationships with customers.

OPPORTUNITIES AND CHALLENGES OF THE CLUBBING MARKET

Opportunities

Expansion into new and diversified locations

The market in the prime districts such as Central is well-established and weaker players are being eliminated with stronger players consolidating their lead and gaining their market share. The HK Government has put vigorous effort into the development of the New Territories areas to cope with the booming population, stimulating the future growth of night entertainment business in the developing regions in Hong Kong.

Rising number of students studying abroad

With more students who grow up in Hong Kong studying in different universities over the world and acquiring the foreign culture and living style, it is likely to increase the demand for clubbing with a growing number of student unions from universities around the world organising clubbing events for their members.

Challenges

Increasing alternative night entertainment options

People can choose from a wide variety of entertainment activities such as bars, pubs, cafes, karaoke bars in Hong Kong, especially in night entertainment, since a lot of venues open till late. Increasing choices of night entertainment create fierce competition and pose threats.

Sustainable profits on off-peak nights

The clubbing industry in Hong Kong is hugely affected by the crowd, ambience and vibes of the area and other seasonal factors such as holidays and festivals. Clubs would usually achieve peak capacities on Friday and Saturday nights during the week or on festival occasions. This poses challenges to clubs to maximise their profits during peak nights and gain sustainable profits during the off-peak nights.

Intense market competition

Competition among night entertainment venues which target the same or similar group of customers is intense. There are numerous night entertainment venues in Hong Kong that serve alcoholic beverages in venues that open at night and restaurants in Hong Kong offering Japanese-style cuisine. These establishments compete in terms of, among other things, taste, quality, price, customer service, ambience, and the overall entertainment and dining experience.

Performance is closely related to the macro-economic situation in Hong Kong

The performance of the clubbing market in Hong Kong is closely related to the economic conditions of Hong Kong. In the event of an economic downturn and increase in inflation, consumers will tend to become more budget conscious and sensitive to the amounts they spend on entertainment and dining out.

OVERVIEW AND DEVELOPMENT OF SPORTS-THEMED BARS

Sports-themed bar is defined as a bar decorated with a number of large-screen televisions broadcasting a variety of sports events.

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Sports-themed bars gained popularity in Hong Kong in the 1990s when football was one of the most widely broadcasted sports in Hong Kong. Major football leagues such as Premier League, UEFA Champions League were usually broadcasted in the sports-themed bars, drawing sizeable crowds at night. From the 2000s, with an increasing variety of sports gaining popularity in Hong Kong, sports-themed bars nowadays offer more broadcasting options from ice hockey to Formula One car racing. Some new sports-themed bars provide a wide array of entertainment options such as pool, darts and beer pong to enhance customer enjoyment in the bar. The average spending in an upmarket sports-themed bar is estimated to be around HK\$200 to HK\$400 depending on the price, scale and entertainment options offered. In general, the average investment payback period for sports-themed bars is 12 to 24 months.

According to Frost & Sullivan, the average daily seat turnover rate (which is calculated by dividing guest flow by capacity) of sports bars on weekdays is approximately 101% whereas the average daily seat turnover rate on weekends is approximately 131%.

In addition, patrons of the sports bars tend to first occupy the seats near the bar's entertainment facilities such as big screen TV, beer pong and pool table. As such, the seat turnover rate in respect of the seats proximate to entertainment facilities in sports bar is substantially higher which suggests that entertainment options provided has a positive correlation to the seat turnover rate.

OPPORTUNITIES AND CHALLENGES OF THE HONG KONG SPORTS-THEMED BARS MARKET

Market drivers

Enthusiasm with major international sports activities in Hong Kong

With the enthusiasm for major global sports events in Hong Kong, many of the world famous sports events such as Premier League, Olympics Games, National Basketball Association etc. are often broadcasted through subscription televisions. Watching the live sports with friends in a bar or pub with large screen TVs broadcasting sports events has been one of the most common activities for friends gathering in Hong Kong which has provided growth momentum for the Hong Kong sports bars market.

Demand for casual drinking from white collars

Influenced by the western drinking cultural, white collars in Hong Kong enjoy drinking casually at happy hours on weekdays or after dinner at weekends. Sports bars have provided a great platform for the customers to socialise with alcoholic beverages and light snack. The entertainment options provided such as darts, pool and beer pong etc. increase the time customers spend in the bars and thus drive the growth of revenue of sports bars.

Increase entertainment options in sports bars

Conventionally, sports bars offer big screen television for customers to enjoy a drink while watching sports. In recent years, there is an increasing number of sports bars which has brought in entertainment equipment such as electronic dart machines, pool table, beer pong table, table football, table tennis table and so forth as a marketing strategy in order to attract and retain loyal customers. This move has also driven the revenue of the sports bars in terms of the alcohol spending as well as the entertainment spending in the bars.

Market constraints

Weak tourism growth

According to the statistics from The Hong Kong Tourism Board, the number of inbound tourists has declined in recent years by 2.5% from 2014 to 2015 which is mainly due to mainland Chinese tourists visiting other hot holiday destinations in Asian such as Japan, Korea, Taiwan etc. The downturn of inbound tourism has hindered the growth of the sports bars in Hong Kong in recent years, especially those located in popular nightlife district such as Central and Tsim Sha Tsui.

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Rising labour cost

The Hong Kong statutory minimum wage is HK\$32.5 per hour in 2015 raised from HK\$30.0 per hour. The minimum wage adjustment has a huge impact on pay hierarchies in the sports bars industry with climbing wage levels of the sports bars employees, especially catering staff and cleaners. Hence, the increasing operation cost would have a negative effect on the profit margin of sports bars.

Rising beverage cost

The rising costs of alcoholic drinks add stress to the operating costs of sports-themed bars. The cost price of beer was increased from HK\$5.5 per litre in 2010 to HK\$6.2 per litre in 2015, representing a CAGR of 2.4% while the cost price of Whisky was increased from HK\$80.0 per litre in 2010 to HK\$137.5 per litre in 2015 representing a CAGR of 11.4%

Import Price of Alcoholic Drinks (Price per Litre in HKD) from 2010 to 2015

<u>HKD/ Litre</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>CAGR 2010- 2015</u>
Beer	5.5	5.6	5.9	6.1	6.3	6.2	2.4%
Sparkling Wine	172.0	211.9	190.5	201.2	207.2	193.8	2.4%
Whisky	80.0	91.3	105.8	104.2	126.1	137.5	11.4%
Rum	34.2	36.2	36.6	47.4	38.6	38.5	2.4%
Gin	30.1	30.1	29.8	40.9	36.5	41.5	6.6%
Other spirits	166.4	184.5	217.6	187.3	195.8	191.6	2.9%

Source: Census and Statistics Department of HK Government, Frost & Sullivan

Forecasted Import Price of Alcoholic Drinks (Price per Litre in HKD) from 2016 to 2020

<u>HKD/ Litre</u>	<u>2016E</u>	<u>2017E</u>	<u>2018E</u>	<u>2019E</u>	<u>2020E</u>	<u>CAGR 2016- 2020</u>
Beer	6.4	6.6	6.7	7.0	7.1	2.8%
Sparkling Wine	200.5	207.0	220.4	227.0	230.3	3.5%
Whisky	145.4	156.2	166.1	188.7	202.3	8.6%
Rum	39.8	41.5	41.8	42.9	44.3	2.7%
Gin	43.9	45.8	49.1	51.8	55.3	5.9%
Other spirits	196.9	205.5	207.9	209.1	214.3	2.1%

Source: Census and Statistics Department of HK Government, Frost & Sullivan

Future trend and outlook

Integration of technology to enhance customer experience

Apart from provision of a variety of ordinary entertainment, sports bar operators in Hong Kong has been putting effort to enrich the entertainment options in order to increase the customer experience. For instances, some sports bars had introduced electronic dart machines with internet connection, allowing customers to have dart competition with peers and even players in other bars and the real time update of game results. Hence a growing adoption of technology in entertainment are recognised as a key trend in sports bar market.

A mix of place for social activities and restaurants

Sports bars are usually seen as a place for social gathering as it offers a range of entertainment including broadcasting of sports events and games, in particular in some special occasions such as weekends when there is

INDUSTRY OVERVIEW

live broadcasting for popular sports events such as English Premier League. Some sports bars are available for booking and host of private events such as football watching events. On the other hand, to further expand the business, some sports bars may extend their opening hours in daytime as restaurants to serve brunch and lunch.

Promotion through social media and mobile applications

The high penetration of smartphone and mobile applications serve as a good channel for promotion. Meanwhile, some sports bars operators had set up their own websites and pages in social media platform, highlighting the latest news, activities, discounts and special offerings as well as events to be hosted. In addition, mobile applications for restaurant and bars are also trending and offer a good opportunity for sports bar to gain business.

COMPETITIVE LANDSCAPE OF THE HONG KONG SPORTS-THEMED BARS

The market of sports-themed bars is highly fragmented, based on (i) sports-themed bars are not strictly defined against ordinary bars; (ii) the relatively lower entry barrier for the sports-themed bar industry (especially for the low-end sports-themed bars with less entertainment options); (iii) no sports-themed bar is taking up a significant amount of the market share at the moment; and (iv) there exists no sports-themed bar chain at the moment although there is a large number of sports-themed bars in Hong Kong. Some large sports-themed bars in prime locations (e.g. Central, Tsim Sha Tsui and Causeway Bay etc.) usually have a Happy Hour starting from 6:00 p.m. and the peak hours are around 10:00 p.m. to 1:00 a.m.. In addition, these bars usually offer reservation service for a table in form of prepaid beverage package.

Relevant track records such as experience in operating clubs, bars and pubs as well as marketing innovation are considered as key success factors in the sports-themed bars market. The overall operation of sports-themed bars is similar to conventional bars in Hong Kong, although sports-themed bars usually offer multiple entertainment options with sports event broadcasting. Some large scale sports-themed bars are operated under the groups of established clubs, bars and pubs. Thus, those players could leverage the established branding and reputation in the sports-themed bars market. Moreover, with the competitive environment of the sports-themed bars market, adopting innovative marketing strategy is the key to establish brand identity and draw public attention. For instances, some sports-themed bars organise special events like beer pong and darts tournament, promotion events in form of free drinks. In addition, those operators who are able to take advantage of various promotion channels such as social media (e.g. Facebook) and taking innovative marketing initiatives are more likely to capture larger market share, especially for those market entrants who are new to the customers.

OVERVIEW OF THE RESTAURANT MARKET

A restaurant is defined as a commercial establishment where a variety of food and beverages are provided with consumption sites and facilities offered to customers. Below illustrates the categories of restaurants.

<u>Type of restaurant</u>	<u>Specific characteristics</u>
Full-service restaurant	Full-service restaurants are traditional sit-down restaurants with full service offered and usually have set meal offered in regular period of time like morning, lunch and dinner instead of whole day.
Casual dining restaurants	Casual dining restaurants may serve cuisine at a moderate price with a more casual environment for dining. Generally, casual dining restaurants offer some table services and have a longer opening time compared with the full-service one.
Quick service restaurants	Quick service restaurants deliver standardised food items with emphasis on quick and efficient food preparation and does not offer table service. Quick service restaurants usually open for long hours or even 24 hours. Quick service restaurants include all food court restaurants.
Others	Other catering service providers include hawker stalls and roadside vendors.

INDUSTRY OVERVIEW

There were approximately 14,000 restaurant establishments in Hong Kong in December 2015.

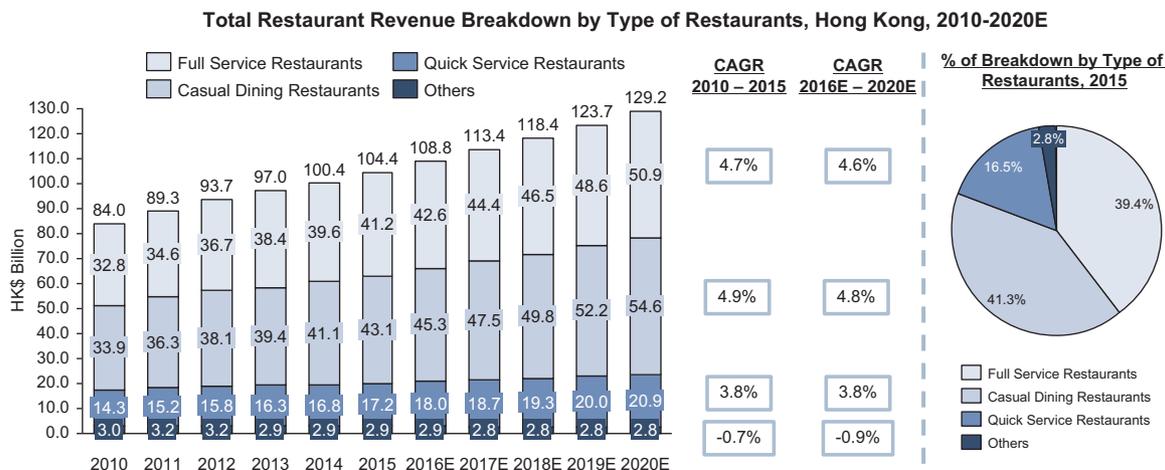
In general, the average investment payback period of restaurants is 12 to 48 months. When calculating the investment payback period, some industry players take into account of depreciation charge while some do not take this approach.

OVERVIEW OF THE CASUAL DINING RESTAURANT MARKET

Market size

Casual dining is the largest segment of restaurants which accounted for 41.3% of total revenue of all types of restaurants in 2015, which is followed by full-service restaurants (39.4%), quick service restaurants (16.5%) and others (2.8%).

Casual dining restaurants recorded a higher growth in terms of revenue from 2010 to 2015 at a CAGR of 4.9% and the trend is projected to continue at a CAGR of 4.8% from 2016 to 2020. Meanwhile, quick service restaurants had also maintained the growing trend during 2010 to 2015 and is expected to grow further from 2016 to 2020, which is attributable to growing demand for quick dining due to fast pace of work and lifestyle in Hong Kong and optimum price offered compared with other segments.



Source: Frost & Sullivan

Costs of major raw materials

The price index of selected raw materials for restaurants had recorded growth from 2010 to 2015, which was mainly attributable to growing demand for these materials.

Composite Consumer Price Index for Selected Items, Hong Kong, 2010-2015

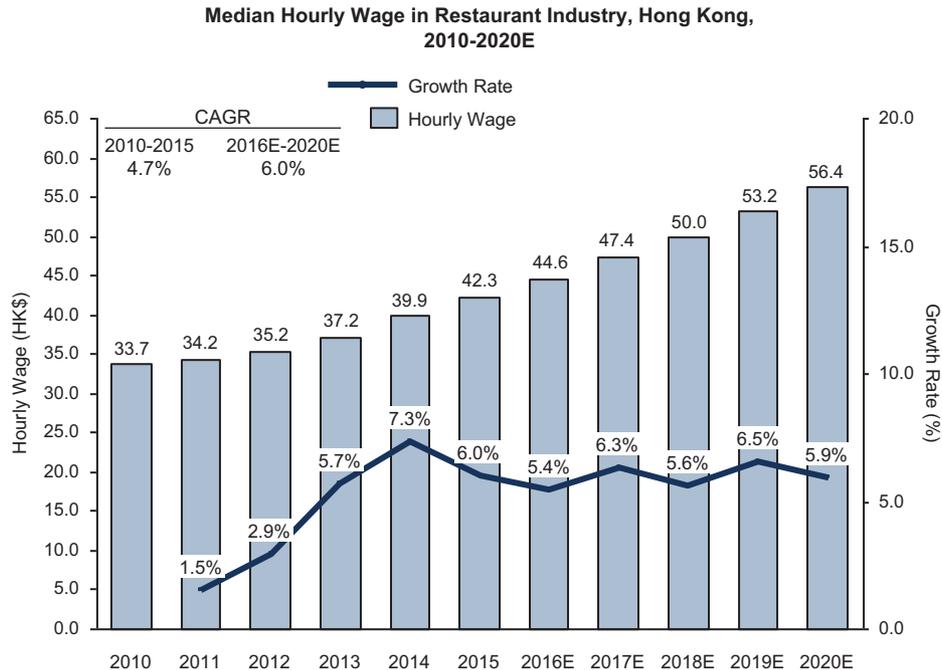
Price Index	2010	2011	2012	2013	2014	2015	CAGR (2010-2015)
Salt-water fish	103.2	124.3	146.0	147.5	156.0	168.0	10.2%
Fresh-water fish	101.1	115.4	128.6	130.7	134.6	139.3	6.6%
Other fresh sea products	103.3	127.1	148.3	170.0	186.8	200.8	14.2%
Pork	100.4	119.0	123.4	125.0	123.1	127.5	4.9%
Beef	100.8	112.4	133.8	161.3	163.3	165.2	10.4%
Poultry	101.0	109.8	116.2	122.5	133.0	151.2	8.4%
Frozen Meat	101.2	108.8	114.8	117.2	119.0	120.3	3.5%
Fresh vegetables	102.5	104.2	109.8	121.8	123.5	123.4	3.8%

Source: Census and Statistics Department of HK Government, Frost & Sullivan

INDUSTRY OVERVIEW

Costs of labour

As driven by the introduction of statutory minimum wage in 2011 and inflation, the median hourly wage in Hong Kong restaurant industry has recorded a growth from HK\$33.7 in 2010 to HK\$42.3 in 2015, representing a CAGR of 4.7%. The growth rate was more significant from 2013 onwards due to the first and second review of statutory minimum wage conducted in 2013 and 2015 respectively. The median hourly wage in restaurant industry is expected to continue to rise at a CAGR of 6.0% from 2016 to 2020 and reach HK\$56.4 in 2020, which would be attributable to the economic growth and inflation.



OVERVIEW OF THE QUICK SERVICE RESTAURANTS MARKET

The quick service restaurants market in Hong Kong is fragmented with approximately 4,000 operators. Majority of the quick service restaurants are established by individual operators while some brands of quick service restaurants are under some large catering service groups.

Market participants of quick service restaurants face keen competition as most of them target customers from mass market, which is therefore associated with customer preference including restaurants location, types of dishes and cuisines, dining environment and atmosphere, services etc.

Some chain operators of quick service restaurants, especially those under some catering groups, are active to take various marketing initiatives including discounts, marketing campaigns and promotions, innovation on dishes and cuisines in order to distinguish themselves from competitors.

MARKET DRIVERS OF THE RESTAURANT MARKET IN HONG KONG

Higher food expenditure

According to Census and Statistics Department of HK Government, the average monthly household expenditure on meals bought away from home has increased from HK\$3,695 in 2009/10 to HK\$4,948 in 2014/15. Meanwhile, the proportion of spending on meals bought away from home has also recorded a growth from 63.1% to 65.5% during the same period. The higher spending on out-dining serves as a key driver to the restaurant market and the trend is expected to continue along with economic growth and strong demand for food as a necessity.

INDUSTRY OVERVIEW

Change of lifestyle

Over the past years, the cultural change, rapid development and dynamic environment in Hong Kong has made an impact to the lifestyle of residents. For example, some employees undertaking shift work or those with long working hours may have irregular meal times and restaurants become a good option for dining. In addition, the traditional concept on restaurants solely as dining place has gradually changed and more people see restaurants as a place for social gathering, networking or even business development. As a result, potential growth of the restaurant market is expected.

Innovation in marketing and dishes

The restaurant market in Hong Kong is diversified and fragmented in terms of cuisines, price, customer groups and location of establishment. Some restaurants adopted different marketing strategies for promotion including discount and free coupons. High mobile penetration and development of online platform with restaurant-specific applications has become a key channel for virtual promotion of restaurants. In the aspect of food, some restaurants have offered customised food menus and fusion dishes. It is expected that innovation will be important to achieve customer satisfaction and therefore the overall growth of restaurant market.

OPPORTUNITIES AND CHALLENGES OF THE RESTAURANT MARKET

Opportunities

Improved technology for business operations

Many newly established restaurants have already incorporated POS system in their operations and it is on the trend of advancement with a variety of functions such as inventory management, connection to social media, analysis on customer spending and food choice, which may help improve operational efficiency and offer insight for business development. Electronic and online ordering services are highly preferred by customers due to convenience. As a result, technology can promote the growth of restaurant market through improving the service level of restaurant.

New development areas in Hong Kong

As highlighted in 2016 Policy Address, the HK Government will proceed with development of new areas and extension of new towns, which include Kwun Tung North, Fanling North, Tung Chung etc. and assess the potential development of Tseung Kwan O Area 137 for residential, commercial and other purposes. Moreover, Kowloon East has been featured in the Policy Address for development of quality business district. The successful implementation of the said development plan would likely boost demand for restaurants in these areas.

Challenges

Rising labour and raw materials costs

The restaurant market has seen soaring expenses on operations especially for labour and raw materials. The implementation of the statutory minimum wage in 2011 with the subsequent bi-annual review in 2013 and 2015 has driven up the labour cost for restaurant operators. It is expected that the rising operating cost will serve as a key constraint to restaurant operators. Moreover, the composite price index of key raw materials such as meat and vegetables is on a rising trend in Hong Kong. Hence it is expected that the rising cost on labour and raw materials will be a key constraint to restaurant operators and some restaurants have been forced to close in recent years.

Changing customer lifestyle and requirements

With the changing lifestyle and working time, such as overtime working, shift work, flexible working hours, restaurants may need to review the dishes offered on a regular basis to cater the need of customers. In addition, some restaurants have extended their opening hours to serve more customers, which may facilitate the growth of business but meanwhile lead to higher operating expenses and additional burden on staff.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF THE CLUBBING AND RESTAURANT MARKETS

There were a total of 47 clubs in Hong Kong in 2015, with 21 located in Central. The clubs in Lan Kwai Fong and Central are usually more premium clubs compared with those in other regions. Although a high percentage of the clubs are geographically concentrated in Central, the clubbing market in Hong Kong is fragmented with a number of smaller clubs present. Our Group was one of the leading market players in the clubbing market in Hong Kong in terms of revenue for the year ended 31 May 2016 with a market share of approximately 10.6%.

The table below sets forth the comparison between the business and operation scale of key players in terms of reputation, entrance fee and queuing time in the Hong Kong clubbing industry.

Club	Maximum Capacity	Opening Hours	Customer Base ^(Note)
Volar	293	18:00-01:00 (Tues) 18:00-05:30 (Wed to Thurs) 22:00-06:30 (Fri to Sat)	Premium
Club A	441	23:00-05:00 (off Sun and Mon)	Premium
Club B	357	12:15-04:00 (off Sun)	Premium
Club C	401	18:00-05:00 (off Sun)	High-end
Fly	200	17:00-23:00 (Tues) 17:00-04:30 (Wed to Thurs) 20:00-04:30 (Fri to Sat)	High-end

Note: Customer base is determined by the estimated average spending of a customer. Premium refers to an estimated average spending of a customer of around HK\$500 and high-end refers to an estimated average spending of a customer of around HK\$300.

The restaurant market in Hong Kong is highly fragmented with high number of operators. There were approximately 14,000 restaurant establishments in Hong Kong in December 2015. As at 31 December 2015, there were approximately 5,500 and 4,000 casual dining and quick service restaurants in Hong Kong. Majority of restaurants are set up by individual operators while some catering service group are operating chains and different brands of restaurants, especially in quick service and casual dining sectors.

Volar is an internationally recognised club with high media coverage in local and foreign press, involvement of renowned DJs and frequent visits by celebrities from foreign countries. In 2016, Volar was awarded “Asia’s Best Club” and “The Country’s Best Club” by the Asian Club and Bar Association (According to its website, Asian Club and Bar Association is an international industry association with a number of renowned clubs as the members, including Altitude, Magnum, Bungalow, etc. and the panel of judges for the Asian Club & Bar Awards includes entrepreneurs and veterans in marketing, event management, hospitality, design, exhibition and night life) and was recognised by Hotels.com as ranked the first club in the “10 Best Nightclubs in Hong Kong 2016”.

ENTRY BARRIERS OF THE CLUBBING, RESTAURANT AND SPORTS-THEMED BAR MARKETS

High initial capital requirements and operating costs

Clubs, casual dining restaurants and sports-themed bar require high initial capital investment. The initial costs include but is not limited to rentals, equipment, serving ware as well as interior fit-out or renovation (both at commencement and at the end of the lease period where the tenant is typically required to reinstate the condition of the leased premises). On top of the initial investment, clubbing, restaurant and bar operators are likely to offer continuous financial support in order to sustain the business. In general, the average investment payback period is 12 to 36 months for clubs, 12 to 48 months for restaurants and 12 to 24 months for sports-themed bars.

INDUSTRY OVERVIEW

Stringent licensing system

To start up a club, the owner is required to obtain liquor licence with a dancing endorsement. To start a restaurant, the owner is required to obtain a general restaurant licence and other licences such as water pollution control licence, liquor licence or food factory licence where applicable. To start a sports-themed bar, the owner is required to obtain liquor licence and other licence such as the licences under the Amusement Game Centres Ordinance. The application and approval process for these licences is complicated and involves investigation and approvals by many different governmental departments. For the liquor licence, notification and consultation periods are required as part of the application process. The licensing process is often time-consuming and is seen as another barrier to starting up a restaurant business in Hong Kong. Further, the licences granted are renewals and the success of any renewals could depend on the historical compliant record of the relevant club, restaurant or sports-themed bar business.

Recruiting and retaining labour

Recruiting and retaining suitable labour have become a barrier to entry into club, restaurant or sports-themed bar business. Given the long working hours and low rates, more labour are attracted by other competitors in club, restaurant or sports-themed bar industry offering higher rates or by other industries such as property management and security. Hence, it is difficult for club, restaurant or sports-themed bar business to retain and recruit stable labour with good industry know-how.

REGULATORY OVERVIEW

HONG KONG REGULATORY OVERVIEW

The following summarises the laws and regulations governing the specific licences required for the carrying on of our Group's business in Hong Kong.

(A) Key licences for business operation

Every person carrying on business in Hong Kong is required to register his business with the Business Registration Office of the Inland Revenue Department pursuant to section 5 of the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong). The application for the business registration shall be made within 1 month of the commencement of such business.

In addition, there are the following specific licences required for the operation of our Group's business in Hong Kong, including:

- (a) general restaurant licence granted by the Director of Food and Environmental Hygiene ("DFEH") of the Food and Environmental Hygiene Department ("FEHD");
- (b) light refreshment restaurant licence granted by the DFEH of the FEHD;
- (c) food factory licence granted by the DFEH of the FEHD; and
- (d) liquor licence granted by the Liquor Licensing Board ("LLB").

General restaurant licence and light refreshment restaurant licence

Any person carrying on restaurant business in Hong Kong is required to obtain a 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) ("FBR") before commencing the restaurant business. Section 31(1) of the FBR provides that no person shall carry on or cause, permit or suffer to be carried on any restaurant business except under and in accordance with a restaurant licence, which is required for the food business involving the sale of meals or unbottled non-alcoholic drinks other than Chinese herbal tea for consumption on the premises, but does not include a factory canteen or any business carried on by a licensed hawkers. In considering the suitability of the premises for use as a restaurant, the FEHD will ensure the relevant requirements relating to health, ventilation, gas safety, building safety and fire safety of the premises have been complied with before a restaurant licence is issued. During the process, the FEHD will consult the Buildings Department relating to the building safety requirements and the Fire Services Department relating to the fire safety requirements on whether the necessary pre-requisites are met before approving the licence application.

While a general restaurant licence permits the licensee to prepare and sell any kind of food for consumption on the premises, a light refreshment restaurant licence restricts the licensee to prepare and sell for consumption on the premises certain limited range of food items only.

Under section 33C of the FBR, the DFEH may grant a provisional general/light refreshment restaurant licence to an applicant who has met the relevant requirements for the issue of provisional licence, pending the issue of a full licence when the other outstanding requirements are complied with. A provisional licence shall be valid for a period of 6 months, and may be renewed on one occasion for a period of not exceeding 6 months at the absolute discretion of the DFEH. A full restaurant licence shall be valid for a period of 12 months and renewable annually. Both the provisional and full licences are subject to payment of the respective prescribed fees and the continuing compliance with the relevant requirements under applicable legislation and regulations.

Food factory licence

Section 31(1) of the FBR also provides that no person shall carry on or cause, permit or suffer to be carried on any food factory business except under and in accordance with a food factory licence, which is required for

REGULATORY OVERVIEW

the food business involving the preparation of food for sale for human consumption off the premises, but does not include a frozen confection factory, a milk factory or any business carried on by a licensed hawkker. The operation of a take-away food shop is amongst the numerous more common food preparation and manufacturing trades in Hong Kong which requires a food factory licence granted by the DFEH before commencement of business. In assessing the suitability of the premises for use as a food factory, the FEHD will ensure the relevant requirements have been complied with before a food factory licence is issued. The FEHD will also consult the Fire Services Department and the other HK Government departments concerned for comments as appropriate.

The DFEH may grant a provisional food factory licence to an applicant who has met the relevant requirements for the issue of provisional licence, pending the issue of a full licence when the other outstanding requirements are complied with. A provisional licence shall be valid for a period of 6 months, and may be renewed on one occasion for a period of not exceeding 6 months at the absolute discretion of the DFEH. A full food factory licence shall be valid for a period of 12 months and renewable annually. Both the provisional and full licences are subject to payment of the respective prescribed fees and the continuing compliance with the relevant requirements under applicable legislation and regulations.

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 (“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 (“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 licence 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 trebled 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.

Liquor licence

Any person who intends to carry on business in Hong Kong involving the sale of liquor for consumption on the premises is required to obtain a liquor licence granted by the LLB under the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong) (“DCLR”) before commencing such business. Section 17(3B) of the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong) provides that where regulations prohibits the sale or supply of any liquor except on the authority of a prescribed licence or permit, no person shall sell, or advertise or expose for sale, or supply, or possess for sale or supply, such liquor except on the authority of such a licence or permit and in accordance with the terms thereof. Regulation 25A of the DCLR provides that the sale of liquor at any premises for consumption on those premises is prohibited except

REGULATORY OVERVIEW

on the authority of a liquor licence. A liquor licence will only be issued when the premises have also been issued with a full restaurant or a provisional restaurant licence. A liquor licence will only be valid if the premises remain licensed as a restaurant. All applications are referred to the Commissioner of Police and the District Officer concerned for comments. Public opinion will also be sought.

Under Regulation 17(2) of the DCLR, the LLB shall not grant a liquor licence unless it is satisfied that:

- (a) that the applicant is a fit and proper person to hold the licence;
- (b) that the premises concerned are suitable for selling or supplying intoxicating liquor, having regard to:
 - (i) the location and structure of the premises; and
 - (ii) the fire safety and hygienic conditions in the premises;
- (c) that in all the circumstances the grant of the licence is not contrary to the public interest.

A liquor licence shall be valid for a period of 2 years or such lesser period as the LLB shall determine, and subject to any conditions as may be imposed by the LLB. The liquor licence is subject to payment of the prescribed fee and the continuing compliance with the relevant requirements under applicable legislation and regulations. A liquor licence is renewable upon application to the LLB if it considers the relevant requirements are met.

(B) Licence required for environmental protection

Water pollution control licence

In Hong Kong, discharge of effluents from all types of industrial, manufacturing, commercial, institutional and construction activities into the specified water control zones are subject to control under the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) (“WPCO”), and requires a water pollution control licence granted by the Director of Environmental Protection (“DEP”) of the Environmental Protection Department (“EPD”) before the discharge.

Under sections 8(1) and 8(2) of the WPCO, a person who discharges (a) any waste or polluting matter into the waters of Hong Kong in a water control zone; or (b) 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 a substantial aggravation of pollution, commits an offence; and where any such matter is discharged from any premises, then the occupier of the premises also commits an offence.

Sections 9(1) and 9(2) of the WPCO further provides that a person who discharges any matter into a communal sewer or communal drain in a water control zone (other than a discharge of domestic sewage or unpolluted water into a communal sewer or communal drain in the manners specified therein) 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, then the occupier of the premises also commits an offence.

Nevertheless, section 12(1)(b) of the WPCO provides that a person does not commit an offence under section 8(1), 8(2), 9(1) or 9(2) of the WPCO if the discharge is made under, and in accordance with a water pollution control licence. A water pollution control licence will be granted with terms and conditions specifying requirements relevant to the discharge, for example, 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 2 years, and is subject to payment of the prescribed fee and the continuing compliance with the relevant requirements under applicable legislation and regulations. A water pollution control licence is renewable upon application to the EPD if it considers the relevant requirements are met.

REGULATORY OVERVIEW

(C) Copyright issues

Civil liability

Copyright is a property right given to the owner of those original works as set out in section 2 of the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) (“CO”), including original literary, dramatic, musical or artistic works, sound recordings, films broadcasts or cable programmes, and the typographical arrangement of published editions. Section 22 of the CO provides that the owner of the copyright in a work has various exclusive rights in relation to such work referred to as “acts restricted by the copyright” including performing, showing or playing the work in public, and copyright of the owner is infringed when a person does, or authorises others to do, any of the acts restricted by the copyright without the licence of the copyright owner.

Section 27 of the CO states that the performance, playing or showing of the work in public is an act restricted by the copyright in the described work, and so the copyright of the owner will be infringed if that other person playing the work in public does not have the licence of the copyright owner.

Regarding the secondary infringement of copyright, section 31 of the CO stipulates that it is a copyright infringement if a person exhibits in public for the purpose of or in the course of any trade or business a copy of a work which is, and which he knows or has reason to believe to be, an infringing copy of the work. In addition, where copyright is infringed by a performance at a place of public entertainment any person who permitted such place to be used for the performance is also liable for infringement unless he has reasonable grounds to believe at the time of granting the permission that the performance would not constitute infringement according to section 33 of the CO. Section 34 of the CO also provides that where copyright is infringed by a public performance or the playing or showing of the work in public, by means of apparatus for playing sound recordings, any person who supplied the apparatus, or an occupier of the premises who permitted the apparatus to be brought onto the premises, or a person who supplied a copy of a sound recording used to infringe copyright, is liable for the infringement if he gave permission he knew or had reason to believe that the apparatus was likely to be so used as to infringe copyright or what he supplied or a copy made directly or indirectly from it was likely to be so used as to infringe copyright (as the case may be).

Under section 168 of the CO, where the scheme for licensing restricted acts in relation to copyright works, and licences granted by licensing bodies, does not specify the works to which it applies with such particularity as to enable licensees to determine whether a work falls within the scheme or licence by inspection of the scheme or licence and the work, there is implied in every such scheme an undertaking by its operator to indemnify a person granted a licence under such scheme, and in every such licence an undertaking by the licensing body to indemnify the licensee, against any liability incurred by him by reason of his having infringed copyright by making or authorising an act restricted by the copyright in a work in circumstances within the apparent scope of his licence.

Criminal liability

Section 118 of the CO also imposes criminal sanctions in relation to certain types of copyright infringement, so that a person commits an offence if he, without the licence of the copyright owner of a copyright work, exhibits in public an infringing copy of the work, or possess an infringing copy of the work with a view to its being exhibited in public, for the purpose of or in the course of any trade or business which consists of dealing in infringing copies of copyright works; a person also commits an offence if he, without such a licence of the copyright owner, possesses an infringing copy of copyright work that is musical sound or musical visual recording for the purpose of or in the course of any trade or business with a view to its being used by any person for the purpose of or in the course of that trade or business. Any person who commits such an offence is liable on conviction on indictment to a fine of HK\$50,000 in respect of each infringing copy and to imprisonment for 4 years under section 119 of the CO.

REGULATORY OVERVIEW

(D) Others

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (“IRO”)

Under section 52(2) of the IRO, every person who is an employer shall, when required to do so by notice in writing given by an assessor appointed under the IRO, furnish a return of all persons employed by him in receipt of remuneration in excess of a minimum figure to be fixed by the assessor or any other person employed by him named by the assessor.

In addition, under section 52(4) of the IRO, where any person who is an employer commences to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the IRO, or any married person, he shall give notice thereof in writing to the Commissioner of Inland Revenue not later than 3 months after the date of commencement of such employment. Under section 52(5) of the IRO, where any person who is an employer ceases or is about to cease to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the IRO, or any married person, he shall give notice thereof in writing to the Commissioner of Inland Revenue not later than 1 month before such individual ceases to be employed in Hong Kong.

Amusement Game Centres Ordinance (Chapter 435 of the Laws of Hong Kong) (“AGCO”)

Under the AGCO, licences are issued by the public officer appointed by the officer of the Office of the Licensing Authority of the Home Affairs Department. The AGCO has regulated primarily the conventional amusement game centres, commonly known as “electronic game centres”.

Under section 2 of the AGCO, “amusement game centre” means any place in which there is installed or placed for use or operation for the purpose, in whole or in part, of amusement, recreation or entertainment on payment directly or indirectly of any consideration in money or money’s worth, any machine or device which, among other things:

- (a) enables or is capable of enabling any person by any means whatever to release, set in motion, manipulate, control or direct the movement of any ball, projectile, or other object, and registers any score or combination in any manner whatever; or
- (b) enables or is capable of enabling any person by any means whatever to release, set in motion, manipulate, control or direct the movement of any image, signal or electrical impulse; or
- (c) upon the insertion therein by any person of any coin, token, disc, card or object, produces or is capable of producing to him any prize, coin, token or disc or any other object or article whatever.

Places of entertainment including premises installed with electronic darting machines are “amusement game centres” and theoretically should be subject to regulation under the AGCO.

Any person who on any occasion (a) operates, keeps, manages or otherwise has control of, an amusement game centre in regard to the operation of which a licence is not in force; or (b) in any capacity assists, either directly or indirectly, in the operation, keeping, management or other control of an amusement game centre in regard to the operation of which a licence is not in force, commits an offence and shall be liable on first conviction, to a fine of HK\$100,000 and to imprisonment for 6 months.

Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) (“PHMSO”)

Under section 92A of the PHMSO and section 22A of the Places of Amusement Regulations (Chapter 132BA of the Laws of Hong Kong), it is an offence for any person to operate a billiard establishment with 4 or more billiard tables without a valid licence issued by the Leisure and Cultural Services Department.

According to section 92C of the PHMSO, any person convicted of the offence under section 92A of the PHMSO shall be liable to a fine up to HK\$25,000 and to imprisonment for 6 months, and to a further daily fine of HK\$450.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS DEVELOPMENT

Introduction

Our history can be traced back to July 2013, when we acquired Group Best (HK), the operating company of our first club, Volar. Volar, which has already become a prominent club with international recognition since its establishment in December 2004, aims to provide a premium clubbing experience, targeting customers with strong spending power.

With our Directors identifying the growth potential of the Japanese-style curry cuisine in the Hong Kong market, we entered the restaurant market by establishing our first “Tiger” restaurant targeting mass market customers in April 2014. Since then, our proprietary “Tiger” brand has gained popularity and as at the Latest Practicable Date, we owned and operated three “Tiger” branded restaurants. Our “Tiger” restaurants are aimed at mass market customers.

Riding on the success and scalability of Volar’s business model, we further expanded our night entertainment portfolio by acquiring Grand Diamond, the operating company of Fly, our second club, in November 2015. Our Directors believe that our clubs are complementary as they are able to offer different aspects of the clubbing and night entertainment experience to customers.

Our clubs and restaurants are all located in prime areas with high customer traffic.

Business milestones

The following table sets forth our key business milestones.

<u>Year</u>	<u>Business milestones</u>
2013	Our Group was established with the acquisition of Group Best (HK), the operating company of our first club, Volar
2014	Tiger Curry, our first restaurant, was opened on Pennington Street, Causeway Bay
2015	<ul style="list-style-type: none">• Tiger Curry Jr., our second restaurant, was opened in the food court in City Super, Times Square, Causeway Bay• Tiger Curry & Cafe, our third restaurant was opened in Harbour City, Tsim Sha Tsui• Fly, our second club, came under our operation through our acquisition of Grand Diamond, its operating company
2016	<ul style="list-style-type: none">• Volar was awarded “Asia’s Best Club” and “The Country’s Best Club” by the Asian Club and Bar Association• Volar and Fly were recognised by Hotels.com as ranked the first and seventh club in the “10 Best Nightclubs in Hong Kong 2016”, respectively• Volar and Fly were awarded “Quality Bar Label Award” by the Hong Kong Bar & Club Association

CORPORATE DEVELOPMENT

Our corporate history

Our Company was incorporated on 19 May 2016 in the Cayman Islands as an exempted company with limited liability. As part of the Reorganisation, our Company becomes the holding company of our Group. See “— Reorganisation” for the corporate development of our Company upon its incorporation. As at the Latest Practicable Date, we currently have 14 subsidiaries, namely, BCI Group (BVI), BCI Group (HK), Group Best (BVI), Group Best (HK), Legend Vision, Grand Diamond, Bannock Holdings, Litton Global, Buzz Concepts Management, Lively World, Joint Ace, Crown Grand, City Silver and Ace Gain.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following sets forth material information about the corporate development of each subsidiary of our Company, all of which are private companies since their respective dates of incorporation. We also underwent certain reorganisation steps in contemplation of the Listing, particulars of which are set forth in “— Reorganisation”.

BCI Group (BVI)

BCI Group (BVI) was incorporated on 6 February 2013 in the BVI as a limited liability company. On 19 March 2013, BCI Group (BVI) was owned as to 70% by Aplus and 30% by Phoenix Year (which was directly wholly owned by CSI Properties at the material time).

As a result of the Reorganisation, on 19 July 2016, BCI Group (BVI) becomes a direct wholly-owned subsidiary of our Company.

BCI Group (BVI) engages in investment holding.

BCI Group (HK)

BCI Group (HK) was incorporated on 28 November 2012 in Hong Kong as a limited liability company. On 22 March 2013, BCI Group (HK) becomes a direct wholly-owned subsidiary of BCI Group (BVI).

As a result of the Reorganisation, on 19 July 2016, BCI Group (BVI) becomes a direct wholly-owned subsidiary our Company. BCI Group (HK) hence becomes an indirect wholly-owned subsidiary of our Company.

BCI Group (HK) engages in investment holding.

Group Best (BVI)

Group Best (BVI) was incorporated on 26 April 2013 in the BVI as a limited liability company. On 18 March 2014, Group Best (BVI) was owned as to 86.2% by BCI Group (HK), 7.8% by Jet Top and 6% by Etchers Entertainment.

As a result of the Reorganisation, on 20 July 2016, Group Best (BVI) becomes a direct wholly-owned subsidiary of BCI Group (HK), which in turn is an indirect wholly-owned subsidiary of our Company.

Group Best (BVI) engages in investment holding.

Group Best (HK)

Group Best (HK) was incorporated on 9 July 2004 in Hong Kong as a limited liability company.

On 27 July 2004, Group Best (HK) became a direct wholly-owned subsidiary of Pro Team Development Limited^(1 and 2).

Subsequently and before Group Best (HK) becomes a member of our Group, there has been a number of transfers resulting in shareholding changes in Group Best (HK), further particulars of which are as follow:

<u>Date of transfer</u>	<u>Transferor</u>	<u>Effective ownership of our Directors in the transferor at the time of transfer</u>	<u>Transferee</u>	<u>Effective ownership of our Directors in the transferee at the time of transfer</u>	<u>No. of shares transferred</u>	<u>Consideration</u>	<u>Effective ownership of our Directors in Group Best (HK) upon transfer</u>
17 July 2006	Pro Team Development Limited ⁽²⁾	Mr. Kester Ng and his associates had an effective ownership of 24.12% in Pro Team.	Buzz Concepts Group Limited ⁽³⁾	Mr. Kester Ng and his associates had an effective ownership of 24.12% in Buzz Concepts Group Limited.	100,000	HK\$100,000	Mr. Kester Ng ⁽⁴⁾ and his associates had an effective ownership of 24.12% in Group Best (HK).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Date of transfer	Transferor	Effective ownership of our Directors in the transferor at the time of transfer	Transferee	Effective ownership of our Directors in the transferee at the time of transfer	No. of shares transferred	Consideration	Effective ownership of our Directors in Group Best (HK) upon transfer
11 February 2009	Buzz Concepts Group Limited ⁽³⁾	Mr. Kester Ng and his associates had an effective ownership of 21.47% in Buzz Concepts Group Limited.	Independent Third Party	Nil	3,000	HK\$750,000	Mr. Kester Ng ⁽⁴⁾ and his associates had an effective ownership of 20.83% in Group Best (HK).
1 June 2009	Buzz Concepts Group Limited ⁽³⁾	Mr. Kester Ng and his associates had an effective ownership of 21.47% in Buzz Concepts Group Limited.	Independent Third Parties	Nil	3,000 12,000 3,000 6,000 3,000	HK\$1.00 HK\$1.00 HK\$1.00 HK\$1.00 HK\$1.00	Mr. Kester Ng ⁽⁴⁾ and his associates had an effective ownership of 15.03% in Group Best (HK).
31 July 2012	Independent Third Party	Nil	Buzz Concepts Group Limited ⁽³⁾	Mr. Kester Ng and his associates had an effective ownership of 16.73% in Buzz Concepts Group Limited.	3,000	HK\$120,000	Mr. Kester Ng ⁽⁴⁾ and his associates had an effective ownership of 12.21% in Group Best (HK).
10 June 2013	Independent Third Parties	Nil	Buzz Concepts Group Limited ⁽³⁾	Mr. Kester Ng and his associates had an effective ownership of 16.73% in Buzz Concepts Group Limited.	3,000 12,000 6,000 3,000 3,000	HK\$120,000 HK\$480,000 HK\$240,000 HK\$120,000 HK\$120,000	Mr. Kester Ng ⁽⁴⁾ and his associates had an effective ownership of 16.73% in Group Best (HK).

Notes:

1. According to the information available to our Group, at the time of transfer, Pro Team was owned by Cobra Group Limited, which was owned as to approximately 33.3% by Mr. Ng Shing Chun, Ray (“**Mr. Ray Ng**”) (a director of certain subsidiaries of our Group and the brother of Mr. Kester Ng), and Group Best (HK) was wholly-owned by Cobra Group Limited. The principal business activity of Cobra Group Limited at the material time was investment holding.
2. The principal business activity of Pro Team Development Limited at the material time was investment holding.
3. The principal business activities of Buzz Concepts Group Limited at the material times were investment holding of certain restaurants.
4. Mr. Kester Ng was a passive investor in Group Best (HK) (principally operating “Volar”) at the material times before acquisition of Group Best (HK) by our Group on 31 July 2013.

On 31 July 2013, Buzz Concepts Group Limited^(Note) transferred all its shares of Group Best (HK), representing all the issued shares in Group Best (HK), to Group Best (BVI) at a consideration of HK\$4,000,000 based on arm’s length negotiation having considered the net assets value of Group Best (HK) for the year ended 31 May 2013. Following the above transfers, Group Best (HK) becomes a direct wholly-owned subsidiary of Group Best (BVI).

As part of the Reorganisation, on 20 July 2016, Group Best (BVI) becomes an indirect wholly-owned subsidiary of our Company. As a result, Group Best (HK) also becomes an indirect wholly-owned subsidiary of our Company.

Note: According to the information available to our Group, at the time of transfer, Mr. Kester Ng and his associates had an effective ownership of approximately 16.73% in Buzz Concepts Group Limited, the principal business activity of which at the material time was investment holding of certain restaurants.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Group Best (HK) is principally operating a club under the business name of “Volar”. “Volar” was first commenced its business in December 2004 and has been operated by our Group since 31 July 2013.

Legend Vision

Legend Vision was incorporated on 8 April 2015 in Hong Kong as a limited liability company. On 11 September 2015, Legend Vision becomes a direct wholly-owned subsidiary of BCI Group (HK).

As a result of the Reorganisation, on 19 July 2016, BCI Group (HK) becomes an indirect wholly-owned subsidiary of our Company. Legend Vision hence becomes an indirect wholly-owned subsidiary of our Company.

Legend Vision engages in investment holding.

Grand Diamond

Grand Diamond was incorporated on 13 February 2008 in Hong Kong as a limited liability company.

Since 31 July 2012, Grand Diamond was owned as to 55.5% by Buzz Concepts Group Limited and as to 44.5% by certain Independent Third Parties (10%, 8%, 6%, 4%, 4%, 4%, 2%, 2%, 1%, 1%, 1%, 1% and 0.5% respectively).

To promote synergy with Group Best (HK), achieve economies of scale and strategically expand our clubbing business, during the Track Record Period on 1 November 2015, Legend Vision, a member of our Group, effected the following acquisitions of shares in Grand Diamond from the shareholders of Grand Diamond at the relevant time:

- (i) Buzz Concepts Group Limited transferred all its 55.5% shares for a consideration of HK\$999,000^(Note); and
- (ii) each of the said Independent Third Parties transferred all its shares for a consideration of HK\$180,000, HK\$144,000, HK\$108,000, HK\$72,000, HK\$72,000, HK\$72,000, HK\$36,000, HK\$36,000, HK\$18,000, HK\$18,000, HK\$18,000, HK\$18,000 and HK\$9,000 respectively.

Such transfers of shares were properly and legally completed on 1 November 2015 and were last settled on 31 July 2016. The considerations of the above transfers were based on arm’s length negotiation taken into account the prospect of Grand Diamond. Following the above transfers, Grand Diamond becomes a direct wholly-owned subsidiary of Legend Vision.

As a result of the Reorganisation, on 19 July 2016, BCI Group (HK) becomes an indirect wholly-owned subsidiary of our Company. Grand Diamond, being a direct wholly-owned subsidiary of Legend Vision and an indirect wholly-owned subsidiary of BCI Group (HK), hence becomes an indirect wholly-owned subsidiary of our Company.

Grand Diamond is operating a club under the business name of “Fly”. “Fly” was first commenced its business in December 2010 and has been operated by our Group since 1 November 2015.

Bannock Holdings

Bannock Holdings was incorporated on 4 February 2014 in the BVI as a limited liability company. On 17 February 2017, Bannock Holdings becomes a direct wholly-owned subsidiary of BCI Group (BVI).

As a result of the Reorganisation, on 26 May 2016, Bannock Holdings becomes a direct wholly-owned subsidiary of BCI Group (HK). On 19 July 2016, BCI Group (HK) becomes an indirect wholly-owned subsidiary of our Company. Bannock Holdings hence becomes an indirect wholly-owned subsidiary of our Company.

Note: According to the information available to our Group, at the time of transfer, Mr. Ray Ng had an effective ownership of approximately 12.26% in Buzz Concepts Group Limited.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Bannock Holdings engages in investment holding.

Litton Global

Litton Global was incorporated on 4 February 2014 in the BVI as a limited liability company. On the same day, Litton Global becomes a direct wholly-owned subsidiary of Bannock Holdings.

As a result of the Reorganisation, on 19 July 2016, BCI Group (HK) becomes an indirect wholly-owned subsidiary of our Company. Litton Global, being a direct wholly-owned subsidiary of Bannock Holdings and an indirect wholly-owned subsidiary of BCI Group (HK), hence becomes an indirect wholly-owned subsidiary of our Company.

Litton Global engages in trademark holding.

Buzz Concepts Management

Buzz Concepts Management was incorporated on 17 February 2014 in Hong Kong as a limited liability company. On 28 February 2014, Buzz Concepts Management became a direct wholly-owned subsidiary of BCI Group (HK).

As a result of the Reorganisation, on 19 July 2016, BCI Group (HK) becomes an indirect wholly-owned subsidiary of our Company. Buzz Concepts Management hence becomes an indirect wholly-owned subsidiary of our Company.

Buzz Concepts Management commenced its operation on 1 June 2014 and engages in provision of public relations services to our Group.

Lively World

Lively World was incorporated on 2 January 2015 in the BVI as a limited liability company. On 21 January 2015, Lively World becomes a direct wholly-owned subsidiary of BCI Group (HK).

As a result of the Reorganisation, on 19 July 2016, BCI Group (HK) becomes an indirect wholly-owned subsidiary of our Company. Lively World hence becomes an indirect wholly-owned subsidiary of our Company.

Lively World engages in investment holding.

Joint Ace

Joint Ace was incorporated on 18 March 2015 in Hong Kong as a limited liability company. On 26 March 2015, Joint Ace becomes a direct wholly-owned subsidiary of Lively World.

As a result of the Reorganisation, on 19 July 2016, BCI Group (HK) becomes an indirect wholly-owned subsidiary of our Company. Joint Ace, being a direct wholly-owned subsidiary of Lively World and an indirect wholly-owned subsidiary of BCI Group (HK), hence becomes an indirect wholly-owned subsidiary of our Company.

Joint Ace commenced its business on 20 May 2015 and is operating a restaurant under the business name of "Tiger Curry Jr."

Crown Grand

Crown Grand was incorporated on 20 November 2014 in Hong Kong as a limited liability company. On 10 February 2015, Crown Grand becomes a direct wholly-owned subsidiary of Lively World.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As a result of the Reorganisation, on 19 July 2016, BCI Group (HK) becomes an indirect wholly-owned subsidiary of our Company. Crown Grand, being a direct wholly-owned subsidiary of Lively World and an indirect wholly-owned subsidiary of BCI Group (HK), hence becomes an indirect wholly-owned subsidiary of our Company.

Crown Grand commenced its business on 30 July 2015 and is operating a restaurant under the business name of “Tiger Curry & Cafe”.

City Silver

City Silver was incorporated on 12 October 2013 in Hong Kong as a limited liability company. On 28 October 2013, City Silver becomes a direct wholly-owned subsidiary of BCI Group (HK).

In June 2014, Food Lab Concept Limited (“FLC”)^(Note), Mr. Satoru Mukogawa, BCI Group (HK) and City Silver entered into an agreement regarding the collaboration to open Tiger Curry restaurants in Hong Kong (the “Collaboration Agreement”). Under the Collaboration Agreement, among others, FLC had the right to be allotted 40% new shares in BCI Group (HK) upon payment of HK\$625,000, and there was also a restrictive covenant which might restrict the parties in separately developing the food and beverage chain business in Hong Kong and Asia Pacific.

As a result of the Reorganisation, on 26 May 2016, City Silver becomes a direct wholly-owned subsidiary of Lively World. On 19 July 2016, BCI Group (HK) becomes an indirect wholly-owned subsidiary of our Company. City Silver, being a direct wholly-owned subsidiary of Lively World and an indirect wholly-owned subsidiary of BCI Group (HK), hence becomes an indirect wholly-owned subsidiary of our Company.

On 31 August 2016, the parties to the Collaboration Agreement entered into a settlement deed to terminate the Collaboration Agreement. The parties agreed in such deed to terminate the said restrictive covenant which was found to be no longer necessary and unclear in its terms. Further, pursuant to such deed, the parties also agreed, among others, that City Silver shall procure that two new shares in City Silver be allotted and issued to FLC in consideration of the sum of HK\$625,000 paid by Mr. Satoru Mukogawa on behalf of FLC to City Silver. Following this allotment, City Silver is owned as to 40% and 60% by FLC and Lively World respectively. Mr. Satoru Mukogawa, an experienced chef and an Independent Third Party, has collaborated with us, and each of FLC and Mr. Satoru Mukogawa will continue to provide strategic advice to our Group, in connection with the continuous development of our “Tiger Curry” brand such as the trend of curry food, idea of new dishes and suggestions on location of new shops.

City Silver commenced its business on 14 April 2014 and is operating a restaurant under the business name of “Tiger Curry”. FLC has been one of the investment holding companies of City Silver since 31 August 2016 and has no other principal activity. Mr. Satoru Mukogawa has been an executive head chef of a Japanese sushi restaurant in Central for almost 10 years.

Ace Gain

Ace Gain was incorporated on 5 May 2016 in Hong Kong as a limited liability company. On 5 September 2016, Ace Gain becomes a direct wholly-owned subsidiary of Lively World and an indirect wholly-owned subsidiary of BCI Group (HK), hence becomes an indirect wholly-owned subsidiary of our Company.

Ace Gain will engage in the operation of a restaurant to be opened under the business name of “Tiger Curry & Cafe”.

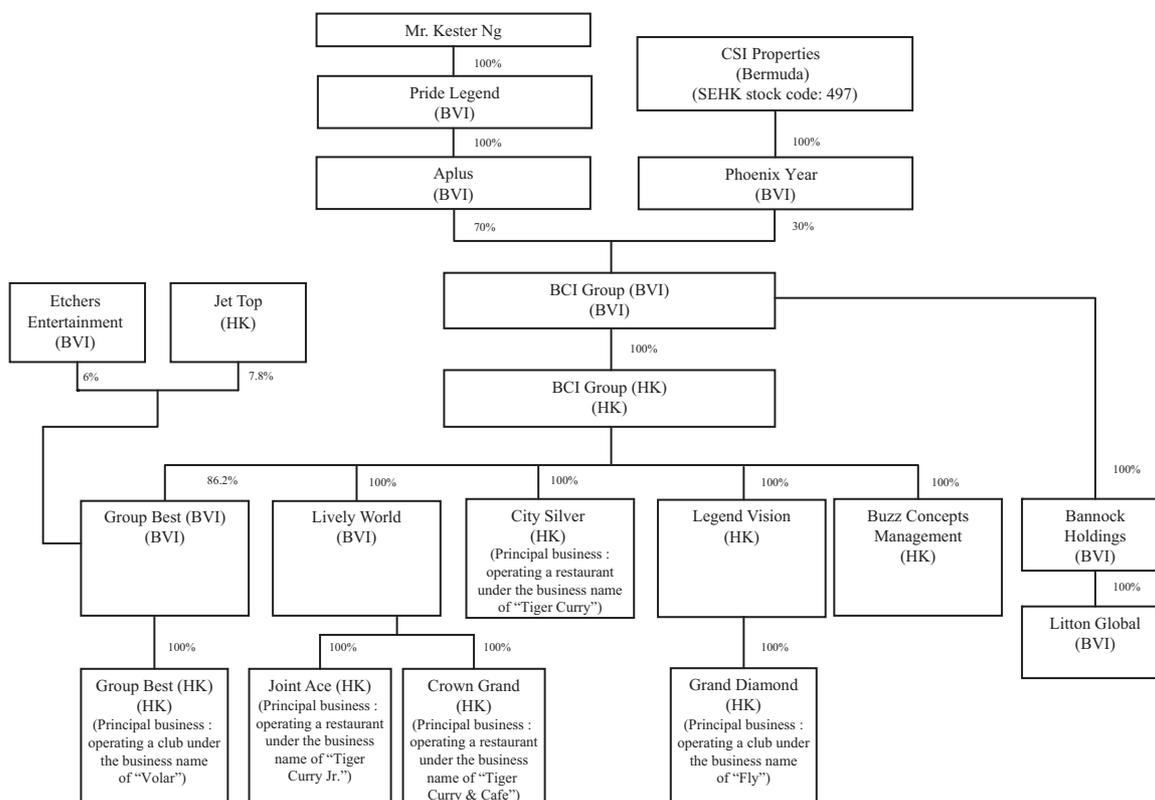
Note: As at the Latest Practicable Date, FLC was owned as to 38% by Mr. Satoru Mukogawa and as to 62% by other Independent Third Parties.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

Group structure before the Reorganisation

The following chart sets out the shareholding and corporate structure of our Group immediately before the Reorganisation:



Reorganisation steps

In preparation for the Listing, we have carried out the Reorganisation which involved the following steps:

Step 1 — Incorporation of our Company

On 19 May 2016, our Company was incorporated under the laws of the Cayman Islands with limited liability, with an authorised capital of HK\$100,000,000 divided into 10,000,000,000 Shares. On 19 May 2016, one subscriber's Share, credited as fully paid, was allotted and issued at par value to the subscriber Reid Services Limited, which was immediately transferred to Mr. Kester Ng at the consideration of HK\$0.01 on the same day. As a result, our Company is owned as to 100% by Mr. Kester Ng.

On 8 July 2016, our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance.

Step 2 — Transfer of share in City Silver from BCI Group (HK) to Lively World and transfer of share in Bannock Holdings from BCI Group (BVI) to BCI Group (HK)

On 26 May 2016, Lively World as purchaser acquired from BCI Group (HK) as vendor all of its one share in City Silver, representing 100% of all the issued share in City Silver, for a cash consideration of HK\$1.00. Following the above transfer, City Silver becomes a wholly-owned subsidiary of Lively World.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 26 May 2016, BCI Group (HK) as purchaser acquired from BCI Group (BVI) as vendor all of its one share in Bannock Holdings, representing 100% of all the issued share in Bannock Holdings, for a cash consideration of US\$1.00. Following the above transfer, Bannock Holdings becomes a wholly-owned subsidiary of BCI Group (HK).

Step 3 — Transfer of share in Aplus from Pride Legend to Mr. Kester Ng and transfer of Share from Mr. Kester Ng to Aplus

On 7 June 2016, Mr. Kester Ng as purchaser acquired from Pride Legend as vendor all of its one share in Aplus, representing 100% of all the issued share in Aplus, for a cash consideration of US\$1.00. Following the above transfer, Aplus is directly owned as to 100% by Mr. Kester Ng.

On 15 July 2016, Aplus as purchaser acquired from Mr. Kester Ng as vendor all of his one Share, representing 100% of all the issued Share, for a cash consideration of HK\$1.00. Following the above transfer, our Company becomes a wholly-owned subsidiary of Aplus.

Step 4 — Transfer of shares in BCI Group (BVI) from Aplus and Phoenix Year to our Company by way of share swap

On 19 July 2016, Aplus and Phoenix Year as vendors and our Company as purchaser entered into a share swap deed pursuant to which our Company acquired from Aplus and Phoenix Year all of the seven shares and three shares owned by them respectively in BCI Group (BVI) representing in aggregate 100% of all the issued shares in BCI Group (BVI), in consideration of and exchange for which our Company allotted and issued 6,191 and 2,653 new Shares at par value, credited as fully paid, to Aplus and Phoenix Year respectively. Following the above transfer, BCI Group (BVI) becomes a wholly-owned subsidiary of our Company. Our Company is as a result owned as to approximately 70% (6,192 Shares) by Aplus and as to approximately 30% (2,653 Shares) by Phoenix Year.

Step 5 — Transfer of shares in Group Best (BVI) from Etchers Entertainment and Jet Top to BCI Group (HK) (as our Company's nominee) by way of share swap

On 20 July 2016, Etchers Entertainment and Jet Top as vendors and our Company as purchaser entered into a share swap deed pursuant to which BCI Group (HK) (as our Company's nominee) acquired from Etchers Entertainment and Jet Top all of the 600 shares (300 Class A ordinary shares and 300 Class B non-voting shares) and 780 shares (390 Class A ordinary shares and 390 Class B non-voting shares) owned by them respectively in Group Best (BVI) representing in aggregate 13.8% of all the issued shares in Group Best (BVI), in consideration of and exchange for which our Company allotted and issued 133 and 172 Shares at par value, credited as fully paid, to Etchers Entertainment and Jet Top respectively. Following the above transfer, Group Best (BVI) becomes a wholly-owned subsidiary of BCI Group (HK). Our Company is as a result owned as to approximately 67.67% (6,192 Shares) by Aplus, approximately 29% (2,653 Shares) by Phoenix Year, approximately 1.45% (133 Shares) by Etchers Entertainment and approximately 1.88% (172 Shares) by Jet Top.

Step 6 — Pre-IPO investments by the pre-IPO investors Perfect King and Jubilee Success

On 22 July 2016, Perfect King as subscriber entered into a subscription agreement with, among others, our Company pursuant to which Perfect King agreed to subscribe for 250 new Shares representing 2.5% of the enlarged issued share capital of our Company (taking into account the 600 new Shares allotted and issued by our Company to Jubilee Success referred to in the paragraph below) at the subscription price of HK\$1,500,000. On 22 July 2016, completion of the pre-IPO investments of Perfect King pursuant to the said subscription agreement took place and the subscription price therefor was properly, legally and irrevocably settled on the same day.

On 22 July 2016, Jubilee Success as subscriber entered into a subscription agreement with, among others, our Company pursuant to which Jubilee Success agreed to subscribe for 600 new Shares representing 6% of the enlarged issued share capital of our Company (taking into account the 250 new Shares allotted and issued by our

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Company to Perfect King referred to in the paragraph above) at the subscription price of HK\$3,600,000. On 22 July 2016, completion of the pre-IPO investments of Jubilee Success pursuant to the said subscription agreement took place and the subscription price therefor was properly, legally and irrevocably settled on the same day.

Following completion of these pre-IPO investments, our Company is owned as to 61.92% (6,192 Shares) by Aplus, 26.53% (2,653 Shares) by Phoenix Year, 1.33% (133 Shares) by Etchers Entertainment, 1.72% (172 Shares) by Jet Top, 2.5% (250 Shares) by Perfect King and 6% (600 Shares) by Jubilee Success.

Step 7 – Allotment of shares in City Silver to Lively World and Food Lab Concept Limited (“FLC”)^(Note)

On 30 August 2016, Lively World subscribed for two new shares in City Silver, credited as fully paid, at HK\$2. Following the subscription, Lively World holds a total of three shares in City Silver. City Silver as a result remains to be owned as to 100% by Lively World.

On 31 August 2016, FLC, Mr. Satoru Mukogawa, BCI Group (HK) and City Silver entered into a settlement deed, details of which are set out in “— Corporate development — Our corporate history — City Silver”. Pursuant to such deed, the parties agreed, among others, that City Silver shall procure that two new shares in City Silver be allotted and issued to FLC in consideration of the sum of HK\$625,000 paid by Mr. Satoru Mukogawa on behalf of FLC to City Silver.

Following this allotment, City Silver is owned as to 40% and 60% by FLC and Lively World respectively.

Step 8 — Incorporation of and transfer of shares in Ace Gain

Ace Gain was incorporated on 5 May 2016 in Hong Kong as a limited liability company.

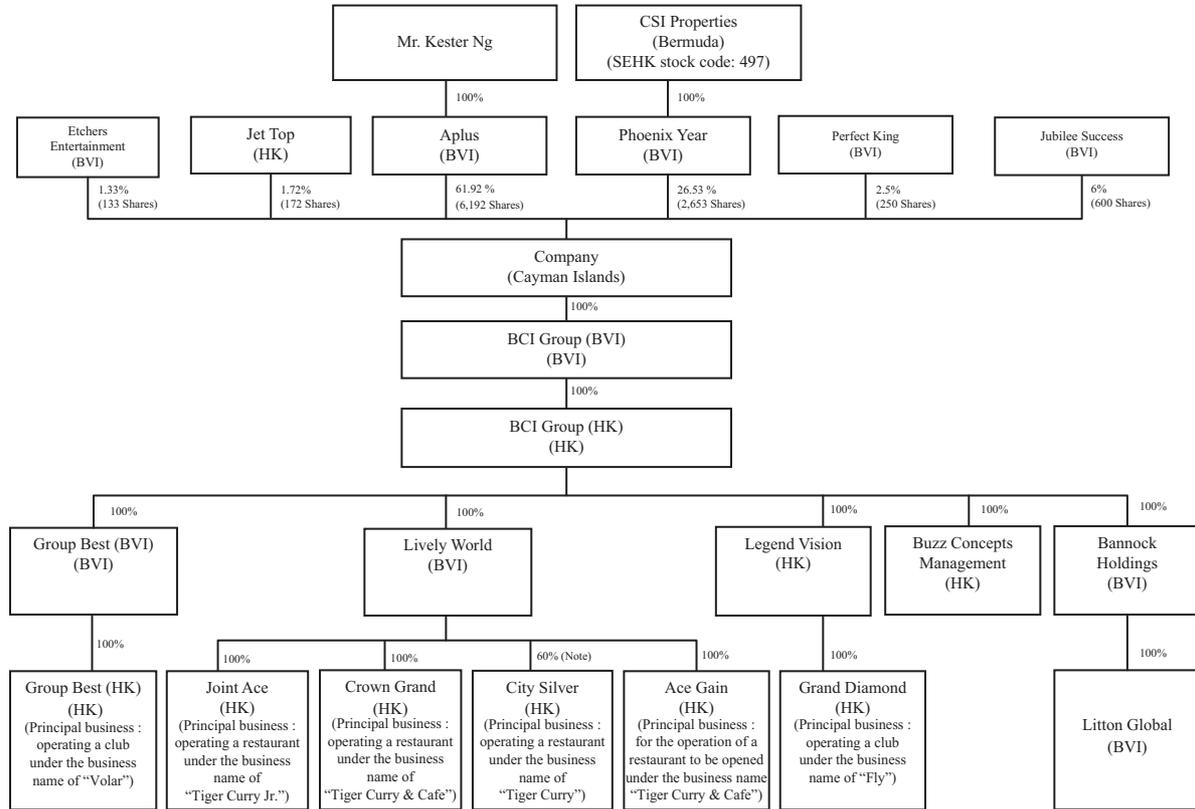
On 5 September 2016, Lively World acquired one share in Ace Gain, representing 100% of all the issued share in Ace Gain, for a cash consideration of HK\$1. Following the above transfer, Ace Gain is directly owned as to 100% by Lively World.

Note: As at the Latest Practicable Date, FLC was owned as to 38% by Mr. Satoru Mukogawa and as to 62% by other Independent Third Parties.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Group structure after the Reorganisation

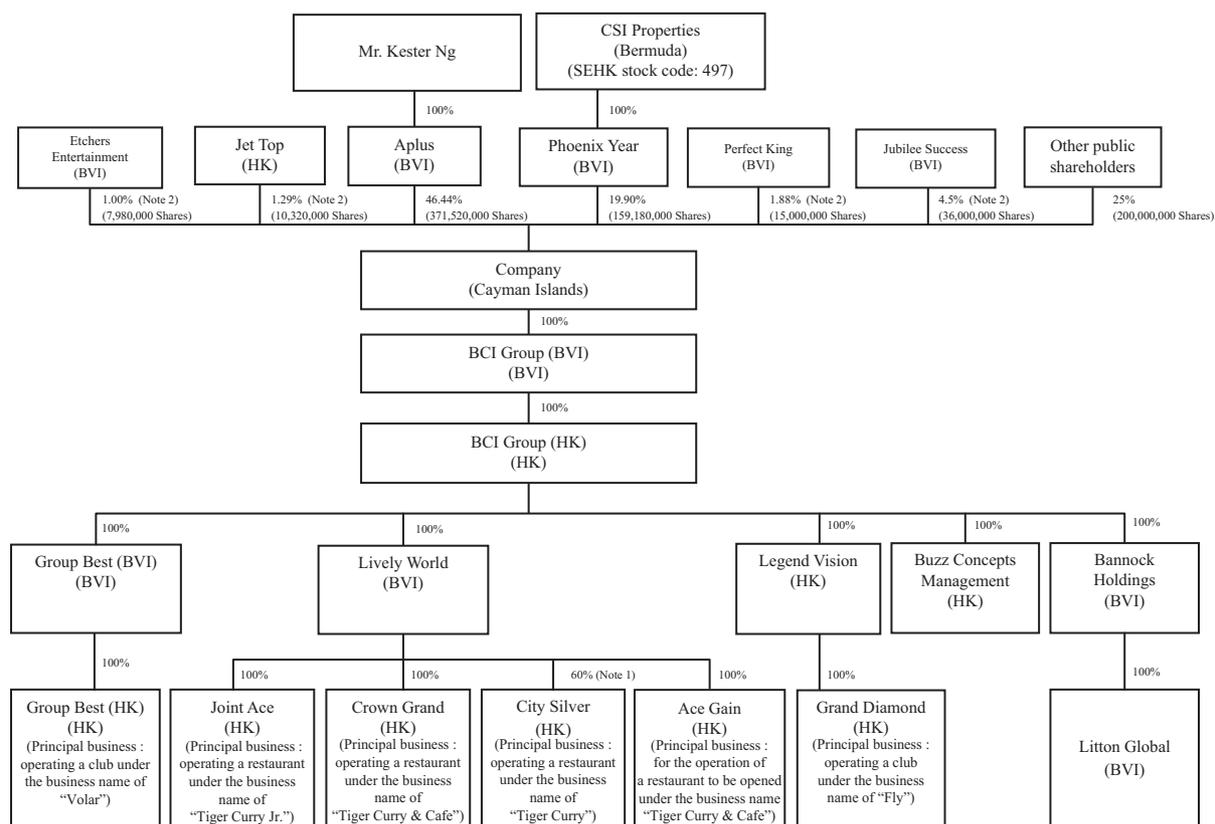
The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but before the Capitalisation Issue and the Share Offer:



Note: FLC owns the remaining 40% of all the issued shares in City Silver.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme):



Note 1: FLC owns the remaining 40% of all the issued shares in City Silver.

Note 2: The shareholdings of Etchers Entertainment, Jet Top, Perfect King and Jubilee Success will form part of the public float.

PRE-IPO INVESTMENTS

Perfect King

On 22 July 2016, Perfect King as subscriber entered into a subscription agreement with, among others, our Company pursuant to which Perfect King subscribed for 250 new Shares at the subscription price of HK\$1,500,000.

Details of the Pre-IPO Investment of Perfect King are set out in the table below:

Parties:

- Our Company (issuer)
- Perfect King (subscriber)
- Aplus (shareholder)
- Phoenix Year (shareholder)
- Etchers Entertainment (shareholder)
- Jet Top (shareholder)

Background of the investor: Perfect King is a private company incorporated in the BVI with limited liability which principally engages in investment holding. It is wholly and beneficially owned by Mr. Kam Tik Lun who is a business consultant with extensive network in commercial field

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Date of the relevant agreement:	22 July 2016
Date of completion:	22 July 2016
Shareholding in our Company:	250 Shares (representing 2.5% of all the issued Shares immediately before the Capitalisation Issue and the Share Offer and 1.88% of all the issued Shares immediately after the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme))
Consideration and payment date:	HK\$1,500,000, which was received and settled on 22 July 2016
Basis of determination of the consideration:	The consideration was determined based on arm's length negotiation with regards to the net profit as reflected in the management accounts of our Company's subsidiaries for the financial year ended 31 May 2016
Total number of shares to be held by Perfect King upon Listing:	15,000,000
Investment cost per Share paid by Perfect King:	HK\$0.10 per Share
Discount to the Offer Price:	A discount of approximately 66.7% to the mid-point of the indicative Offer Price range of HK\$0.25 to HK\$0.35 per Offer Share
Special rights granted to the investor:	Nil
Public float for the purposes of Rule 11.23 of the GEM Listing Rules:	All Shares held by Perfect King will be considered as part of the public float
Strategic benefits to our Company:	Our Directors believe that the investment made by Perfect King will serve as an additional working capital and provide an immediate fund available for our Group's business, which can help strengthen the financial position of our Group
Share-based payments:	Not applicable

Jubilee Success

On 22 July 2016, Jubilee Success as subscriber entered into a subscription agreement with, among others, our Company pursuant to which Jubilee Success subscribed for 600 new Shares at the subscription price of HK\$3,600,000.

Details of the Pre-IPO Investment of Jubilee Success are set out in the table below:

Parties:	Our Company (issuer) Jubilee Success (subscriber) Aplus (shareholder) Phoenix Year (shareholder) Etchers Entertainment (shareholder) Jet Top (shareholder)
Background of the investor:	Jubilee Success is a private company incorporated in the BVI with limited liability which principally engages in investment holding. It is wholly and beneficially owned by Ms. Li Ka Kay who is a property investor
Date of the relevant agreement:	22 July 2016

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Date of completion:	22 July 2016
Shareholding in our Company:	600 Shares (representing 6.0% of all the issued Shares immediately before the Capitalisation Issue and the Share Offer and 4.5% of all the issued Shares immediately after the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme))
Consideration and payment date:	HK\$3,600,000, which was received and settled on 22 July 2016
Basis of determination of the consideration:	The consideration was determined based on arm's length negotiation with regards to the net profit as reflected in the management accounts of our Company's subsidiaries for the financial year ended 31 May 2016
Total number of shares to be held by Jubilee Success upon Listing:	36,000,000
Investment cost per Share paid by Jubilee Success:	HK\$0.10 per Share
Discount to the Offer Price:	A discount of approximately 66.7% to the mid-point of the indicative Offer Price range of HK\$0.25 to HK\$0.35 per Offer Share
Special rights granted to the investor:	Nil
Public float for the purposes of Rule 11.23 of the GEM Listing Rules:	All Shares held by Jubilee Success will be considered as part of the public float
Strategic benefits to our Company:	Our Directors believe that the investment made by Jubilee Success will serve as an additional working capital and provide an immediate fund available for our Group's business, which can help strengthen the financial position of our Group. Moreover, the ultimate beneficial owner of Jubilee Success, as a shareholder of our Company, may provide business opportunities for our Group by connecting us to potential international DJs and customers and inviting them to our clubs
Share-based payments:	Not applicable

To the best knowledge and belief of our Directors, the Pre-IPO Investors and their respective ultimate beneficial owners are Independent Third Parties to our Company.

Lock-up undertakings from the Pre-IPO Investors

Pursuant to the Subscription Agreements, each of the Pre-IPO Investors has undertaken to our Company that it will not sell or transfer or otherwise dispose of, or create any encumbrances on, its legal or beneficial interest or any other right, title, benefit or interest of whatsoever nature therein in respect of any part of the subscribed Shares or enter into any agreement or commitment to give or create any of the foregoing for the period commencing from the completion date of the respective Subscription Agreements until six months after the Listing Date.

Use of proceeds from the Pre-IPO Investments

The total proceeds from the Pre-IPO Investments are HK\$5,100,000. As at the Latest Practicable Date, the proceeds from our Pre-IPO Investments were partially utilised in the following manner: (i) approximately 10.7% for the payment of three months' deposit for a standalone restaurant in Tsing Yi; and (ii) approximately 80.2% for general working capital. The remaining balance of the proceeds from our Pre-IPO Investments will be utilised for setting up a food court restaurant in Mong Kok, which is expected to commence operation in the first half of 2017.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The Sponsor's confirmation

The Sponsor is of the view that the Pre-IPO Investments by Perfect King and Jubilee Success are in compliance with the Interim Guidance on Pre-IPO Investment issued by the Stock Exchange on 13 October 2010 (as amended and updated on 16 January 2012) and the requirements set out in the Guidance Letters HKEx-GL43-12 issued by the Stock Exchange in October 2012 (as amended and updated in July 2013) and HKEx-GL44-12 issued by the Stock Exchange in October 2012, to the extent applicable.

CONTROL AND OWNERSHIP CONTINUITY

Despite the fact that Phoenix Year held 30% of equity interest in our Group before the Reorganisation, Phoenix Year and CSI Properties are only passive investors in substance without active participation in the day-to-day operations of our Group since the establishment of our Group in 2013. In respect of the number and role(s) of representative(s) in our management of our Group, (i) at the subsidiaries level, the majority members in the overall board of directors of the Group companies include Mr. Kester Ng, his associate and his business partners who actively participate in the management and decision making of the Group companies, whereas there has only been one minority representative from CSI Properties, namely Mr. Kan Sze Man; and (ii) at the level of the Company, the Board consists of two executive Directors who are representatives from Aplus, namely Mr. Kester Ng and Ms. Lau Sze Yuen, whereas there is only one representative from CSI Properties, namely Mr. Kan Sze Man, appointed as the non-executive Director who will not be involved in daily operation and management of the Group. Based on the above and taking into consideration that Mr. Kester Ng and Aplus have always been the dominating shareholders with ultimate control and have exerted substantial influence in the actual management of our Group, Mr. Kester Ng and Aplus have remained as the controlling shareholders of our Group during the Track Record Period and up to the Latest Practicable Date and accordingly, our Company has satisfied the ownership continuity requirement under Rule 11.12A(2) of the GEM Listing Rules and Guidance Letter HKEx-GL89-16 issued by the Stock Exchange in November 2016.

OVERVIEW

We are a food and beverage and entertainment group based in Hong Kong that owns and operates two night entertainment clubs, namely Volar and Fly; and three restaurants focusing on Japanese-style curry dishes under our proprietary “Tiger” brand.

According to the F&S Report, we were one of the leading market players in the clubbing market in Hong Kong in terms of revenue for the year ended 31 May 2016 with a market share of approximately 10.6% and Volar is internationally recognised. In May 2016, Volar was awarded “Asia’s Best Club” by the Asian Club and Bar Association. In December 2016, Volar and Fly were awarded “Quality Bar Label Award” by the Hong Kong Bar & Club Association.

We position our two clubs strategically to cover different segments of the night entertainment club market. Volar targets customers with strong spending power and aims to provide a premium clubbing experience. Fly, which came under our operation through our acquisition of its operating company in November 2015, aims to appeal to the younger white collar professionals and university students and graduates and provide a high-end clubbing experience at more affordable prices. Volar is situated in Lan Kwai Fong, a night entertainment district in Hong Kong. Fly is also located in Central. In respect of our clubbing operations, we derive our revenue mainly from sales of beverage, entrance fee income, sponsorship income and sales of other products and services (including cloakroom income, photobooth income, tips income and rental income from leasing our club premises for events). For the two years ended 31 May 2016 and the four months ended 30 September 2016, net sales of beverage for our clubs represented approximately 89.7%, 91.4% and 89.3% of our revenue from clubbing operations, respectively, and approximately 82.6%, 75.0% and 70.7% of our total revenue, respectively. Champagne is our principal beverage product. Sales of Champagne represented approximately 44.5%, 45.8% and 42.2% of our gross sales of beverage for the two years ended 31 May 2016 and the four months ended 30 September 2016, respectively.

Our “Tiger” branded restaurants are aimed at mass market customers. We seek to distinguish ourselves from other local casual dining and quick service restaurant concepts by creating food menus centred on Japanese-style curry dishes yet at the same time also offer a variety of other Japanese dishes with broad appeal. The estimated average expenditure per customer per meal in our “Tiger” branded restaurants is within the range of HK\$72 to HK\$137. We operate three restaurants under the sub-brands of “Tiger Curry”, “Tiger Curry Jr.” and “Tiger Curry & Cafe”. Tiger Curry is located in an area in Causeway Bay with trendy restaurants and hotels nearby. The restaurant’s exterior is a three-floor high wall, the lower portion of which has a striking grey tiger drawing on timber planks on one side and is made up of shiny black bricks on the other side, whereas the top portion features a grey camouflage drawing. The restaurant’s interior features a long wood counter, an open kitchen, big black-framed windows, a mix of white bricked, black bricked and grey walls and a large grey tiger drawing. The design of oversized graphics and images throughout the restaurant aims to communicate our brand personality, which is fun and contemporary. Tiger Curry Jr. is located in the food court in City Super, Times Square, Causeway Bay and aims to deliver quality Japanese-style curry dishes to food court customers at affordable prices. Tiger Curry & Cafe is located in Harbour City, Tsim Sha Tsui. It follows the same trendy design of Tiger Curry and provides a wider range of menu offerings with more non-curry Japanese-style dishes.

We plan to open two sports-themed bars and further expand our “Tiger” brand to other locations across the city by establishing five new restaurants in Hong Kong. For details, see “— Business strategies — Continue to expand and diversify our outlet network”.

BUSINESS

The table below sets out a breakdown of our revenue by principal business activity for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000) (Unaudited)	(%)	(HK\$'000)	(%)
Clubbing operations	62,082	92.1	72,851	82.0	18,707	79.5	24,240	79.2
Restaurant operations	5,305	7.9	16,019	18.0	4,812	20.5	6,373	20.8
Total	67,387	100.0	88,870	100.0	23,519	100.0	30,613	100.0

COMPETITIVE STRENGTHS

Leading position with strong brand recognition

According to the F&S Report, we were one of the leading market players in the clubbing market in Hong Kong in terms of revenue for the year ended 31 May 2016 with a market share of approximately 10.6% and Volar is internationally recognised. In May 2016, our Volar was awarded “Asia’s Best Club” by the Asian Club and Bar Association. In December 2016, Volar and Fly were awarded “Quality Bar Label Award” by the Hong Kong Bar & Club Association. For our other key recognitions, see “— Key recognitions”.

We operate on a multi-brand business model that targets different customer segments. The diversity of our offerings allows our business to penetrate into different customer segments and expand into a broader range of revenue streams, which also helps lessen any reliance on a particular customer segment. We believe our success is attributable to brand awareness and desirability, which differentiates our offerings in the market we operate. We aim to attract customer groups that aspire to be associated with our branded outlets by encouraging their attendance and participation in our events and services. We offer prestigious beverage brands in our clubs and quality food products in our restaurants. The design of our outlet venues aims to commensurate our branding strategy. We promote ourselves in social media by documenting our images and events. We engage third-party public relations agencies for marketing activities to leverage the profile and image of Tiger Curry within the industry as well as establishing and implementing online and mobile promotion strategies. We pride ourselves on the continued ability to deliver a wealth of attractive featured events, some of which received wide media coverage. For the two years ended 31 May 2016 and the four months ended 30 September 2016, we hosted 62, 70 and 17 featured events, respectively. We generally involve in the entire organisation process of the events, from venue decoration, marketing and promotion, sourcing of beverage products, ticketing sales, sourcing of DJs and arranging extra security. We believe that our regularly held featured events enhance the high-end image of our clubs, increase customer traffic and increase our overall revenue. For details of our featured events, see “— Our clubs — Our key offerings — Featured events”. Our success in hosting well-recognised events is attributable to our ability to attract internationally renowned DJs to perform in our clubs. We believe that our brand reputation and our continuing success in marketing are key attraction when inviting guest DJs to perform. From a marketing perspective, collaboration with such internationally renowned DJs allow us to attract customers and enable us to maintain the reputation and market awareness of our brand. We have also organised other events in our clubs, such as marketing events of global lifestyle or fashion brands or company events of corporate customers, which we believe has further raised our brand awareness and the image of our clubs as versatile venues.

Well-designed clubs and restaurants in prime locations with diverse offerings

Our Directors believe that the prime locations of our outlets are vital for reaching target customers. Volar is situated in Lan Kwai Fong, a night entertainment district in Hong Kong. The present location of Volar is where the first club in Lan Kwai Fong was located when it opened in 1978. Fly is located on Ice House Street which is in Central. Our restaurants are strategically located in Causeway Bay and Tsim Sha Tsui. We believe these areas generate substantial customer and pedestrian traffic with high accessibility and visibility. For details of our outlet locations, see “— Our clubs — General information and operating data” and “— Our restaurants — General information and operating data”.

We understand that the atmosphere and ambience for clubs and restaurants are a vital part of the entertainment and dining experience. We have strategically positioned each of our outlets to target a different customer group with different designs. Volar targets customers with strong spending power and aims to provide a premium clubbing experience. Volar's venue has a basement location and encompasses over 5,500 sq.ft.. Upon descending the stairs into the space, customers have the choice of two distinct sections each with upholstered leather seating and plays out a range of music through an advanced 5-way Turbosound speaker system. Another design feature is the bands of coloured LED lights that crisscross around the club and across the ceiling. Fly is aimed at the younger white collar professionals and university students and graduates. Fly's venue reaches over 2,100 sq.ft. It has a large wooden entrance and an inside completed with polished concrete floors, gritty black tiles and urban street art. Our "Tiger" branded restaurants are aimed at mass market customers and follow the same trendy design theme featuring black and white bricked walls, timber furniture and generally a bright, airy atmosphere, yet each provides a different dining environment and menu items catering to customers looking for trendy dining experience, food court customers and customers attracted to our brand and looking for a wider range of Japanese-style dishes.

Our Directors believe the clubbing and dining experience offered by our clubs and restaurants help attract more customers with strong spending power and enhanced customer loyalty, which in turn drives our business growth.

Established relationships with our major suppliers

We have established strong and solid business relationships with our major suppliers. Our major suppliers include suppliers of beverage and food ingredients. As at the Latest Practicable Date, we had established relationship with our largest supplier for over three years and with our five largest suppliers ranged from one to three years. As confirmed by Moët Hennessy Diageo Hong Kong Limited ("MHD"), our largest supplier, which is a premium supplier of prestigious alcoholic beverage brands, we were one of its top five customers among its "on premise" channel customers for the two years ended 31 May 2016. As we understand, MHD classifies its customers in Hong Kong into two main categories based on sales channels operated by customers, namely "on premise" channel and "off premise" channel. According to MHD's classification, generally, "on premise" channels refer to restaurant and club channels and "off premise" channels refer to retail channels. "On premise" channel is further divided into the five categories: (i) "hotel and membership club" channel which covers hotels and membership clubs offering social and recreation services; (ii) "Chinese restaurant" channel which covers Chinese restaurants; (iii) "local modern on trade" channel which covers pubs, KTV lounges and gentlemen's clubs; (iv) "international modern on trade" channel which covers western bars, disco and clubs; and (v) "other restaurant" channel which covers western restaurants, Japanese restaurants and restaurants offering other Asian cuisines. We belong in the "international modern on trade" channel category under the "on premise" channel according to MHD's classification. We believe our established relationships with our suppliers and our volume of purchase give us greater bargaining power in cost negotiation and ensure the stability in the supply of products we need.

Experienced management team with industry knowledge

We have an experienced management team with expertise in the food and beverage and entertainment business. Mr. Kester Ng, our chairman and executive Director, started investing in food and beverage and entertainment business since 2005 and is familiar with industry trends, market behaviour, customer and supplier impact and dealing with competitions and other operational challenges. He has assumed a leading role in our management and has actively involved in handling of finance and investment related issues of our Group since our establishment. Ms. Lau Sze Yuen, our executive Director, has over 15 years of experience in the food and beverage and entertainment industry. Over the years, Ms. Lau has worked in managerial positions at restaurants and her responsibilities ranged from daily operations to business development. The general manager of each of Volar, Mr. Gurung Bhojendra, and Fly, Mr. Kharga Vishal, has over 12 and over seven years of experience in the management of night entertainment clubs, respectively. They are responsible for the day-to-day operation and management of the relevant club. Mr. Gurung joined Volar in December 2004 and is highly familiar with the operations of the club. His responsibilities include overseeing the day-to-day functions of the club, hiring and

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training personnel, ensuring the safety of employees and customers and liaising with various vendors. Mr. Kharga has accumulated solid experience from his previous roles in bar and restaurant business. For details of the experience of our management team, see “Directors and Senior Management”.

Our Directors believe that the collective experience and knowledge of our management team would enable us to understand the needs of our customers and industry trends timely and efficiently, as well as formulating and implementing our business strategies to drive our future growth.

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Continue to expand and diversify our outlet network

The table below summarises our outlet expansion plan.

<u>Type of restaurant</u>	<u>Intended location</u>	<u>Intended time of opening</u>
		<u>2017</u>
Food court restaurant	Mong Kok	Second quarter
Standalone restaurant	Tsing Yi	Third quarter
Sports-themed bar	Wan Chai, Sheung Wan or Causeway Bay	Third quarter
Food court restaurant	Cheung Sha Wan	Fourth quarter
		<u>2018</u>
Food court restaurant	Kwun Tong	First quarter
Standalone restaurant	Tai Koo Shing	Third quarter
		<u>2019</u>
Sports-themed bar	Wan Chai, Sheung Wan or Causeway Bay	Second quarter

- ***Establish sports-themed bars***

We plan to diversify and expand our presence in the night entertainment market by establishing two upmarket sports-themed bars (the “**Sports Bars**”).

We have conducted a feasibility study to preliminarily assess our proposed expansion into the sports-themed bar business, which includes the following:

- ***studying the accessibility and visibility of potential locations.*** Each Sports Bar is targeted to occupy a gross floor area of approximately 2,000 sq.ft. to 3,000 sq.ft. with approximately 85 seats. We expect that each Sports Bar will have approximately 86 to 111 customer visits per day (by adopting the average daily seat turnover rate of 101% and 131% during weekdays and weekends respectively according to the F&S Report). We have performed site visits in Wan Chai, Sheung Wan and Causeway Bay to identify suitable locations which are available under our timing requirements and to examine the level of customer and pedestrian traffic. We have also considered whether the potential locations are close to various means of public transportation as our potential customers will likely be leaving the Sports Bars at night and after consuming alcohol;
- ***studying the size and structure of potential sites.*** In addition to broadcasting spectator sports during operating hours, the Sports Bars will also offer games such as pool, darts and beer pong at an additional price or free of charge. We plan to have around one or two pool tables, one or two electronic darting machines and one or two beer pong tables in each Sports Bar. As such, we have also considered whether the size and structure of potential sites are suitable for installing TV screens, pool tables and electronic darting machines;

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- ***studying the demographics of the neighbourhood.*** We expect that the average spending per customer per transaction will be about HK\$240 to HK\$390, which is within the industry average (i.e. approximately HK\$200 to HK\$400, according to the F&S Report). The Sports Bars' target customers cover all types of bar-goers, whether or not they are current customers of our existing clubs, including (i) those who are interested in attending bars during "Happy Hour" time (which is typically from 6:00 p.m. to 9:00 p.m., according to the F&S Report); (ii) those who are interested in watching the English Premier League and other major sports events such as National Football League and National Basketball Association, which has recently been broadcasting in Hong Kong mostly on Saturday, Sunday and Monday with a few football matches per day and many of which finish before 1:00 a.m.; and (iii) those who are interested to have the option of playing games (such as pool, darts and beer pong) while attending bars. We have performed site visits to observe whether the demographic characteristics demonstrated, including the apparent age and job type, are favourable for the opening of sports-themed bars in the area;
- ***obtaining rental information and renovation quotations.*** We have collected and reviewed information regarding the rental trends in Wan Chai, Sheung Wan and Causeway Bay. We have also obtained renovation quotations for potential sites in these districts of our target sizes. The quotations set out the estimated cost for works including electricity work, plumbing and ventilation;
- ***assessing competitors' existence in the vicinity.*** We have performed site visits to check whether other sports-themed bars exist in the vicinity in order to assess the extent of the competition;
- ***assessing the breakeven period and investment payback period of the Sports Bars.*** We estimate that the breakeven period and investment payback period of the Sports Bars will be three months and 24 to 36 months, respectively. In doing so, we have considered factors such as likely monthly expenses and costs of opening and operations; and
- ***assessing the necessary licences required.*** We have assessed the licences which are necessary for the operation of the Sports Bars including the light refreshment restaurant licence, liquor licence, water pollution control licence and amusement game centre licence (for electronic darting machines). We consider that (i) the time required for obtaining the above licences according to our experience and/or certain government guidelines would normally be around six months after the submission of all application documentation (which our Directors consider is feasible to meet our implementation plan to set up the first Sports Bar during the six months ending 30 November 2017); (ii) the fees for the application of the above licences would be minimal; and (iii) there will not be any major impediments to obtain the above licences after reviewing the major criteria since we have prior experience in obtaining the majority of them and certain criteria for obtaining a new amusement game centre licence are also applicable to the light refreshment restaurant licence and liquor licence.

The reasons for adding the potential Sports Bars to our existing outlet portfolio are as follows:

- ***diversifying our offerings.*** It is our goal to launch new offerings in the night entertainment market to capture the current customers of our existing clubs and also new customers by taking advantage of our marketing expertise gained from acquiring present customers and existing customer goodwill. By introducing the sports-themed bar concept with appropriate marketing strategies, we believe we are able to penetrate into the existing and new customer base and in turn drive greater foot traffic and overall spending at our venues. Through our customer research, we carry out customer profiling and identify our existing customers' interests and spending patterns. For the year ended 31 May 2016 and the four months ended 30 September 2016, the average spending per transaction for Volar was HK\$1,190 and HK\$960 respectively, and that for Fly was HK\$668 and HK\$528 respectively, which we believe represents an attractive demographic. We believe that some of our target customers are not attending our existing clubs because they find them expensive or the operating hours are not conducive to their schedule. With knowledge of our target market and our existing brand recognition, we believe we are able to design, market and price our new offerings effectively;
- ***increasing awareness of our brands.*** Our customer research shows that people who attend clubbing activities are aware of our existing clubs and show interest in attending any new entertainment venues

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which we may launch. In the night entertainment market, we seek to develop a range of recognisable entertainment brands which project the same fun upbeat image. With our expansion into the sports-themed bar market, we are able to cross-sell our existing clubs, for example, through social media, flyers or posters. We believe the enhanced portfolio of our entertainment brands will further strengthen our position in the market;

- ***building a scalable business.*** With the track record of Volar and the introduction of Fly and our other restaurant outlets, we have laid down a solid foundation to a sustainable and scalable business model. We believe that our management team’s experience in the restaurant and entertainment industries provides us with insights into our customer base and enables us to create the dynamic environment that is core to our image. We believe consumers who enjoy night entertainment activities, an area which we are experienced in and familiar with, searches for excitement in their options and we intend to be versatile and responsive to providing what customers are seeking, rather than focusing on a single entertainment product. We compare favourably to new entrants in the execution of a sports-themed bar concept, being backed by an experienced management and our existing operations; and
- ***forging stronger connections with our beverage suppliers.*** According to our current arrangement with MHD, we expect our average purchase cost per unit will decrease if the two Sports Bars are opened as the two Sports Bars will increase the demand of beverage products while the purchase volume of such beverage products is linked to different levels of value and cash incentives, which means the more beverage products we purchase, the higher level of incentives we will get. In addition, as confirmed by MHD, our largest supplier during the Track Record Period, they would provide additional marketing support and promotion fund to us if we increase our current purchase levels. During the Track Record Period, our purchases from MHD were approximately HK\$8.4 million, HK\$9.4 million and HK\$3.3 million, respectively. We expect our purchases from MHD annually can reach approximately HK\$13.7 million if the two Sports Bars are opened.

Frost & Sullivan is of the view that any cannibalisation risk between our existing clubs and the two Sports Bars will be minimal due to their differences in the following aspects:

	Volar and Fly	Potential Sports Bars
Location	Volar and Fly are located in Central.	Our preferred locations for the two Sports Bars are within Wan Chai, Sheung Wan or Causeway Bay and we will only consider locations in Central (which, our Directors consider, is unlikely) if locations in the aforesaid districts are not available on satisfactory commercial terms. In any event, we do not expect the two Sports Bars to be located in the Lan Kai Fong area and we will not select a location which will result in the new outlet having a significant cannibalisation effect which will materially and adversely affect our existing operation in the vicinity.
Business nature	Volar and Fly are clubs that offer dance floor, music and featured events to attract and retain customers in the establishment to buy drinks. Music is an important attribute of our clubbing business. We engage resident DJs who perform in our clubs on regular basis and local and	The two Sports Bars will offer the broadcasting of televised sports events on large screen TVs and games (such as pools, darts and beer pong) to attract and retain customers in the establishment to buy drinks. There will be no dance floor and we do not intend to engage DJs to

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	<u>Volar and Fly</u>	<u>Potential Sports Bars</u>
	overseas guest DJs, some are internationally renowned, to perform at featured events.	perform in the two Sports Bars. We do not plan to apply for a dancing endorsement for the required liquor licence.
Ambience	Busy and party atmosphere with strong beat and high-energy music.	Casual atmosphere with unobtrusive music and large screen TVs broadcasting sports events.
Clientele	Customers who would like to drink, dance and socialise with friends late into night in an upscale and safe entertainment club.	All types of bar-goers, including sports fans, urban working population who want to drink and play games during “Happy Hour” and other customers who would like to socialise with friends in an upscale bar environment and those who may not attend clubs.
Pricing model	Our existing clubs charge an entrance fee in the form of a cover charge (which refers to the fee we charge for attending our clubs) and pre-event sales (which refers to the ticket income we charge for featured events generated from sales of tickets). During the Track Record Period, our entrance fee income constituted the second largest component of our revenue for our clubbing operations. We also sell prepaid beverage package to customers.	We do not expect to charge an entrance fee nor sell prepaid beverage package to customers for the two Sports Bars.
Alcohol served	Although we offer a wide variety of alcoholic beverages, we focus our efforts in promoting Champagne to our customers. During the Track Record Period, Champagne was the best-selling category of beverages.	We expect to focus our efforts in promoting spirits, cocktails and liqueurs and beer.
Peak hours	Our Volar and Fly currently operate until after 5:30 a.m. and until after 4:30 a.m. on most operating days, respectively. Our clubs normally reach peak times after 1:00 a.m. on an operating day, which can be seen from the fact that Volar and Fly generate most of their daily revenue from 1:00 a.m. to closing time, as evidenced by the receipt of customers’ orders.	According to the F&S Report, the operating hours of sports-themed bars in Hong Kong are usually from 6:00 p.m. to 3:00 a.m. and peak hours are from 10:00 p.m. to 1:00 a.m.. We expect that the Sports Bars will operate at similar hours.

We expect the two Sports Bars to locate in different districts and, as such, any cannibalisation risk between them will be minimal.

To prevent or control any potential competition between the Sports Bars and our clubs, we will:

- introduce our Sports Bars as unique products to our current and new customers which will attune to their various needs and interests. The Sports Bars will embody the concept of “watching sports”, “playing games”, “drinking and dining” and “socialising” all within the same establishment and a place

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to meet not just on weekends but also on weekdays, while our existing clubs will continue to be marketed as “late night entertainment spots” with more formality;

- upgrade our existing clubs to increase attraction to our customers and to ensure our already successful outlets/brands do not get undermined by new ones. For details, see “— Business strategies — Upgrade our club facilities”; and
- monitor the daily sales of our clubs and the Sports Bars closely and assess if the Sports Bars will cannibalise the sales of our clubs. For example, if there is a drop in the sales of our higher-priced higher-margin beverages in our clubs, we will analyse whether it is related to an increase in the order frequency of the same beverage product which is lower priced with lower margins in the Sports Bars.

The skills that our management and employees have acquired throughout the years are not only applicable to restaurant and club business and could be transported to the operation of bars. To diversify our portfolio and revenue streams, our Directors consider that it is commercially sensible to leverage our existing reputation, skills and experience to expand into the sports-themed bar market. Despite that we have no prior experience in operating sports-themed bars, our Directors are confident that we would be able to utilise and leverage our years of experience and local knowledge and connections in operating clubs and restaurants in operating the Sports Bars, including our experience in:

- ***promoting and sourcing of beverage products.*** As alcoholic beverages are expected to be the principal beverage for the Sports Bars, our connections with our beverage suppliers and our experience in inventory planning, cost-control, pricing and promoting alcoholic beverages will be applicable in the management of the beverage products for the Sports Bars;
- ***staffing needs and training.*** Clubs and bars, which operate in the night-time, require similar staffing requirements including front-of-the-house (including bartenders, servers and hosts), the back of the house (including washers, office staff and maintenance staff) and swing employees (including managers, bussers, barbacks and security). With our experience in allocating responsibilities to different staff especially the manager to control the entire flow of the day-to-day business and to take care of a guest’s problem or see to an emergency, we believe that we are able to run the Sports Bars smoothly shortly after commencement of business;
- ***in-store design, entertainment and dining.*** We believe we will continue to benefit from enhancements to our Group’s overall image through our store design. The design of the Sports Bars will give a contemporary image and includes clearly differentiated spaces for games, bar-drinking and dining, which are similar to the different zones in Volar. We will also apply our experience in managing seat turnover rate for our restaurants to the running of the Sports Bars. Similar to our clubs, the Sports Bars will focus on attracting customers by creating an enjoyable in-store entertainment and social experience and we can apply our skills and expertise in such context;
- ***marketing and branding.*** We will continue to adopt similar marketing strategies which we have adopted for our clubs to promote the Sports Bars, including effectively harnessing social media to keep our established brands current and be responsive to trends. We will also engage similar third-party public relations agencies for marketing activities and implement other online and mobile advertising strategies. We believe the introduction of the sports-themed bar concept provides an attractive opportunity to market our broader platform to new and existing customers through a year-round calendar of programming and promotions tied to popular sporting events and sport-related activities. In that regard, we are able to leverage our experience in organising, budgeting and beverage sourcing for featured events in our clubs. We may also rent our venues to or collaborate with corporates or brands; and
- ***site selection and application for licences.*** Leveraging our experience in the management of Volar and Fly, we believe we are able to formulate a site selection process specific to night entertainment so as to

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identify a location that is most suited to our needs. Our experiences in licences applications for our club operation will also help us in the application of similar licences, such as, liquor licence, light refreshment licence and/or water pollution control licence required by relevant government authorities, for the operation of the Sports Bars.

As at the Latest Practicable Date, we had not executed any lease agreement for any of the potential Sports Bars and we were in the process of reviewing suitable locations. The exact locations will not be finalised until we enter into the lease agreement. We will consider visibility, customer traffic, size and terms of the lease as our major site selection criteria. The opening procedures will be similar to our restaurant opening procedures. For details, see “— Our restaurants — Restaurant operations — New restaurant development procedures”.

The estimated investment costs for the two potential Sports Bars for renovation, purchase of equipment and inventory and rental deposit are expected to be approximately HK\$17.2 million, which will be funded by the net proceeds from the Share Offer.

We will provide updates on the particulars of the Sports Bars, including size, capacity, facilities and investment payback in our annual reports to notify our Shareholders and investors after the Listing.

- *Expand our restaurant network under our “Tiger” brand*

We intend to leverage on our existing scalable business model and the image of our proprietary “Tiger” brand and continue to expand our restaurant network so as to enhance our market share. Our Directors believe that the diversified demographics of the residents in Hong Kong present an opportunity to capture a larger portion of the industry. We intend to open a total of five “Tiger” branded restaurants in Hong Kong. Among these five potential restaurants, two will be opened as standalone restaurants in shopping malls (the “**Standalone Restaurants**”) and three will be opened in food courts of shopping malls (the “**Food Court Restaurants**”). The two potential Standalone Restaurants are expected to be larger than Tiger Curry and Tiger Curry & Cafe in aggregate in terms of size (i.e. gross floor area and seating capacity) and will adopt store design and menu offerings similar to Tiger Curry and Tiger Curry & Cafe. The three potential Food Court Restaurants are expected to be similar to Tiger Curry Jr. in terms of gross floor area and will adopt store design and menu offerings similar to Tiger Curry Jr.. As the potential restaurants will target our current customer segments and are expected to be located in areas with high customer traffic, they will be aligned with similar marketing and branding strategies. We expect to open the potential restaurants in shopping malls in areas with high customer traffic with high visibility and high accessibility within the districts of Mong Kok, Tsing Yi, Cheung Sha Wan, Kwun Tong and Tai Koo Shing. Mong Kok has been considered as one of the busiest districts with a high population density and a major shopping area in Hong Kong as evidenced by the presence of commercial and residential buildings and a vast number of shops, restaurants and hotels. Tsing Yi has a number of public and private housing estates as well as other residential and commercial developments. The Tsing Yi MTR station is also a transportation hub being an interchange station on the Tung Chung Line of MTR and Airport Express on Tsing Yi Island in Hong Kong. Cheung Sha Wan has a mix of residential, commercial and industrial buildings. Kwun Tong is also one of the most densely populated districts in Hong Kong with many residential and commercial buildings and has seen the construction of more office buildings in recent years. Tai Koo Shing houses the Taikoo Shing estate which consists of 61 residential towers, huge commercial and retail complexes as well as many office buildings. Our Directors consider that high customer traffic is critical to the success of a restaurant business. By expanding into residential neighbourhoods and commercial districts not already within our portfolio, we believe we could build a larger presence and prevent our new restaurants from competing with our existing restaurants. We believe that our business strategy enables us to achieve scalability, allowing for expansion and revenue growth while minimising increases in operational costs. We expect that the five potential restaurants will contribute additional number of customer visits and revenue to us.

We executed a letter of offer to lease dated 6 September 2016 confirming the major terms for the lease of a property in Tsing Yi for opening a standalone restaurant in 2017. Save as the aforesaid, as at the Latest Practicable Date, we had not executed any lease or licence agreements for any other potential restaurants and we were reviewing various potential locations in the above-mentioned areas for the remaining potential restaurants.

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The finalisation of the exact locations will not occur until we enter into the lease or licence agreement. We will continue to apply our established site selection criteria for assessing possible locations for our restaurants. For details see, “— Our restaurants — Restaurant operations — Site selection procedures”. For our new restaurant opening procedures, see “— Our restaurants — Restaurant operations — New restaurant development procedures”.

We expect the estimated investment costs of the two potential Standalone Restaurants and the three Food Court Restaurants for renovation, purchase of equipment and inventory and rental deposit to be approximately HK\$5.5 million and HK\$1.5 million, respectively. Except for the opening of one potential Food Court Restaurant (which we expect to locate in Mong Kok) which will be funded by our internal resources, we expect to apply the net proceeds from the Share Offer to the funding of the opening of other potential restaurants.

From 1 June 2016 to the Latest Practicable Date, we did not incur nor commit any capital expenditures for our expansion in Hong Kong. We expect that the opening of the seven potential outlets will increase our operating expenses, principally due to the anticipated increase in our cost of raw materials and consumables used, rental payment and staff cost.

Our Directors consider that our outlet achieves (i) breakeven at the point when its monthly revenue is at least equal to the monthly expenses (including but not limited to property rental and related expenses, employee benefit expenses and depreciation of property, plant and equipment) since our operation of the respective outlet; and (ii) investment payback at the point when the net profit accumulated is at least equal to the costs of opening and operations, including incurred capital expenditures, on-going cash and non-cash operating expenses and depreciation of property, plant and equipment since our operation of the respective outlet. For details on the breakeven period and investment payback period of our outlets, see “— Our restaurants — General information and operating data” and “— Our clubs — General information and operating data”. The historical breakeven periods and investment payback periods of the outlets we operated during the Track Record Period are not indicative of our future performance as our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control. Factors including but not limited to the amount of capital expenditures, scale of restaurants, location, timing of commencement of operation (which may affect our performance due to seasonality factors) will affect the time required for achieving breakeven period and investment payback period. According to the F&S Report, in general, the average investment payback period of restaurants is 12 to 48 months. We expect that the expected investment payback period of all of our potential restaurants to be within industry average. According to the F&S Report, in general, the average investment payback period of sports-themed bars is 12 months to 24 months. We expect that the investment payback period of the Sports Bars will be longer than the industry average on the basis that investment costs are higher for opening upmarket sports-themed bars. The expected breakeven period and investment payback period of our potential outlets are as follows:

<u>Potential outlets</u>	<u>Expected breakeven period</u> <i>(months)</i>	<u>Expected investment payback period</u> <i>(months)</i>
Each Food Court Restaurant	1	18 to 24 ⁽¹⁾
Standalone Restaurant in Tsing Yi	1	15 to 27 ⁽²⁾
Standalone Restaurant in Tai Koo Shing	1	24 to 36 ⁽³⁾
Each Sports Bar	3	24 to 36 ⁽⁴⁾

Notes:

- We estimate that the breakeven period and the investment payback period would be shorter or similar to those periods of Tiger Curry Jr. on the basis that (i) they are similar in the following aspects: (a) in terms of location, we expect the potential Food Court Restaurants to locate in shopping malls with similar or higher customer traffic; (b) in terms of gross floor area; and (c) in terms of pricing and operating style; and (ii) we will become more experienced in restaurant management and our Directors consider that our planned expansion will help us achieve scale and will result in a positive impact on the investment payback period of each outlet based on the reasons set out below.

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2. We estimate that the breakeven period and the investment payback period of this restaurant will be shorter than those periods of Tiger Curry on the basis that (i) this restaurant will be located in a shopping mall which will attract high customer traffic; (ii) it will occupy a larger gross floor area and will accommodate more seats and thus the restaurant will be able to generate higher revenue with similar level of fixed costs based on economies of scale; and (iii) we will become more experienced in restaurant management and our Directors consider that our planned expansion will help us achieve scale and will result in a positive impact on the investment payback period of each outlet based on the reasons set out below.
3. We estimate that the breakeven period and the investment payback period of this restaurant will be shorter than those periods of Tiger Curry on the basis that (i) this restaurant will be similar to Tiger Curry in the following aspects: (a) in terms of location, as we expect this restaurant to be located on the ground floor of a shopping mall, which is similar to the street level location of Tiger Curry; (b) in terms of size (i.e. gross floor area and seating capacity); and (c) in terms of pricing and operating style; and (ii) we will become more experienced in restaurant management and our Directors consider that our planned expansion will help us achieve scale and will result in a positive impact on the investment payback period of each outlet based on the reasons set out below.
4. We estimate that the breakeven period and investment payback period of the Sports Bars will be longer than the industry average (i.e. six to 18 months and 12 to 24 months, respectively) on the basis that investment costs are higher for opening upmarket sports-themed bars.

We believe the following strategies for our potential restaurants will enable them to achieve the target investment payback period:

- ***Open more food court restaurants***

We will incur lower initial investments costs in opening a Food Court Restaurant compared to a street-level restaurant as (i) only minimum renovation costs will be required due to the size and nature of food court restaurants and no design cost will be required as we adopt standardisation in our store design; (ii) we will pay a licence fee for a small area of the entire food court instead of rental payment for the entire outlet with kitchen and toilet facilities; and (iii) the shopping mall will be responsible for obtaining the relevant licences which dispenses with the need for us to engage licensing consultants. We will incur less operating costs for a Food Court Restaurant compared to a street-level restaurant as (i) we only require a food preparation team with sufficient training, instead of experienced chefs, to run the restaurant as we will execute minimal food processing or servicing based on standardised recipes and simple cooking methods and ingredients, which lower our staff costs; and (ii) we do not need to run a central kitchen or a complicated in-store kitchen.

- ***Choose shopping mall locations***

Our expansion strategy is driven by a site selection process that allows us to evaluate and select the location, size and design of our outlets based on consumer research and analysis of operating data from sales in our existing restaurants. We will strategically choose to open our potential restaurants in shopping malls in commercial and residential neighbourhoods which should bring high customer traffic and repeated customers as these locations are convenient to urban workers who dine out near office during lunch hours and those who dine out near home after work and on weekends. Our site selection process would enable us to customise each potential restaurant with the objective of maximising return on capital given the characteristics of the market and the location.

- ***Achieve economies of scale***

We believe that our planned expansion will help us achieve scale and cost-savings, which in turn will result in a positive impact on investment payback period. In particular, we expect to enjoy cost-savings in the following aspects:

- *procurement cost.* We will be able to assert stronger pricing power through bulk purchase orders of raw materials and ingredients. By using standardised recipes, we will purchase similar raw materials and supplies from our suppliers for our potential and existing restaurants. Some of our major suppliers have confirmed to us that they will offer us extra discount, and some have confirmed that they will not apply price increment to us, if all our potential restaurants are opened;

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- *marketing cost.* We will consider to employ an in-house marketing staff to take charge of marketing and brand-building affairs which we believe the aggregate marketing cost of our restaurants will be reduced;
- *staffing cost.* We will enjoy the benefits of sharing staff cost. We currently plan to keep the arrangement of having only one operations manager and one head chef for all our “Tiger” branded restaurants. During the Track Record Period, we paid an aggregate of approximately HK\$0.2 million, HK\$0.4 million and HK\$0.2 million, respectively, as remuneration of the operations manager and the head chef, representing 15.9%, 7.9% and 11.2% of our total staff cost for restaurant operations. It is expected that an aggregate of approximately HK\$0.7 million will be paid to the operations manager and the head chef annually, representing 5.6% of our total staff cost for restaurant operations assuming that all of our five potential restaurants were opened. Accordingly, if we have more restaurants to share the staff cost, we stand a better chance to generate more profit;
- *inventory management cost.* Our current inventory control system can easily be deployed to cover more restaurants and will allow us to aggregate demand from each restaurant and better manage wastage. We do not need to install a separate system for the potential restaurants. The cost of managing inventory per restaurant will be lower; and
- *design costs.* We normally incur not more than approximately HK\$75,000 on interior design for a new restaurant. Since all potential restaurants will adopt our standardised interior design and similar casual dining or quick-service operating format, only minimal design cost will be incurred for our potential restaurants.

We intend to adopt the following operating strategies to improve the profitability and operating margins of our restaurants going forward:

- ***Grow same-store sales***
 - *launch food and beverage offerings with broad appeal.* We seek to distinguish ourselves from other local casual dining and quick service restaurant concepts by creating food menus centred on Japanese-style curry dishes yet at the same time also offer a variety of other Japanese dishes with broad appeal. We aim to ensure a pipeline for launching new products and review our menus on quarterly basis;
 - *enhance brand awareness and generate additional visits to our restaurants through marketing and promotions.* We have engaged a marketing company to initiate marketing campaigns to promote our restaurants, including, in particular, devising strategies to build our brand image through social media and reach out to our brand loyal customers and other potential customers. We will consider to employ an in-house marketing staff to take charge of our marketing and brand-building affairs. We also have customised local marketing programmes to increase new visits and repeat visits to individual locations;
- ***promote higher spending per customer per meal and higher cost items.*** We will design and launch more fixed-price set meals featuring combinations of drink, a main dish and a side dish which can be quickly prepared at a lower cost such as a soup or a small dessert and increase our efforts in encouraging our customers to purchase set meals instead of a single main dish. This will allow us to better manage and plan for customer spending and sourcing of raw materials, increase sales of our targeted food items, and speed up operations in a restaurant by shortening food preparation time, menu ordering time and our servicing time. We will evaluate our customers’ habits of consumption during one season and work out the pricing and portions of set meals regarding to customer traffic and food cost. We will monitor current food trends and launch seasonal or trendy food items with higher margins;
- ***monitor wastage and idle resources.*** Food cost occupies a sizable portion of our costs. For the two years ended 31 May 2016 and the four months ended 30 September 2016, our costs of food ingredients

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represented approximately 12.0%, 21.1% and 24.3% of our total cost of inventories sold, respectively. Inadequate management attention can result in draining of profits. Wastage can occur due to, expiry, damages, excess or wrong production. We will design procedures to track, monitor and control wastages at different restaurants with the aim to improve gross margins. With a higher number of restaurants, we will modify our centralised purchasing procedures to the effect that (i) our procurement staff will generally stop accepting individual orders placed by each restaurant unless the head chef approves. We will designate our procurement staff to first collect information from each restaurant on its expected inventory needs and then to estimate the total inventory needs of all our restaurants and report to our head chef for approval before making purchases; and (ii) in making delivery arrangements, our procurement staff will liaise with the suppliers to deliver the purchases to satisfy each restaurant's need based on the actual situation. This will help reduce inventory build-up in case expected usage does not materialise and lower the risk of shortages in case of unexpected increases in demand. We will monitor and adjust our serving portions, utensils required and recipe masters across restaurants to control leakages and reduced food cost. We will also adjust our manpower resources and operating hours based on customer traffic and actual sales. In that regard, we will identify time periods with heavy and slow-moving customer traffic. During time periods of heavy customer traffic, we may hire more full-time or part-time staff to push sales and to ensure our customer service remain satisfactory. During time periods of slow-moving customer traffic, we may reduce the number of part-time staff to save costs or allocate the staff to work in our other restaurants or carry out other functions. We may also extend our operating hours if we see a need (such as open for breakfast or for longer operating hours on weekends or during seasonal periods) or shorten our operating hours (such as cut breakfast service or close on weekends or during seasonal periods);

- ***increase staff training and boost staff morale.*** Manpower is a crucial element of restaurant business. We will continue to provide training to our staff on skills, awareness and morale to increase productivity. We will hold meetings with our managers from time to time to discuss any challenges or changes in respect of profitability issues.

We may explore any possibilities to open restaurants, bars and clubs under other brands if suitable opportunity arises.

Upgrade our club facilities

Our Directors believe that the demand for our clubs is highly susceptible to the changing lifestyle trends and tastes. Operating in a competitive business, we recognise a renovation would provide an opportunity for us to update our venues, refresh our brand image and attract customers. According to the F&S Report, the life cycle of a club will be limited without rebranding or upgrading activities. For the two years ended 31 May 2016 and the four months ended 30 September 2016, we spent approximately HK\$141,000, nil and HK\$145,000 on leasehold improvement for Volar, respectively; and nil, nil and HK\$25,000 for Fly, respectively. We plan to upgrade and renovate Fly in or around the second quarter of 2017 and Volar in or around the first quarter of 2018 to ensure that each remains attractive to our customers.

We expect the estimated refurbishment costs for Volar and Fly, which will primarily cover decoration, furniture and fixture expenses, to be approximately HK\$10.3 million and HK\$4.0 million, respectively, which will be funded by the net proceeds from the Share Offer.

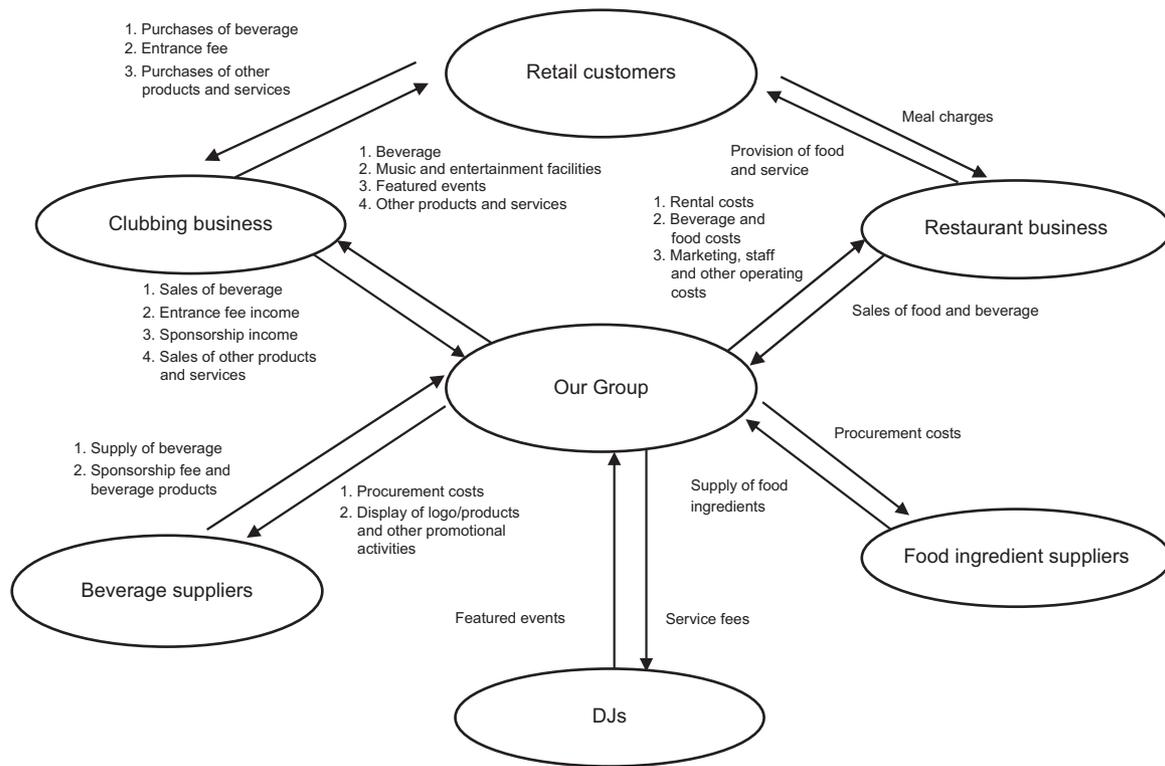
OUR BUSINESS AND REVENUE MODEL

The map below shows the current locations of our clubs and restaurants.



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The diagram below illustrates our business model.



During the Track Record Period, we derived our revenue principally from our clubbing and restaurant operations. The table below sets forth a breakdown of our revenue by outlet for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000) (Unaudited)	(%)	(HK\$'000)	(%)
Volar ⁽¹⁾	62,082	92.1	62,748	70.6	18,707	79.5	19,726	64.4
Fly ⁽²⁾	—	—	10,103	11.4	—	—	4,514	14.8
Tiger Curry	5,208	7.8	6,044	6.8	2,294	9.8	1,960	6.4
Tiger Curry Jr. ⁽³⁾	97	0.1	4,982	5.6	1,548	6.6	2,003	6.5
Tiger Curry & Cafe ⁽⁴⁾	—	—	4,993	5.6	970	4.1	2,410	7.9
Total	67,387	100.0	88,870	100.0	23,519	100.0	30,613	100.0

Notes:

- For the two years ended 31 May 2016 and the four months ended 30 September 2016, the profit before income tax expense of Volar amounted to approximately HK\$9.6 million, HK\$10.2 million and HK\$1.7 million, representing approximately 111.7%, 97.7% and 97.7% of the profit before income tax expense of our Group (after excluding the non-recurring Listing expenses of approximately HK\$8.2 million incurring during the four months ended 30 September 2016), respectively. The profit contribution from Volar to our Group exceed 100% for the year ended 31 May 2015 as we incurred lost mainly in our restaurant operations during the year.
- Fly came under our operation through our acquisition of its operating company in November 2015. For details, see “History, Reorganisation and Corporate Structure — Corporate development — Our corporate history — Grand Diamond”.
- Commenced business in May 2015.
- Commenced business in July 2015.

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Our clubbing operations

Our well-designed venues are equipped with advanced lighting and music equipment, high quality live featured events by resident and guest DJs, dedicated bar and waiter service and an elaborated beverage menu. In respect of our clubbing operations, we derive our revenue mainly from the sales of beverage, entrance fee income, sponsorship income, and sales of other products and services. Our gross sales of beverage comprise sales of different alcoholic and non-alcoholic beverage products and the corresponding service charge (which is 10%). Our entrance fee income comprises cover charges and pre-event sales. Our gross sales of beverage and entrance fee income are generally higher on the days we host featured events compared to our regular operating days. Our sponsorship income mainly covers (i) the sponsorship fees we receive from beverage suppliers for displaying logos or products and other promotions in our clubs; and (ii) beverage products equivalent to a certain value we receive from beverage suppliers according to the number and type of events promoting specified beverages (for further details, see “— Suppliers — Sponsorship income from suppliers”). We also derive revenue from cloakroom income, photobooth income, tips income and rental income from leasing our club premises for events.

We categorise our operating days into (i) regular operating days; and (ii) days on which we host featured events. The table below sets forth the number of our regular operating days and the days on which we hosted featured events in our clubs for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Volar	Fly	Volar	Fly	Volar	Fly	Volar	Fly
Regular operating days ^(Note)	205	—	209	135	69	—	77	80
Days with featured events ^(Note)	60	—	55	13	18	—	10	7
Total	<u>265</u>	<u>—</u>	<u>264</u>	<u>148</u>	<u>87</u>	<u>—</u>	<u>87</u>	<u>87</u>

Note: Featured events which run past midnight may extend into the next day, which could be a regular operating day, another day on which we host featured events or a day when we have no operations.

The table below sets out a breakdown of our gross sales of beverage by operation type of our clubbing operations for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Gross sales of beverage	% of total gross sales of beverage	Gross sales of beverage	% of total gross sales of beverage	Gross sales of beverage	% of total gross sales of beverage	Gross sales of beverage	% of total gross sales of beverage
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Regular operating days	41,580	63.6	53,188	68.0	12,912	62.5	20,681	79.4
Featured events	23,761	36.4	25,000	32.0	7,733	37.5	5,350	20.6
Total	<u>65,341</u>	<u>100.0</u>	<u>78,188</u>	<u>100.0</u>	<u>20,645</u>	<u>100.0</u>	<u>26,031</u>	<u>100.0</u>

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The table below sets forth a breakdown of our revenue generated from our clubbing operations by service/product offering for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Revenue	% of revenue from clubbing operations	Revenue	% of revenue from clubbing operations	Revenue	% of total revenue from clubbing operations	Revenue	% of total revenue from clubbing operations
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000) (Unaudited)	(%)	(HK\$'000)	(%)
Gross sales of beverage	65,341	105.2	78,188	107.3	20,645	110.3	26,031	107.4
Less: sales discount	(9,654)	(15.5)	(11,568)	(15.9)	(3,389)	(18.1)	(4,382)	(18.1)
Net sales of beverage	55,687	89.7	66,620	91.4	17,256	92.2	21,649	89.3
Entrance fee income	4,503	7.3	3,220	4.4	649	3.5	1,124	4.6
Sponsorship income ⁽¹⁾	896	1.4	1,652	2.3	502	2.7	1,069	4.4
Others ⁽²⁾	996	1.6	1,359	1.9	300	1.6	398	1.7
Total	62,082	100.0	72,851	100.0	18,707	100.0	24,240	100

Notes:

- Mainly covers (i) the sponsorship fees we receive from beverage suppliers for displaying logos or products and other promotions in our clubs; and (ii) beverage products equivalent to a certain value we receive from beverage suppliers according to the number and type of events promoting specified beverages. Sponsorship income is recognised in accordance with Hong Kong Accounting Standard (“HKAS”) 18 “Revenue”. As the sponsorship income is generated from rendering of various services in the course of our ordinary activities to certain businesses that also happen to be our suppliers and is not dependent on the purchase of the suppliers’ products, the presentation of sponsorship income as part of revenue is appropriate to reflect the substance of the transactions pursuant to HKAS 1, Presentation of Financial Statements.
- Includes cloakroom income, photobooth income, tips income and rental income from leasing our club premises for events.

Beverage sales

The table below sets forth a breakdown of our gross sales of beverage for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Gross sales of beverage	% of total gross sales of beverage	Gross sales of beverage	% of total gross sales of beverage	Gross sales of beverage	% of total gross sales of beverage	Gross sales of beverage	% of total gross sales of beverage
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000) (Unaudited)	(%)	(HK\$'000)	(%)
Champagne	29,088	44.5	35,777	45.8	10,297	49.9	10,975	42.2
Spirits ⁽¹⁾	20,819	31.9	25,029	32.0	5,755	27.9	9,106	35.0
Cocktails and liqueurs ⁽²⁾	5,396	8.3	5,434	7.0	1,546	7.5	1,795	6.9
Soft drinks and others ⁽³⁾	3,260	5.0	3,153	4.0	901	4.4	1,066	4.1
Beer	1,230	1.9	1,746	2.2	388	1.9	670	2.6
Wine	330	0.5	584	0.7	76	0.3	322	1.2
Service charge	5,218	7.9	6,465	8.3	1,682	8.1	2,097	8.0
Total	65,341	100.0	78,188	100.0	20,645	100.0	26,031	100.0

Notes:

- Include mainly whisky, vodka, brandy, gin, rum, tequila, schnapps, etc.
- Generally refers to an alcoholic beverage served by glass and prepared by bartenders mixing different alcoholic and non-alcoholic ingredients.
- Generally include mineral water, juices and condiments.

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As seen above, Champagne was the best-selling category of beverages, amounting to 44.5%, 45.8% and 42.2% of the gross revenue for the two years ended 31 May 2016 and the four months ended 30 September 2016.

For further analysis of the revenue contributed by various beverage items, see “Financial Information — Description and analysis of principal components in the consolidated statements of comprehensive income — Our clubbing operations — Sales of beverage”.

Entrance fee income

Our entrance fee income comprises cover charges and pre-event sales. Cover charge refers to the fee we charge for attending our clubs (whether on a regular operating day or on a day with featured events) and ranges from HK\$150 to HK\$600 per customer. The cover charge generally entitles our customers to a few complimentary beverages. We may waive the cover charge for customers of our prepaid beverage package (as an inducement for them to visit our clubs based on their past spending power or for publicity reasons), customers who make a booking for a table (as we impose a minimum charge for table bookings which guarantees certain spending amount to us) and other valued customers. Pre-event sales refer to the ticket income we charge for featured events generated from sales of tickets through a third-party online ticketing agent which generally receives a fee from us based on the amount of gross ticket revenue from purchases through its website.

The table below sets forth a breakdown of our entrance fee income for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Entrance fee income (HK\$'000)	% of total entrance fee income (%)	Entrance fee income (HK\$'000)	% of total entrance fee income (%)	Entrance fee income (HK\$'000) (Unaudited)	% of total entrance fee income (%)	Entrance fee income (HK\$'000)	% of total entrance fee income (%)
Cover charges	4,292	95.3	3,028	94.0	592	91.2	1,087	96.7
Pre-event sales	211	4.7	192	6.0	57	8.8	37	3.3
Total	4,503	100.0	3,220	100.0	649	100.0	1,124	100.0

Sponsorship income

Our sponsorship income mainly covers (i) the sponsorship fees we receive from beverage suppliers for displaying logos or products and other promotions in our clubs; and (ii) beverage products equivalent to a certain value we receive from beverage suppliers according to the number and type of events promoting specified beverages. We generate sponsorship income mainly from beverage suppliers. As at the Latest Practicable Date, among our five largest suppliers, we entered into purchasing and sponsorship agreements with MHD and Supplier A, details of which are set out in “— Suppliers”.

The table below sets forth a breakdown of our sponsorship income for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Sponsorship income (HK\$'000)	% of total sponsorship income (%)	Sponsorship income (HK\$'000)	% of total sponsorship income (%)	Sponsorship income (HK\$'000) (Unaudited)	% of total sponsorship income (%)	Sponsorship income (HK\$'000)	% of total sponsorship income (%)
Sponsorship fees	482	53.8	1,068	64.6	312	62.2	891	83.3
Beverage products equivalent to certain value ^(Note)	414	46.2	584	35.4	190	37.8	178	16.7
Total	896	100.0	1,652	100.0	502	100.0	1,069	100.0

Note: For accounting purpose, these figures (i) include beverage products we receive based on the promotional activities we conduct; and (ii) exclude beverage products we receive based on our purchase volume which are recorded on our stock record as normal stock.

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Our restaurant operations

For our three “Tiger” branded restaurants, we strive to provide a contemporary Japanese dining experience in a relaxing atmosphere for our customers. We primarily generate revenue through the sale of food and beverage products as displayed on our menus.

OUR CLUBS

General information and operating data

We own and operate two night entertainment clubs, Volar and Fly. Volar targets customers with strong spending power. Fly is aimed at the younger white collar professionals and university students and graduates. With a target customer demographic, we promote our brands primarily through the venue design, beverage offerings, music and event offerings. Our Directors believe that our clubs are complementary as they are able to offer different aspects of the clubbing and night entertainment experience to customers. As at the Latest Practicable Date, we held all necessary licences for our clubbing operations.

The table below sets forth the general information of each of our clubs.

Name of club	Address as shown in the liquor licence	Month/Year of commencement of business ⁽¹⁾	Month/Year of our operation of business	Approximate gross floor area (sq. ft.)	Maximum capacity ⁽²⁾	Number of staff as at the Latest Practicable Date	Breakeven period ⁽³⁾ (months)	Investment payback period ⁽⁴⁾ (months)
Volar	Basement, 38-44 D’Aguilar Street, Central, Hong Kong	December 2004	July 2013	5,563	293	37 (including 20 full-time and 17 part-time employees)	1	6
Fly	G/F, 24-30 Ice House Street, Central, Hong Kong	December 2010	November 2015	2,147	200	10 (including 8 full-time and 2 part-time employees)	1	3

Notes:

- Based on the best knowledge and information of our Directors.
- The maximum capacity is the maximum number of people allowed (including staff in each club) by the current liquor licence of each club at any given time.
- The number of month(s) it takes for the club to reach the point at which the monthly revenue is at least equal to the monthly expenses (including but not limited to property rental and related expenses, employee benefit expenses and depreciation of property, plant and equipment) since our operation of the respective club.
- The number of month(s) it takes for the club to reach the point at which the net profit accumulated is at least equal to the costs of opening and operations, including incurred capital expenditures, ongoing cash and non-cash operating expenses and depreciation of property, plant and equipment since our operation of the respective club.

For information about the leases and licences of our clubs, see “— Properties” and “— Licences and permits”.

The table below sets forth the operating data of each of our clubs for the periods indicated.

	Year ended 31 May							
	2015				2016			
	Approximate number of transactions	Number of operation days	Average spending per transaction ⁽¹⁾ (HK\$)	Average daily revenue ⁽²⁾ (HK\$)	Approximate number of transactions	Number of operation days	Average spending per transaction ⁽¹⁾ (HK\$)	Average daily revenue ⁽²⁾ (HK\$)
Volar	64,092	265	969	234,272	52,708	264	1,190	237,680
Fly ⁽³⁾	—	—	—	—	15,114	148	668	68,265

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Four months ended 30 September

	2015				2016			
	Approximate number of transactions	Number of operation days	Average spending per transaction ⁽¹⁾ (HK\$)	Average daily revenue ⁽²⁾ (HK\$) (unaudited)	Approximate number of transactions	Number of operation days	Average spending per transaction ⁽¹⁾ (HK\$)	Average daily revenue ⁽²⁾ (HK\$)
Volar	21,171	87	884	215,015	20,539	87	960	226,740
Fly ⁽³⁾	—	—	—	—	8,556	87	528	51,879

Notes:

1. Average spending per transaction is the total revenue of the relevant club divided by the approximate number of transactions.
2. Average daily revenue is the total revenue of the relevant club divided by the number of operation days.
3. Fly came under our operation through our acquisition of its operating company in November 2015. For details, see “History, Reorganisation and Corporate Structure — Corporate development — Our corporate history — Grand Diamond”.

Volar





Volar, located in Lan Kwai Fong, commenced business in December 2004 and came under our operation through our acquisition of its operating company in July 2013. Volar's venue has a basement location and encompasses over 5,500 sq.ft. on a single floor. Upon descending the stairs into the space, customers have the choice of two distinct sections each playing out a range of music from the latest electronic dance music genres through an advanced 5-way Turbosound speaker system in our front section. On weekdays, both sections are open, where the front section features more niche, alternative underground house music and the backend section plays mainstream chart-topping music. Each section has a DJ booth and is designed with upholstered leather seating. Another design feature is the bands of coloured LED lights that crisscross around the club and across the ceiling. With a large gross floor area, Volar hosts numerous large featured events throughout the year, attracting internationally renowned DJs to perform. Volar generally operates five days a week from Tuesday to Saturday (from 6:00 p.m. to 1:00 a.m. on Tuesday, from 6:00 p.m. to 5:30 a.m. from Wednesday to Thursday and from 10:00 p.m. to 6:30 a.m. from Friday to Saturday).

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Fly



Fly, located on Ice House Street, Central, commenced business in December 2010 and came under our operation through our acquisition of its operating company in November 2015. Fly's venue reaches over

2,100 sq.ft. on a single floor. It has a large wooden entrance and an inside completed with polished concrete floors, gritty black tiles and urban street art. The interior décor provides a venue with an ambiance where customers can relax, yet is able to transform into a clubbing atmosphere on any given night. Fly is predominantly an electronic music-themed club. Fly generally operates five days a week from Tuesday to Saturday (from 5:00 p.m. to 11:00 p.m. on Tuesday, from 5:00 p.m. to 4:30 a.m. from Wednesday to Thursday and from 8:00 p.m. to 4:30 a.m. from Friday to Saturday).

Our key offerings

Music and other entertainment facilities

We play a wide range of music in both of our clubs on regular operating days. We engage resident DJs who perform in our clubs on regular basis and local and overseas guest DJs, some internationally renowned, to perform at featured events. For details of our featured events, see “— Our clubs — Our key offerings — Featured events”. For the two years ended 31 May 2016 and the four months ended 30 September 2016, we regularly engaged six, nine and 11 resident DJs, respectively. We source and negotiate with DJs directly or through third-party agents.

The choice and range of music is an important part of the night entertainment experience that our clubs offer. We review our music playlists from time to time to be on top of the latest trends, and also involve our DJs in such discussions. We offer a variety of dance-music focused genres, which mainly include electronic dance music, hip hop, pop, house, techno music and are often mixed and edited by our DJs.

We hold various licences for the use of music and songs. For details, see “— Licences and permits”. We have reached an agreement for the usage of music with three licensing bodies which are registered in the Copyright Licensing Bodies Registry of the Intellectual Property Department of Hong Kong, namely PPSEAL, HKRIA and CASH, as to the amounts of the licensing fees and have settled licensing fees for the usage of music until between mid-2017 and early 2018. During the Track Record Period, the total annual licensing fees (covering the general restaurant licence, light refreshment licence, liquor licence, water pollution licence and music-related licences from PPSEAL, HKRIA and CASH for our clubs and restaurants) were approximately HK\$762,000. Given some of the annual licensing fees for Fly were already paid for before it came under our operation in November 2015, we expect the aggregate annual fees to be higher in future years.

During the Track Record Period and as at the Latest Practicable Date, there were no present or threatened legal proceedings against us with respect to usage of music in our clubs.

Volar has two dance floors, two DJ booths, one LED screen and a cloakroom which a staff manages to serve the needs of our customers. It also has a lighting system which we can preprogramme to enable bands of coloured LED lights to crisscross around the club and across the ceiling. We sometimes engage a video jockey to introduce music videos on our LED screens. Fly has a dance floor, a DJ booth and a LED screen.

Featured events

For the two years ended 31 May 2016 and the four months ended 30 September 2016, we hosted 62, 70 and 17 featured events, respectively. Featured events included night entertainment events (i) headlined by an internationally renowned guest DJ; or (ii) based on festive and holiday themes such as Christmas, New Year’s Eve and Valentine’s Day. We believe that our regularly held featured events enhance the high-end image of our clubs, increase customer traffic and increase our overall revenue. In particular, we generate (i) more sales of entrance fee as we charge higher for entrance compared to cover charges on a regular operating day; (ii) more beverage sales due to higher customer traffic during these events; and (iii) more sponsorship fee income as promotions by beverage suppliers in the form of displaying logos or products and other promotions in our clubs are more likely to take place during these events than regular operating days. Our Directors confirm that we did not organise any featured events held outside of our club premises during the Track Record Period.

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The tables below set forth our five largest featured events in terms of gross sales of beverage for the periods indicated.

Five largest featured events for the year ended 31 May 2015

	<u>Date</u>	<u>Gross sales of beverage</u> <i>(HK\$'000)</i>
18 Steps to Hell Descend into Darkness Halloween at Volar	31 October 2014	795
Volar New Year's Eve Whip in 2015	31 December 2014	772
Xmas Eve at Volar	24 December 2014	664
Volar x Love & Beats presents Mitch LJ	8 November 2014	645
An event held at Volar	13 March 2015	644

Five largest featured events for the year ended 31 May 2016

	<u>Date</u>	<u>Gross sales of beverage</u> <i>(HK\$'000)</i>
Volar presents New Years Eve	31 December 2015	1,060
Volar presents Zombie Apocalypse	31 October 2015	777
Volar x Love & Beats presents Junior C.	9 October 2015	775
Volar presents Disco Step Child	5 June 2015	656
Volar presents Mitch LJ	4 July 2015	621

Five largest featured events for the four months ended 30 September 2016

	<u>Date</u>	<u>Gross sales of beverage</u> <i>(HK\$'000)</i>
Volar presents DJ RANA and DJ VAVI	3 September 2016	735
Volar x Delta presents Peter Van Hoesen	9 September 2016	586
Volar x Love & Beats presents Nicolas Masseyeff	23 September 2016	510
Volar presents ROAD to ULTRA HONG KONG Countdown Tour w/LDLV	26 August 2016	499
Volar x Immersion Presents Morttagua	24 June 2016	474

Set forth are the key steps involved in the planning and organisation of a featured event:

- ***selection of date and theme of event:*** In general, we plan and select the date and theme of featured events to be organised approximately one to two months in advance before the event date. Featured events are usually held on Fridays, Saturdays, the day before a public holiday or during festival weeks in Hong Kong, such as Valentine's party in February, Easter party in April, Halloween party in October and Christmas party and New Year's Eve countdown in December. We generally also invite internationally renowned guest DJs to drive further customer traffic to our featured events.
- ***selection of and preliminary discussion with sponsors:*** After we have selected the date and theme of event, we will decide whether to utilise the sponsorships offered by our suppliers. If we decide to do that, we will, depending on the terms of relevant contract we entered into with them, notify the relevant suppliers or conduct preliminary discussion with them on the display of their logo or products, endorsement of their brand names for the events, and other promotion arrangements. Through the preliminary discussion, we understand the expectation and requirements on selection of DJs, multi-media equipment, types of beverages to be served, budget or other specific requirements. We will discuss with the suppliers on whether the environment of our club along with the proposed theme of the event would be suited to their requirements under contracts.

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- ***preparation of a detailed proposal:*** We review and consider the use of suitable guest DJs, multi-media equipment, expertise etc. according to the needs, expectations and requirements of suppliers and the theme of the events, and obtain quotations and confirm availabilities of DJs either directly or through agents. We proceed to prepare a detailed proposal setting out the logistics and run-down of the event, decoration and set-up of stage, budget and other details. We will generally inform our suppliers about the events to be hosted if their beverage brands will be used for promotion purposes.
- ***commencing of preparation work:*** We then commence work according to the proposal. We discuss and finalise the procedures, run-down, safety measures and internal work allocation. In general, our sales and marketing department will take charge and supervise the progress of relevant preparation work from time to time, such as stage set up, audio and visual preparation and decoration as selection of suppliers where appropriate. Confirmation of engagement with guest DJs takes place during this stage.
- ***implementation and execution of the event:*** On the date of event, we set up the DJ booth and conduct rehearsals with DJs if necessary. We issue our invoice to suppliers upon completion of the event.

Beverage products

We offer a variety of beverage products in both of our clubs. Our customers tend to order high priced alcoholic beverages such as Champagne, spirits and cocktails and liqueurs as opposed to wine, beer and soft drinks. For a breakdown of our beverage sales, see “— Our business and revenue model — Our clubbing operations — Beverage sales”.

During the Track Record Period, sales of Champagne was the major source of our beverage sales. Among all the Champagne brands we currently offer, Moët & Chandon was our best-selling brand throughout the Track Record Period. We sourced Moët & Chandon from MHD, our largest supplier, during the Track Record Period. For details, see “— Suppliers — Relationship with MHD”.

To ensure we stay ahead of competition and provide fresh experience to our customers, we from time to time review and update our beverage menu. We are keen to source popular beverage brands for our clubs, introduce current and popular cocktail recipes, offer featured drinks associating with featured events or festivals and custom-made beverages for customers when required. We engage experienced bartenders, and provide on-the-job training for our newly recruited bartenders.

We do not have a kitchen in any of our club premises and do not offer any food items in any of our clubs. Occasionally, upon request of customers, we may order snacks from third-party vendors for our customers who rent our club premises for parties and events.

Prepaid beverage packages

We utilise a prepaid beverage package to market our clubs and generate beverage sales. We launched our prepaid beverage package in July 2013. Our prepaid beverage package is essentially the sale of prepaid beverage packages to our customers to obtain prepayments and, in return, we offer them a “member” status (the “**Members**”) with a membership card containing purchase credits entitling them to discounts and other benefits and privileges, including, free and priority entry to the club, welcome gift, complimentary bottle of Champagne during birthday and priority table booking. To become a Member, our staff will prompt customers to provide personal information and pay a joining fee ranging from HK\$10,800 to HK\$39,900 depending on which club they are joining. Our Directors confirm that the amount of initial joining fee was made with reference to that of our competitors. We make available such joining fee to the Member as purchase credits to be used in settling his/her bill at the respective club, which essentially allows Members to use their membership cards as a debit card or a prepaid card. Our Members can top up their package subsequent to initial purchase.

Our membership database records the origination, utilisation, expiration and change of prepaid amount. For the two years ended 31 May 2016 and the four months ended 30 September 2016, we had 380, 395 and 126 new

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Members, respectively. On average, there was approximately HK\$8,000, HK\$5,000 and HK\$5,000 of remaining credit per Member for the same periods. As at the Latest Practicable Date, we had 1,051 Members.

To become a Member, we require the completion and signing of a standard application form before making the prepayment. The form clearly sets out the terms and conditions of the prepaid beverage package including, among others, the validity period for the use of the prepaid amount, extension and refund policies as well as other restrictions. Customers normally settle our prepaid beverage packages by cash or credit cards in one lump sum. The validity period of each prepaid beverage package is currently three months from the date of purchase. Members are not entitled to a refund of the unused prepaid amount during or after the validity period. We offer our Members the option to transfer the unused amount to a third party by submitting a formal request to us.

During the Track Record Period, not all our Members had fully utilised their prepaid beverage packages. The prepayment utilisation ratio (which is calculated by dividing the amount of prepayment utilised and recognised as revenue by the prepayment received for the respective period) for the two years ended 31 May 2016 and the four months ended 30 September 2016 were approximately 98.5%, 100.9% and 97.6%, respectively. The prepayment utilisation ratio may exceed 100% if the net revenue recognised during the year includes carried forward prepaid beverage packages from the preceding year, and is more than the actual sales of the prepaid beverage package for the year.

We record prepaid beverage packages as receipts in advance in the consolidated statements of financial position at the point of receipt. Revenue is recognised in the consolidated statements of profit or loss and other comprehensive income based on the effective selling price when relevant beverages are sold to customers, who choose to utilise the prepaid beverage packages, from time to time. For the two years ended 31 May 2016 and the four months ended 30 September 2016, our receipt from prepaid beverage packages was approximately HK\$19.2 million, HK\$21.3 million and HK\$7.3 million, respectively and our revenue from the sales of prepaid beverage package was approximately HK\$18.9 million, HK\$21.5 million and HK\$7.1 million, respectively, representing 28.1%, 24.2% and 23.3% of our total revenue for the same period. We will not forfeit any unused credit balance under the prepaid beverage packages nor recognise them as revenue. In September 2015, we started to stipulate a three-month validity period requirement in our sales contract for prepaid beverage package to encourage customers to use up the credits within the specified period so as to drive repeat business, but we will not forfeit the unused prepaid amounts following such an expiry date as we intend to maintain good relationships with our customers and uphold the reputation of our clubs.

The table below provides a breakdown of deferred revenue as at the dates indicated.

		Year ended 31 May							
		2015				2016			
		Receipts from sales of prepaid beverage package	Net revenue recognised upon actual sales of beverages	At the end of the year	At the beginning of the year	Receipts from sales of prepaid beverage package	Net revenue recognised upon actual sales of beverages	At the end of the year	
		<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	
Volar		3,569	19,242	(18,957)	3,854	3,854	21,096	(21,348)	3,602
Fly		—	—	—	—	199	216	(164)	251
		Four months ended 30 September							
		2015				2016			
		Receipts from sales of prepaid beverage package	Net revenue recognised upon actual sales of beverages	At the end of the period	At the beginning of the period	Receipts from sales of prepaid beverage package	Net revenue recognised upon actual sales of beverages	At the end of the period	
		<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	
		<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	
Volar		3,854	6,677	(6,501)	4,030	3,602	7,262	(7,075)	3,789
Fly		—	—	—	—	251	50	(58)	244

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Through our prepaid beverage packages, we are able to realise the following benefits:

Customer retention and repeat business

With unused prepaid amounts, our Members will be inclined to return to our clubs. Further, with the various discounts and complimentary gifts on offer, we believe our prepaid beverage package enhances Members' in-club experience, offer them better value and added convenience. We believe our prepaid beverage package helps create customer loyalty and bring repeat business.

Membership database and spending profile

We maintain a database of our Members and are able to extract information from our membership database to analyse their spending data. This allows us to monitor the frequency of their visits and spending habits, and is crucial in understanding the demands of our customers.

Sales commission for employees

Employees can earn commission by successfully selling the prepaid beverage packages to our customers. This incentivises not only employees to actively promote our clubs, but to also provide a high level of customer service at all times.

During the Track Record Period, for sales commission, we paid (i) our club managers and employees an amount ranging from HK\$150 to HK\$500 (equivalent to approximately 1.4% to 4.6% of the sale price of the lowest priced prepaid beverage package of Fly and 0.7% to 2.4% of the sale price of the lowest priced prepaid beverage package of Volar) for each prepaid beverage package sold to customers; and (ii) our club managers an additional amount equivalent to 1.0% to 1.25% of the sale prices of the relevant prepaid beverage packages sold by any employee (including the club manager himself) in excess of a fixed monthly number of prepaid beverage package.

During the Track Record Period, the amount of sales commission paid to employees for selling the prepaid beverage packages to our Group's customers amounted to approximately HK\$0.8 million, HK\$0.8 million and HK\$0.3 million, respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims or complaints in relation to our prepaid beverage packages.

Complimentary beverage package

We offer complimentary beverage packages to certain valued customers. These packages usually include a waiver on the cover charge, and a complimentary quota for such valued customers to spend on beverages within the club. This complimentary quota is reviewed and renewed on a monthly basis by our management. During the two years ended 31 May 2016 and the four months ended 30 September 2016, 38, 48 and 28 valued customers utilised our complimentary packages, respectively. We believe the presence of valued customers at our clubs will boost our profile and customer visits on a given night.

We select these valued customers based on certain criteria, including whether (i) these valued customers would potentially be able to introduce other individuals or corporate customers to our clubs, and hence expand our customer base and enhance our profitability; and (ii) the connections and networks of these valued customers may lead to introduction of potential international level DJs to play in our clubs or local or international celebrities such as actors or singers to visit our clubs, which may enhance the attractiveness of our clubs.

According to the F&S Report, the offer of complimentary beverage packages to valued customers such as celebrities and other high profile customers for strategic marketing purposes in order to boost customer visits to the clubs is a common practice in the clubbing industry.

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For the two years ended 31 May 2016 and the four months ended 30 September 2016, the total values of the complimentary beverage packages granted were approximately HK\$1.0 million, HK\$1.7 million and HK\$0.8 million, of which approximately HK\$0.4 million, HK\$0.8 million and HK\$0.8 million was utilised, respectively. The values of these complimentary beverage packages were not accounted for in our financial statements, except that where the relevant valued customers spent such amounts in the club which exceeded the quota granted under the complimentary beverage packages, such amounts paid by the valued customers would be recorded as revenue in our financial statements upon consumption. When the quota for the complimentary beverage packages are utilised by the valued customers, we record revenue and sales discount simultaneously in our financial statements to offset each other. Any quota for the complimentary beverage packages not utilised by the valued customers at the end of each month will be cancelled, and hence we have no obligation arising from any aforesaid unutilised quota and no liability will be recognised in our financial statements. As at the Latest Practicable Date, our outstanding quota for these complimentary beverage packages was approximately HK\$0.5 million.

Renovation

We plan to upgrade our club facilities, including renovating Fly in or around the second quarter of 2017 and Volar in or around the first quarter of 2018. For details, see “— Business strategies — Upgrade our club facilities”.

Theme and image

We expect our renovation plans to focus on enhancing the image of Fly and Volar. Our Directors expect that our renovation for Fly will include upgrading equipment and changes to fittings and our renovation for Volar will include replacing lighting and sound equipment, updating the interior design and changes to fittings. None of the use of space or physical layout will be changed.

Renovation plan and process

- **Planning stage:** To ensure smoothness in meeting time, quality and cost requirements of our renovation, about three to six months before the commencement of the renovation process, we will start to create a master renovation plan which will include details on decoration and equipment required, timing requirements, costs involved, licences required, personnel in charge and vendors such as designers and consultants required. During this early inception stage, we will also source fee quotes from and engage the relevant vendors. We will set up a designated management team which will be responsible for selecting and engaging the relevant vendors, as well as supervising the progress of the implementation of the renovation plan.
- **Renovation stage:** If we undertake a major renovation for Fly, we will close the entire venue temporarily for the duration of renovation. If we undertake a major renovation for Volar, we will close one part of the venue temporarily and the other part will remain open for business for the duration of renovation. Once the renovation for one part is completed, it will reopen and the other part will close temporarily. If we undertake a minor renovation for either club, we will not close the venue and the renovation works will take place during non-operating hours. The designated management team will continue to monitor the renovation progress, control budget and monitor the progress of application for relevant licences if required.
- **Completion of renovation:** The designated management team will work closely with our sales and marketing department to promote our renovated clubs and may launch grand opening events for publicity purpose.

Type of renovation

Our Directors consider that it will normally take about one to two months (where renovation works will take place during non-operating hours) from the finalisation of decoration plan to the completion of a minor

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renovation which may involve repair and maintenance works, replacing and renewing non-durable furnishings without altering the use of space or physical layout, maintenance-related upgrading works and minor changes to fittings, and about one to two months (where part or all of the venue will close temporarily) from the finalisation of decoration plan to the completion of a major renovation which may involve replacing and renewing most furnishings, major changes to fittings, and extensive modifications to the use of space and physical layout, subject to relevant licence approval procedures and other factors such as sufficient supply of manpower and availability of sound, lighting and other equipment we require. The renovation for Fly in or around the second quarter of 2017 and for Volar in or around the first quarter of 2018 will each be a major renovation.

Renovation cycle

We undertake minor renovations for our clubs on an as-needed basis depending on the condition of our equipment and facilities, and generally a major renovation every five to six years, which is within the industry norm of four to eight years.

OUR RESTAURANTS

General information and operating data

We own and operate three Japanese restaurants under our proprietary “Tiger” brand. Our “Tiger” branded restaurants are aimed at mass market customers. Our three sub-brands Tiger Curry, Tiger Curry Jr. and Tiger Curry & Cafe all offer contemporary Japanese cuisine but differ slightly in pricing and food offerings. Tiger Curry and Tiger Curry & Cafe are casual dining restaurants while our Tiger Curry Jr. is a quick service restaurant. All of our restaurants are strategically located in prime areas. As at the Latest Practicable Date, all our restaurants held all necessary licences for their business operations.

The table below sets out the general information of our three restaurants.

Name of restaurant	Address as shown in the general restaurant licence/ food factory licence	Date of commencement of business	Approximate gross floor area <i>(sq. ft.)</i>	Maximum capacity <i>(seats)</i>	Number of staff as at the Latest Practicable Date	Breakeven period ⁽¹⁾ <i>(months)</i>	Investment payback period ⁽²⁾ <i>(months)</i>
Tiger Curry	G/F, 14 Pennington Street, Causeway Bay, Hong Kong	14 April 2014	595	26	15 (including 7 full-time and 8 part-time employees)	2	53 ⁽⁵⁾
Tiger Curry Jr.	Counter B, Shop B110, Basement 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong ⁽³⁾	20 May 2015	324	N/A ⁽⁴⁾	11 (including 3 full-time and 8 part-time employees)	4	18
Tiger Curry & Cafe	Shop 2602, Level 2, Gateway Arcade, Harbour City, Kowloon	30 July 2015	758	28	22 (including 6 full-time and 16 part-time employees)	4	N/A ⁽⁶⁾

Notes:

- The number of month(s) it takes for the restaurant to reach the point at which the monthly revenue is at least equal to the monthly expenses (including but not limited to property rental and related expenses, employee benefit expenses and depreciation of property, plant and equipment) since our operation of the respective restaurant.
- The number of month(s) it takes for the restaurant to reach the point at which the net profit accumulated is at least equal to the costs of opening and operations, including incurred capital expenditures, ongoing cash and non-cash operating expenses and depreciation of property, plant and equipment since our operation of the respective restaurant.
- The premises occupied by Tiger Curry Jr. is a portion of Counter B of the food court where Tiger Curry Jr. is located.

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4. Not applicable to Tiger Curry Jr. as the food court where Tiger Curry Jr. is located provides the seats.
5. As at the Latest Practicable Date, Tiger Curry had not achieved the investment payback point and the expected investment payback period disclosed is based on our estimation. Our Directors consider that the reasons for Tiger Curry having an expected investment payback period longer than the industry average (i.e. 12 to 48 months, according to the F&S Report) are: (i) the opening costs of this restaurant were high at the initial stage due to the additional design and scaffolding costs incurred for the exterior of premises; (ii) the restaurant is located on street level and customer traffic will be affected by weather conditions; (iii) the restaurant has a relatively small number of seats; (iv) four seats are located near the restaurant's toilet facilities and are not preferred by customers, which affects seat turnover rate; (v) the restaurant does not open for breakfast and does not attract high customer traffic for afternoon tea set hours; (vi) it is our first restaurant under our "Tiger" brand and additional time is required for our target customers to familiarise with our brand; and (vii) we take into account of depreciation charge when we calculate the investment payback period while other industry players may not take the same approach as we do.
6. The expected investment payback period is not applicable as Tiger Curry & Cafe was loss making during the Track Record Period. Our Directors believe that it was mainly due to this restaurant's short operating history and it takes time for our target customers to familiarise with it. We will closely monitor the performance of this restaurant. As at the Latest Practicable Date, our Directors are of the view that we can improve the performance of this restaurant on the basis that it has become profit making since October 2016 up to and including January 2017. Despite that Tiger Curry & Cafe achieved breakeven based on our calculation set out in note 1 above, the net profit accumulated was less than the costs of opening and operations since our operation of this restaurant up to September 2016 and hence it remained loss making for the Track Record Period.

For our operating strategies in relation to our restaurants going forward, see "— Business strategies — Continue to expand and diversify our outlet network — Expand our restaurant network under our "Tiger" brand".

The historical breakeven periods and investment payback periods for the restaurants we operated during the Track Record Period are not indicative of our future performance as our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control. The time required for achieving breakeven period and investment payback period will be affected by the factors including but not limited to the amount of capital expenditures, scale of restaurants, location, timing of commencement of operation as it will be affected by seasonality factors.

For information about the leases and licences of our restaurants, see "— Properties" and "— Licences and permits".

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The following table sets forth the operating data of each of our restaurants for the periods indicated.

	Year ended 31 May												
	2015					2016							
	Approximate number of customer visits ⁽¹⁾	Number of operation days	Average spending per customer per meal ⁽²⁾ (HK\$)	Average daily revenue ⁽³⁾ (HK\$)	Daily seat turnover rate ⁽⁴⁾ (times)	Revenue (HK\$'000)	Approximate number of customer visits ⁽¹⁾	Number of operation days	Average spending per customer per meal ⁽²⁾ (HK\$)	Average daily revenue ⁽³⁾ (HK\$)	Daily seat turnover rate ⁽⁴⁾ (times)	Revenue (HK\$'000)	Increase / (decrease) in revenue for the year in percentage (%)
Tiger Curry	43,773	364	119	14,308	4.6	5,208	48,633	365	124	16,559	5.1	6,044	16.1%
Tiger Curry Jr. ⁽⁵⁾	1,349	12	72	8,083	N/A	97	67,978	359	73	13,877	N/A	4,982	5,036.1%
Tiger Curry & Cafe ⁽⁶⁾	—	—	—	—	—	—	56,529	307	88	16,264	6.3	4,993	N/A
	Four months ended 30 September												
	2015					2016							
Approximate number of customer visits ⁽¹⁾	Number of operation days	Average spending per customer per meal ⁽²⁾ (HK\$)	Average daily revenue ⁽³⁾ (HK\$)	Daily seat turnover rate ⁽⁴⁾ (times)	Revenue (HK\$'000)	Approximate number of customer visits ⁽¹⁾	Number of operation days	Average spending per customer per meal ⁽²⁾ (HK\$)	Average daily revenue ⁽³⁾ (HK\$)	Daily seat turnover rate ⁽⁴⁾ (times)	Revenue (HK\$'000)	Increase / (decrease) in revenue for the period in percentage (%)	
Tiger Curry	18,769	122	122	18,808	5.9	2,294	14,329	122	137	16,069	4.5	1,960	-14.6%
Tiger Curry Jr. ⁽⁵⁾	19,940	122	78	12,686	N/A	1,548	27,417	122	73	16,418	N/A	2,003	29.4%
Tiger Curry & Cafe ⁽⁵⁾	10,720	67	90	14,477	5.7	970	27,072	122	89	19,756	7.9	2,410	148.5%

Notes:

- Includes takeaway services.
- Average spending per customer per meal is the total revenue of the relevant restaurant divided by the approximate number of customer visits.
- Average daily revenue is the total revenue of the relevant restaurant divided by the total number of operation days.
- Daily seat turnover rate is the approximate number of customer visits per operation day of the relevant restaurant divided by the total number of seats in that restaurant. It is not applicable to Tiger Curry Jr. as the food court where Tiger Curry Jr. is located provides the seats.
- Tiger Curry Jr. and Tiger Curry & Cafe commenced business in May 2015 and July 2015, respectively.

Tiger Curry



Location and restaurant design

Tiger Curry is located in Pennington Street, Causeway Bay, a busy shopping district of Hong Kong and in an area with trendy restaurants and hotels nearby. The restaurant's exterior is a three-floor high wall, the lower portion of which has a striking grey tiger drawing on timber planks on one side and is made up of shiny black bricks on the other side, whereas the top portion features a grey camouflage drawing. The restaurant's interior features a long wood counter, an open kitchen, big black-framed windows, a mix of white bricked, black bricked and grey walls and a large grey tiger drawing. The design of oversized graphics and images throughout the restaurant aims to communicate our brand personality, which is fun and contemporary.

Menu offerings

Our popular Japanese curry sauce is a big theme of the menu. We currently offer around 18 curry dishes on our menu. We also offer a wide variety of snacks and appetisers, including grilled sausages and Japanese-style dumplings. Our signature curry sauce incorporates over various herbs and spices. We believe this combination gives our food a selling point. Furthermore, our customers can choose from a highly customisable menu selection, including spiciness of the curry, main ingredients and add-ons. This enables our customers to enjoy a personalised dining experience.

Operating hours and price per meal

It is open seven days a week (daily from 12:00 noon to 11:00 p.m.), and offers lunch and dinner. The price for a main course ranges from HK\$35 to HK\$133.

Tiger Curry Jr.



Location and restaurant design

Tiger Curry Jr. is located in the food court in City Super, Times Square, Causeway Bay. The restaurant's shop front uses white bricks and our signature tiger logo.

Menu offerings

The menu offers our popular curry dishes at more affordable prices which cater to the needs of working customers seeking for quality food.

Operating hours and price per meal

It is open seven days a week (from 10:00 a.m. to 10:00 p.m. on Sunday to Thursday and to 11:00 p.m. on Friday and Saturday), offering breakfast, lunch and dinner. The price of a main course ranges from HK\$50 to HK\$90.

Tiger Curry & Cafe



Location and restaurant design

Tiger Curry & Cafe is located in Harbour City, Tsim Sha Tsui. The restaurant has a large shop front which has a white bricked wall with a large tiger drawing. The restaurant has a spacious interior and is surrounded by big windows leading to a sea view. It follows the same trendy design of Tiger Curry and adopts a colour theme that confines to a palette of mainly black, white, grey and wood. The use of more white bricks and wood flooring in the interior creates a relaxing ambience for the younger mass population and families.

Menu offerings

The restaurant provides an all-day dining menu with a wide range of menu offerings and more non-curry Japanese-style dishes such as sandwiches in Japanese-style rice ball (known as onigiri in Japanese), Japanese rice bowl dish (known as donburi in Japanese), macaroni and cheese with marinated roe of cod and pollock (known as mentaiko in Japanese) and cinnamon waffles with fresh fruit desserts.

Operating hours and price per meal

It is open seven days a week (daily from 7:30 a.m. to 10:00 p.m.), and offers breakfast, lunch and dinner. The price for a main course ranges from HK\$35 to HK\$133.

Restaurant operations

Site selection procedures

We take into consideration the following factors during our site selection process:

- ***pedestrian traffic and convenience of location***: we target locations with proximity to large shopping malls, tourist attractions and public transportation;
- ***demographics of location***: we consider the spending power, age groups and consumer behaviour of residents, working groups and shoppers in the proposed location;
- ***size and structure of site***: we consider whether the size and structure of the site is suitable for renovations based on our restaurant concept and will satisfy our requirement for seating capacity;
- ***competition***: we consider the existence of actual or potential, direct or indirect competition of the location and the strength of such competitors; and
- ***terms of the lease or licence***: we take into account the rental costs or licence fee, term, operating hours and restrictions as indicated on the lease or the licence.

Our management is involved in the site selection process, including the evaluation, inspection and approval of each restaurant site prior to development. We consider carefully and conservatively with respect to our committed capital expenditure and our estimated return on investment. We choose each site strategically in order to increase our market penetration, attract customers from our competitors while avoiding dilution of customer traffic among our own restaurants.

New restaurant development procedures

The typical lead time from the commencement of the site selection process to the opening of a restaurant is approximately six to 11 months. Key steps in the development process of a new restaurant mainly consist of the following:

- ***Concept development***: our management studies food, restaurant and market trends from time to time and a new brand or restaurant concept may be originated. Our management, together with our food preparation team, will create and experiment food items suitable for the menu, develop a target customer profile, fix pricing initially and visualise a restaurant design to match the concept or the brand. Once the preliminary plans are developed, we will then proceed to identify a suitable restaurant location to match the concept or the brand;
- ***lease negotiation***: upon approval by our management of a target site, and after we complete our feasibility studies on the potential site, we commence lease negotiations with the landlord. We generally require our leases to have a term of approximately not less than two years. Some leases give us a rent-free period ranging from two to six months to allow time for our preparation works, such as renovation and decoration;
- ***renovation***: upon signing a lease and taking possession of the premises, we commence the designing of the restaurant. The design of our restaurants aims to commensurate our branding strategy, depending on the location of the premises and based on the ideas of our management. The design and renovation generally require one to four months. Our management will involve to ensure the premises are designed and renovated in a manner suitable for our restaurant operations;
- ***licensing and permits***: after the signing of the lease, we will start the application for the necessary licences for the operations of a restaurant. It is our policy to engage a third-party licensing consultant

responsible for the relevant applications of certain licences we need for our operations and any subsequent modification of licensing conditions if necessary. It takes approximately two to five months to obtain a provisional general licence to open a restaurant. For more details on the specific licences, see “— Licences and permits” and “Regulatory Overview — Hong Kong regulatory overview — (A) Key licences for business operation”; and

- **staffing and inventory:** we recruit and train new staff and/or relocates staff from our existing sites in preparation of the launch of the new restaurant. We will also start purchasing the necessary food ingredients and equipment for the launch of the restaurant.

Food procurement, preparation, storage and development

Food procurement

For our purchasing procedures, see “— Procurement — Purchasing procedures”.

Preparation of food

In order to ensure all dishes are freshly prepared, each of our restaurants conducts its food preparation functions in its own kitchen. Each restaurant has a food preparation team and the head of team is responsible for the overall operation of the kitchen of that restaurant. Food ingredients are generally delivered to our restaurants daily. The food preparation team focuses on kitchen operations. Each kitchen is divided into different stations for different work, such as cooking of hot food, preparation of cold food, sauce making, chopping, cutting and portioning, beverage making and cleaning. At times of high customer traffic or where new menu items are introduced, the head of food preparation team would allocate different work tasks to other kitchen staff by incorporating work simplification techniques, such as scheduling the preparation and meal service time of each menu items, arranging staff to use tools and equipment that improve productivity and allocate trained and experienced staff to exercise multi-tasking.

Storage

For inventory levels of our perishable and non-perishable items, see “— Procurement — Inventory”. Upon delivery of the food ingredients to our restaurants, we store the food ingredients under appropriate temperature and storage conditions in accordance with our procedures and manuals. We keep fresh fruits separate from meat, poultry or seafood in the refrigerator. In addition, hygiene supervisors are appointed in each of our restaurants to strengthen the food safety supervision in the restaurants. We also check the state of fresh and perishable food and inspect the best-by date and condition of non-perishable food to ensure we do not use stale or expired food.

Development of new dishes

We track and evaluate feedback from sales staff and customers on our dishes. We review our main menu from time to time. Based on our reviews, we continuously refine our dishes and regularly update our menus in response to changing food trends, tastes of our customers, nutritional information, seasonal factors and the feedback from our customers. We take the following steps when developing a new dish:

- **proposals:** our food preparation team suggests and proposes new dishes based on market trends, food costs and feedback from customers;
- **assessment and approval:** our management team then reviews the proposal and we will carry out a cost analysis to determine the cost of the new dish. Our procurement staff follows the suggested cost when purchasing the necessary ingredients for the new dish; and
- **launch of new dish:** after being approved by management, we will negotiate and finalise sourcing arrangements with our suppliers if necessary. We will then update our menus and roll out the new dish to the public. At times, we introduce the new dish through a seasonal promotion to gauge demand.

PROCUREMENT**Purchasing procedures**

During the Track Record Period, our purchases mainly included beverages and food ingredients. Our club and restaurant managers are primarily responsible for monitoring the level of food and beverage and making orders. Each of our clubs and restaurants place purchase orders with our procurement staff which then place orders with the relevant suppliers. Our restaurants normally place orders every other day, for the types and quantities of perishable food ingredients and every two to three days for non-perishable food ingredients. Our clubs generally place orders for beverages every week. Our procurement staff generally approve the orders before they can proceed.

Upon delivery of the items to the clubs and restaurants, our staff checks the time of delivery, the brand and type, quantity and quality of deliveries against the delivery notes or invoices and our orders before acceptance. We also inspect the best-by date and condition of the food ingredients, and if they fall below our quality control standards we would return them to our suppliers. Our suppliers' invoices and monthly statements are sent to our procurement staff who checks them against the purchase orders. Our finance and administration department also checks the monthly statements issued by our suppliers and conducts reconciliation against our payment records.

Purchase costs and control

For the two years ended 31 May 2016 and the four months ended 30 September 2016, costs of beverages represented approximately 86.9%, 77.9% and 74.8% of our total costs of inventories sold, respectively. For the same periods, costs of food ingredients accounted for approximately 12.0%, 21.1% and 24.3% of our costs of inventories sold, respectively.

We monitor our overall costs of beverage and food ingredients to ensure such costs generally do not exceed a certain percentage of the total revenue of a particular restaurant or club. We have adopted purchasing procedures (see “— Procurement — Purchasing procedures”) which require orders for beverage products and food ingredients placed by all our clubs and restaurants to be centralised before placing with the suppliers. We have an inventory control system in place (see “— Procurement — Inventory”) and make purchases generally by purchase orders (see “— Suppliers — Purchase orders”). By closely monitoring the inventory level and using purchase orders, we could manage and control our purchase cost more efficiently.

We have taken measures to mitigate any adverse impact of increase in cost of beverage and food ingredients including searching for suppliers which offer beverage and food ingredients with similar quality but at lower price, keeping a minimal level of perishable food ingredients to reduce wastage as well as reviewing and adjusting our menu items from time to time to pass on cost increases to our customers based on our business needs and the general economic conditions.

For the hypothetical sensitivity analysis on the impact of changes in our costs of beverage and food ingredients on our profit for each year during the Track Record Period, see “Financial Information — Sensitivity and breakeven analysis — Sensitivity analysis”. Our Directors confirm that we currently do not engage in futures contracts or other financial risk management strategies against potential price fluctuations in beverage and food costs.

Inventory

We have implemented an inventory control system based on food and beverage types, consumption levels and prices. We purchase perishable items such as fresh food ingredients and non-perishable items such as frozen food, dried food, beverages, canned food, utensils and other kitchen equipment for our operations. Our fresh ingredients typically have a shelf life of up to several days; frozen food and dried food have a shelf life of approximately several months to several years; non-alcoholic beverages have a shelf life of several days to more than one year; alcoholic beverages have a shelf life of several years; canned food have a shelf life of up to several

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years whilst some alcoholic beverages such as brandy, whisky and vodka do not have stated shelf life. We keep a minimal level of perishable food ingredients to reduce wastage, ensure freshness and quality of food and avoid excessive inventory level. For non-perishable items, we maintain an adequate level based on operational needs and replace such items on an as-required basis.

Our restaurant and club staff, on a daily basis, and normally after business hours, check the availability of materials for the next day's operations and, if any items are insufficient, report to our club and restaurant managers, who are primarily responsible for monitoring the level of food and beverage and making orders and inventory management. We perform stock count on a monthly basis to record and monitor all the purchase and inventory of each type of food ingredients, beverages, equipment and utensils. During the Track Record Period, we had not recorded any obsolete inventory write-off.

Credit and payment terms

We settle our payments to suppliers generally on a monthly basis. Our Directors confirm that all payments to our suppliers were denominated and settled in Hong Kong dollars during the Track Record Period. For monthly settlement, we will not approve payment until we have reconciled our suppliers' invoices and monthly statements. If there is any unreconciled item, our procurement staff will liaise with the suppliers and correct the invoices or monthly statements if necessary. Our suppliers generally grant us credit terms of 30 days.

Quality control

For quality control measures on our beverage and food ingredients, see “— Quality control — Quality control in procurement of beverage products” and “— Quality control — Quality control in procurement and preparation of food”.

SUPPLIERS

During the two years ended 31 May 2016 and the four months ended 30 September 2016, we purchased from 56, 83 and 71 beverage and food ingredient suppliers, respectively. We also engaged external licensing consultant, cleaning and pest control company, security company, ticketing agent and public relations agencies. All of our five largest suppliers for the Track Record Period are Independent Third Parties. We have not entered into any long-term contract with our suppliers, which our Directors consider is in line with market practice, and the terms and conditions set out in our purchase orders placed with different types of suppliers for each order may differ. Generally, our purchase orders specify name and type of products, quantity, price, payment terms and delivery date. As at the Latest Practicable Date, among our five largest suppliers, we entered into purchasing and sponsorship agreements with MHD, details of which are set out in “— Suppliers — Relationship with MHD — Terms of contract”, and with Supplier A, which has a term of one year and sets out the sponsorship fees we are entitled to for conducting the specified promotional activities for designated beverages.

Purchases from our five largest suppliers for the two years ended 31 May 2016 and the four months ended 30 September 2016 were approximately HK\$10.7 million, HK\$12.4 million and HK\$4.3 million, respectively, representing approximately 82.7%, 70.2% and 67.7% of our total purchases, respectively. Purchases from our largest supplier for the two years ended 31 May 2016 and the four months ended 30 September 2016 were approximately HK\$8.4 million, HK\$9.4 million and HK\$3.3 million, respectively, representing approximately 65.0%, 53.4% and 51.5% of our total purchases, respectively. For the risks associated with our purchases from our largest supplier, see “Risk Factors — Risks relating to our business — Our purchases from our largest supplier accounted for a majority of our total purchases throughout the Track Record Period. If our arrangements with our largest supplier is terminated, interrupted, or adversely modified, our business, financial condition and results of operations could be adversely affected.”.

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The following tables set forth the details of our five largest suppliers for the periods indicated.

Five largest suppliers for the year ended 31 May 2015

Name of supplier	Principal business	Year of commencement of business relationship with us	Principal products supplied to our Group	Approximate purchase amount for the year <i>(HK\$'000)</i>	Approximate percentage of our total purchase <i>(%)</i>
MHD	Beverage supplier	2013	Beverage products	8,376	65.0
Supplier A	Beverage supplier	2013	Beverage products	1,251	9.7
Supplier B	Food supplier	2014	Food ingredients	627	4.9
Supplier C	Food supplier	2014	Food ingredients	203	1.6
Supplier D	Beverage supplier	2013	Beverage products	196	1.5

Five largest suppliers for the year ended 31 May 2016

Name of supplier	Principal business	Year of commencement of business relationship with us	Principal products supplied to our Group	Approximate purchase amount for the year <i>(HK\$'000)</i>	Approximate percentage of our total purchase <i>(%)</i>
MHD	Beverage supplier	2013	Beverage products	9,438	53.4
Supplier A	Beverage supplier	2013	Beverage products	1,356	7.7
Supplier E	Food and beverage supplier	2015	Food ingredients and beverage products	691	3.9
Supplier F	Beverage supplier	2014	Beverage products	524	3.0
Supplier G	Food supplier	2013	Food ingredients	389	2.2

Five largest suppliers for the four months ended 30 September 2016

Name of supplier	Principal business	Year of commencement of business relationship with us	Principal products supplied to our Group	Approximate purchase amount for the period <i>(HK\$'000)</i>	Approximate percentage of our total purchase <i>(%)</i>
MHD	Beverage supplier	2013	Beverage products	3,289	51.5
Supplier A	Beverage supplier	2013	Beverage products	480	7.5
Supplier E	Food and beverage supplier	2015	Food ingredients and beverage products	264	4.1
Supplier G	Food supplier	2013	Food ingredients	150	2.3
Supplier H	Food supplier	2015	Food ingredients	148	2.3

None of our Directors, their respective close associates or any Shareholders (who or which to the knowledge of our Directors owns more than 5.0% of our issued share capital) had any interest in any of our five largest suppliers for the Track Record Period.

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Sponsorship income from suppliers

During the two years ended 31 May 2016 and the four months ended 30 September 2016, we generated sponsorship income from certain suppliers (the “**Relevant Suppliers**”), the amount of which was approximately HK\$0.9 million, HK\$1.7 million and HK\$1.1 million, respectively.

During the two years ended 31 May 2016 and the four months ended 30 September 2016, we received beverage products which were offered to us based on our purchase volume in an amount equivalent to approximately HK\$0.6 million, HK\$0.8 million and HK\$0.4 million from our suppliers, respectively, which were not treated as sponsorship income and were recorded on our stock record as normal stock for accounting purpose. During the Track Record Period, we received cash incentive based on our purchase volume from one supplier in an amount equivalent to approximately HK\$20,000, which was not treated as sponsorship income.

Our Directors confirm that, save as disclosed above, we did not receive any other income from any other supplier during the Track Record Period.

The following table sets out the total sponsorship income and total purchases attributable to the Relevant Suppliers for the periods indicated.

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
Sales to the Relevant Suppliers				
Revenue generated from sponsorship income	HK\$0.9 million	HK\$1.7 million	HK\$0.5 million	HK\$1.1 million
Percentage of our total revenue	1.3%	1.9%	2.1%	3.5%
Purchases from the Relevant Suppliers				
Total purchases	HK\$9.6 million	HK\$11.0 million	HK\$3.3 million	HK\$3.8 million
Percentage of our total purchases	74.7%	62.1%	63.6%	59.0%

During the Track Record Period, we did not incur any costs in relation to the sponsorship income generated which is incidental to the sponsorship arrangements we entered into with the Relevant Suppliers. Therefore, data as to gross profit is not applicable.

Our Directors confirm that the sponsorship income and purchases from the Relevant Suppliers were neither inter-connected nor inter-conditional with each other. Our Directors confirm that, during the Track Record Period, the products we purchased from these suppliers were not subsequently sold to these same suppliers.

Our Directors confirm that the sponsorship arrangements under which we generated our sponsorship income were conducted in the ordinary course of business under normal commercial terms and on arm’s length basis.

Our Directors confirm that all of our purchases from the Relevant Suppliers were (i) entered into after due consideration taking into account the prevailing purchase and selling prices at the relevant time; (ii) conducted in the ordinary course of business under normal commercial terms and on arm’s length basis; and (iii) at prices that are no less favourable than from other Independent Third Parties.

Our Directors consider that making purchases from the Relevant Suppliers is mutually beneficial to our Group and the Relevant Suppliers as our relationship could strengthen which gives us competitive edge in negotiating for more favourable commercial terms and we will promote the beverage products of the Relevant Suppliers to generate more sales, and such arrangement does not pose any material risk to our business and operations.

Our Directors confirm that, save as disclosed above, we did not enter into similar arrangement with any of our customers or suppliers during the Track Record Period.

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Relationship with MHD

Terms of contract

During the Track Record Period, our largest supplier was MHD. Salient terms of our purchasing and sponsorship agreement with MHD are as follows:

Term:	13 months
Product specification:	A list of MHD's products to be sold in our clubs, covering various Champagnes, wines and spirits.
Price:	Discounted wholesale price of beverage products is provided to us.
Promotion	Serving specified Champagne brands as the most preferred house pouring brand, promoting MHD's champagnes as most preferred champagne, listing and promoting specified Champagne brands, serving certain spirits brands as house pouring sprits, running specified Champagne packages during the entire contract period, listing certain specified spirits brands. MHD also supplements certain events with promotional materials.
Credit terms:	30 days from the date of monthly statements
Incentives:	Beverage products equivalent to certain value and cash incentives if our purchases of specified brands reach a specified volume.
Sponsorship income:	MHD offers us various sponsorships which are associated with specific brands, promotion events and some of which apply to a specific club. The sponsorships come in mainly two forms, either through direct cash sponsorship or beverage products equivalent to a certain value.
Restriction against display and use of competitive products:	While we have the right to sell competitive products outside of the contract's product list, our contracts with MHD includes certain terms restricting the display and use of competitive products, such as our clubs shall serve Moët & Chandon products as the most preferred house pouring Champagne brand.
Termination ^(Note) :	Either party has the right to terminate the agreement forthwith by written notice to the other party if the other party commits a material breach of the agreement. Either party has the right to terminate the agreement, upon written notice forthwith, if the other party is wound up, dissolved, becomes insolvent or goes into liquidation. MHD has the right to terminate the agreement forthwith by written notice to us if our clubs commits any act that is materially injurious to MHD's intellectual property or reputation.

Note: No fixed notice period for terminating the agreement is stated.

Our purchasing and sponsorship agreement with MHD does not impose supply or purchase obligations, nor specify any specific or minimum amount of products to be provided to us, nor impose obligations on us to purchase any minimum amount, nor subject us to fixed retail price, nor specify any suggested retail price.

Reasons for reliance

Our Directors are of the view that the reliance on MHD is mainly due to the following reasons:

Market domination by MHD, a sole distributor of certain premium Champagne brands

According to the F&S Report, MHD is one of the leading Champagne distributors in the industry and it is generally the supplier of the majority of market players. The top two best-selling Champagne brands in Hong Kong were Moët & Chandon and Veuve Clicquot which accounted for a total of 48.2% of the entire Hong Kong

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Champagne market in 2015. MHD distributes premium brands such as Moët & Chandon and Veuve Clicquot in Hong Kong as the sole distributor, which has exclusive right over such Champagne brands. We source Moët & Chandon and Veuve Clicquot from MHD.

Over the years our clubs, namely Volar and Fly, have consistently promoted Moët & Chandon and Veuve Clicquot, which are perceived as premium and some of the most recognised Champagne brands in the market. We believe that offering premium Champagne brands to our customers helps enhance our clubs' reputation and high-end image.

Our Directors believe, taking into account the nature of the alcoholic beverage distribution industry, such degree of reliance would not be uncommon.

Wholesale prices and sponsorship income

We believe the two largest benefits from our relationship with MHD would be namely (i) the discounted wholesale prices offered to us for each of their alcoholic beverages; and (ii) the sponsorship income we have generated from MHD as a result of promoting their alcoholic beverage products. It is stated in our contract that designated MHD's products should be the preferred alcoholic beverages in our club premises. As a result, in order to enjoy the MHD's wholesale prices and sponsorship income, we have adopted the strategy that we would primarily promote MHD's products in our clubs.

Strong relationship and stable supply

We have established a strong and well-established business relationship with MHD since our establishment which we believe would enable us to better understand the requirements of MHD and gives us a competitive advantage when we negotiate prices with MHD or require large quantities at a particular point in time. Our Directors confirm that we did not experience any material shortage or delay of supply of products from MHD during the Track Record Period.

We will continue to treat MHD as a preferred beverage supplier given its size, market reputation and the brands it carries. Our Directors also consider that it is commercially beneficial to our operations to build up close and long-term business relationship with our key suppliers.

Sustainability of our business in view of our reliance on MHD

Our Directors are of the view that the following factors should contribute to the sustainability of our business in view of the reliance on MHD:

Mutual benefits between our Group and MHD

As confirmed by MHD, we were one of its top five customers among its categorisation of "on premise" channel customers for the two years ended 31 May 2016. For MHD's classification of its customers in Hong Kong, see "— Competitive strengths — Established relationships with our major suppliers". Accordingly, our Directors are of the view that the business relationship with MHD would be beneficial to each other. Our success will increase MHD's product sales and thus has a positive impact to the result of operations and business performance of MHD. During the Track Record Period, we organised a total of 25 featured events sponsored by MHD, which we believe has demonstrated MHD's reliance on us to a certain extent as promoter of its brands. Hence, our Directors are of the view that the reliance is mutual which enables us to have a bargaining power to negotiate for renewal upon expiry of the contract.

Flexibility in sourcing other beverage products or Champagne brands

While there are contractual terms under our agreement with MHD which states that MHD's alcoholic beverage products will be promoted as "most preferred" and "house pouring brands" in our clubs, we are free to

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make purchases from other suppliers. Therefore, we maintain flexibility in supplier selection in case our relationship with MHD ceases. If we are no longer able to sell Moët & Chandon or other Champagne or alcoholic brands upon cessation of business relationship with MHD or MHD refuses to sell such brands to us for any reason, we believe that we could leverage on our reputation, resources, network, knowledge and experience in club operations and event organisation in sourcing and promoting other Champagne or alcoholic brands and switch our product offerings readily.

Measures to mitigate the reliance

- We have established business relationships with beverage products suppliers other than MHD and have made purchases of beverage products including Champagne brands from these suppliers. During the two years ended 31 May 2016 and the four months ended 30 September 2016, we purchased from 41, 52 and 43 suppliers for beverage products other than MHD, and the purchases from these suppliers accounted for approximately 26.0%, 31.4% and 31.3% of our total purchases, respectively.
- While we endeavour to maintain our relationship with MHD, we will continue to expand our beverage supplier network and consider to foster relationships with potential beverage suppliers with beverage brands that match our club concept and business needs. We believe our strong reputation in the industry enable us to attract beverage suppliers. We will monitor industry trends and participate in beverage exhibitions to source suitable beverage brands for our business.

Our Directors' view

Given that (i) we enjoy discounted wholesale prices and generate sponsorship income from MHD; (ii) we are free to purchase beverage products and other Champagne brands from other suppliers and distributors; (iii) MHD is one of the leading Champagne distributors in the industry and it is generally the supplier of the majority of market players; (iv) we have not experienced any material shortage or delay or quality issues in the supply from MHD during the Track Record Period; and (v) we have taken measures to mitigate the reliance as mentioned above, our Directors are of the view that we will be able to control the risk of reliance on MHD and capture growth opportunities in the markets by taking the measures described above. Accordingly, our Directors are of the view that our reliance on MHD would not impact our suitability for the Listing.

Selection criteria

We select our major suppliers based on a set of criteria which includes product and service quality, cost, reputation, service, agility, delivery efficiency, past performance and relationship with us. Such supplier selection criteria ensures that we can secure continual supply of ingredients of consistent quality, identify the source of supply promptly, maintain flexibility in stock levels. Generally, we would not procure from the suppliers unless they pass our selection criteria. We may request for samples before placing orders with suppliers.

Our Directors confirm that they do not foresee any material difficulties in finding substitute suppliers should the need arise.

Purchase orders

We do not have any long-term contract with our suppliers. We make purchases by one-off purchase orders which generally include terms such as name and type of products, quantity, price, payment terms and delivery date, which our Directors consider is in line with market practice. Our Directors also consider that it allows us the flexibility to negotiate the purchase price with our suppliers with reference to the prevailing market price.

Our Directors confirm that we had no kick back arrangement with any suppliers and, to the best of their knowledge, none of our Directors or our employees were involved in any bribery or kickback arrangement with our suppliers during the Track Record Period and up to the Latest Practicable Date.

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Our Directors confirm that there has been no material change in our procurement strategy and that we did not experience any material delay, shortage or interruption or quality issues or substantial difficulties in our procurement process and we did not have any material dispute with our major suppliers during the Track Record Period and up to the Latest Practicable Date. Our Directors also do not foresee any material difficulties to source the necessary materials we require for our operations in the future.

SALES AND MARKETING

Customers

Due to the nature of our business, our customers are mainly retail customers from the general public. As such, our Directors consider that it is not practicable to identify five largest customers or the largest customer for the Track Record Period and we did not rely on any single customer during the Track Record Period. Therefore, our largest customer and five largest customers accounted for less than 5.0% and 30% of our revenue for the Track Record Period. 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 customers. Our Directors confirm that we had no material dispute with our customers during the Track Record Period and up to the Latest Practicable Date.

Pricing

In deciding beverage price, we in general charge a premium on a cost-plus basis with reference to the procurement price, after considering factors such as types of beverage sold, the market trend, prices quoted by competitors and the spending power of target customers. Our suppliers in general do not impose any restriction as to our pricing of beverage products to our customers. We review our beverage menu from time to time.

In deciding price of food items offered at our restaurants, we take into account various factors, including the cost of food ingredients, target profit margin, other operating costs, such as rent or licence fee, labour costs and utility expenses, competitors' pricing, market trends and spending patterns of customers. For example, due to the general lower price level expected by food court customers as opposed to customers of standalone restaurants, we price our menu items at Tiger Curry Jr. generally lower to cater to food court customers.

In deciding entrance fee, we adjust the price with reference to factors such as seasonality, whether it is weekday or weekend or holiday, event promotional effort made and costs of engaging guest DJs and costs of operating featured events. We may waive the cover charge for our Members, customers who make a booking for a table and other valued customers. We may also offer group benefit to big groups of customers by waiving the cover charge for a few individuals. Generally, higher prices will be charged on Fridays, Saturdays, the day before a public holiday, during festival weeks in Hong Kong and during featured events, in particular when internationally renowned DJs perform in the event.

We charge a standard service fee of 10% on the bills across all our clubs and restaurants (except for takeaway orders and Tiger Curry Jr. which does not offer table service).

Seasonality

We experience seasonality in sales. For our clubbing operations, we generally experience a higher level of revenue from December to January. Our Directors consider that there are more holiday gatherings and celebration activities from November to January with more festival days such as Christmas and New Year's Eve in these periods. For our restaurant operations, we generally experience a higher level of revenue from December to January and July to August. Our Directors consider that we are able to capture more expenditure from students during their school holidays. For both our clubbing and restaurant operations, we generally experience a lower level of revenue in February. Our Directors consider that our target customers become less keen about night entertainment and dining out with friends after the holidays in December and January and the Chinese New Year, which usually falls in the month of February, is a busy travel period.

Marketing and promotion

Volar targets customers with strong spending power. Fly aims to appeal to the younger white collar professionals and university students and graduates. Our “Tiger” branded restaurants are aimed at mass market customers. We recognise the importance of brand recognition and awareness in respect of attracting potential customers to visit our clubs and restaurants, which we believe is one of the keys to success of our business. Our sales and marketing department, currently comprised three staff members, regularly reviews our marketing efforts and feedbacks and formulates strategies with a view to delivering a positive image of our brand while increasing the brand awareness. In addition, we utilise external resources and engage third-party public relations agencies to leverage the profile and image of Tiger Curry within the industry as well as establishing and implementing online and mobile promotion strategies.

We pursue the following marketing and promotion strategies for our clubs and restaurants:

Social media marketing and other online marketing

We have identified social media marketing as an integral part of our business as it can be used as our public relations and direct marketing tools and also communication channels. By joining social media sites such as Facebook, we are able to establish our desired social media culture to deliver our brand and message across, promote our products and events more effectively, interact with customers and build relationships and communities online and monitor market trends by reviewing the links or sites “followed”, “shared” or “liked” by our target customers. Our marketing staff actively manage, monitor and engage in our social media platforms by (i) proactive posting of new content and conversations, as well as the sharing of content and information from others; and (ii) conducting reactive conversations with social media users responding to those who reach out to our social media profiles through commenting or messaging. As at Latest Practicable Date, we had more than 27,000 subscribers to our Facebook accounts. The large pool of subscribers and audience represents a strong base of potential customers to our club and recognition of our reputation and publicity towards potential customers. We are also frequently covered by online food and beverage related magazines, blogs, content communities and forums where individuals share their reviews and recommendations of our and our competitors’ brands, products, and services. These are also useful sources of market information for us to analyse customer behaviour.

Advertisements and collaboration with a sector

We place advertisements on magazines selectively and develop advertisements to appeal to a specific readership. We may also target a specific sector for the potential reach to our target customers. For instance, we collaborate with hotels and credit card companies in Hong Kong and offer special discount or complimentary drinks to their patrons.

Special menus

We offer special food and beverage menus during festivals and based on seasonal changes. These menus may carry new food and beverage items or may be offered at a discounted rate, which are aimed to draw more customer traffic.

In addition, we adopt the following marketing and promotion strategies for our clubs:

Hosting of featured events

We consider our featured events an effective way to promote our brand image and awareness, particularly when internationally renowned DJs are engaged to headline major clubbing nights. For details, see “— Our clubs — Our key offerings — Featured events”.

Other in-club events for trendy and internationally renowned brands

During the Track Record Period, we held in-club events for customers such as a bulge bracket investment bank and a global premium fashion brand.

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Prepaid beverage package

We sell prepaid beverage packages for our two clubs. These packages aim to increase the number of repeat customers and also introduce us to new customers and in turn to boost beverage sales. For more details, see “— Our clubs — Our key offerings — Prepaid beverage packages”.

CASH MANAGEMENT AND SETTLEMENT

We require our customers to pay for merchandise at the time of purchase and we do not grant any credit terms to our customers. All payments to us are non-refundable. We only accept HKD. Our restaurant customers generally settle their bills by cash or credit cards/debit cards and our club customers generally settle their bills by credit cards. The table below sets forth the settlement method for the periods indicated.

	Year ended 31 May				Four months ended 30 September	
	2015		2016		2016	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Credit card ⁽¹⁾	48,555	73.5	56,134	64.3	18,868	61.7
Cash	16,569	25.1	24,298	27.8	9,068	29.6
Others ⁽²⁾	968	1.4	6,866	7.9	2,656	8.7
Total	66,092	100.0	87,298	100.0	30,592	100

Notes:

1. Includes debit cards.
2. Includes bank remittances, Octopus cards and cheques.

Credit cards

We accept credit cards from most major credit card issuers for settlements of bills. We normally receive remittances from the relevant credit card issuers, net of service charges, within seven days after the credit card transaction is approved. During the Track Record Period, service charge imposed by the credit card issuers generally ranged from approximately 1.3% to 3.0%. To ensure that no stolen credit cards are used in the payment, we train our staff to take precautionary measures, such as ensuring that the signature of the signing party matches with the signature at the back of the credit card. During the Track Record Period, we had not experienced any material fraudulent use by customers of stolen credit cards.

Cash

We handle cash on a daily basis. To prevent misappropriation and illegal uses of cash, we have adopted the following cash management and settlement procedures at our clubs and standalone restaurants:

- for our club operation, we generally deposit cash received into our bank account on the next day daily basis from business on Tuesday and Thursday. For Volar, we engage a third-party security company who collects and deposits cash every Sunday for cash inflow from business on Friday, Saturday and days with featured events for us. The security company conducts cash count upon receipt and reports to us after delivery;
- we have installed a computerised POS system for each of our club and restaurant operations to record the ordering and invoicing at and provides training on our staff on the user manual which illustrates in detail procedures with respect to collection of payment;
- we have implemented cash handling and management procedures. There is a clear segregation of duties between frontline service staff (who are not allowed to use the cash registers), cashier

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operators (who must keep all cash receipts and input sales data and records accurately) and managers (who are in generally responsible for the overall cash management procedures and be responsible for investigating any discrepancy in reconciliation), and this will also establish accountability. We require our staff to conduct reconciliation of cash receipts and cash sales records against cash physically kept at cash register at our outlets on a daily basis. Any discrepancies will be reported to our finance and administration department. We require our accounts staff to keep all records of our sales. We keep our cash, whether for general daily operations or pending delivery to banks, in a locked safe in our outlets; and

- we have installed CCTVs in each of our clubs and standalone restaurants to monitor cash handling.

For Tiger Curry Jr., which is a food court restaurant, our customers settle directly with the food court in the shopping mall and we do not receive any cash. The food court will settle the outstanding amount by bank remittance every month.

To prevent fraud, theft, bribery or other misconduct involving our employees, we state in our staff handbook that no staff is allowed to receive illegitimate rebates from suppliers or accept gifts from customers or suppliers without management's approval.

Our Directors confirm that we did not experience any cash misappropriation or embezzlement by its employees, customers or other relevant third parties that had a material adverse impact on our business and results of operations during the Track Record Period and up to the Latest Practicable Date.

OPERATIONAL MANAGEMENT

Headquarters management

Our headquarters is responsible for our overall business operations including business strategies and development, financial management, staffing, leasing management, sales and marketing, licensing and compliance.

Club management

Each club is managed by a club manager who is responsible for the day-to-day operations of the club, staffing matters, inventory ordering and control, quality control, safety, clubbing environment, lighting and music equipment and customer service and customer complaint handling. Our club managers report to our headquarters directly.

Restaurant management

Each restaurant is managed by (i) a restaurant manager who is responsible for the day-to-day operations of the restaurant, staffing matters, inventory ordering and control, quality control, dining environment and customer service and customer complaint handling; and (ii) head of the food preparation team who is responsible for food preparation, storage and food safety matters. Our restaurant managers report to our headquarters directly.

Finance and administration

Our finance and administration department oversees finance and accounting, general administration, employee recruitment, training and procurement. For details, see “— Employees” and “— Procurement”.

Sales and marketing

Our sales and marketing department formulates and implements our marketing strategies. For details, see “— Sales and marketing — Marketing and promotion”.

QUALITY CONTROL

Safe and hygienic environment for staff and customers

We have engaged a third-party security company for our clubs which will provide a team of 25 security staff, working under the supervision of our club managers. The roles of the security team cover performing patrolling, attending the scene and liaising with customers to stop any potential fights in case of arguments or any fights or other suspicious circumstances, and reporting fights, drug use, theft and harassments to the police when necessary. We have established safety and anti-crime manual, which is implemented strictly by the security team. Our club managers are responsible coordinating with our security team.

We implement headcounts and identity checking procedures at the entrance of the premises of our clubs to monitor the number of guests inside the premises and whether the customers are above 18 years old when entering into our clubs.

In order to spot potential illegal activities such as fights, drug abuse or theft at an early stage, over 20 CCTVs are installed inside our club premises. Our security team will attend the scene investigate immediately if any suspicious circumstance arises or stop any potential fight inside the premises once identified.

For the two years ended 31 May 2016 and the four months ended 30 September 2016, 14, 38 and eight checks were conducted by the Hong Kong Police Force, respectively. No material non-compliance incident was identified during such visits. Our Directors consider that routine checks on clubs in Hong Kong by the police are commonplace. The liquor licence holder of Volar was found to have contravened a condition of the liquor licence by exceeding the allowed number of persons on the premises on 28 June 2015 and 2 August 2015 and was fined for HK\$8,000 for each contravention. The fines were duly paid. Save as the aforesaid, during the Track Record Period and up to the Latest Practicable Date, no illegal activities were spotted by the Hong Kong Police Force and the Fire Service Department during their inspections or reported by our clubs' staff on the spot.

We have engaged a third-party cleaning and pest control company to perform cleaning in each of our outlets on a daily basis. Our club and restaurant managers monitor the premises before commencement of operations on a daily basis and provide immediate feedback to our administration staff during operations.

Service quality and customers' complaints handling procedures

We provide training and guidelines to its staff on service-related areas such as beverage and food handling and personal hygiene to enhance the quality of services provided to the customers. All front-line service staff are trained to be courteous, competent and responsive and to provide cordial hospitality to customers. Our club and restaurant staff are required to be professionally uniformed during all working hours. Our club and restaurant managers hold daily briefing sessions with all front-line service staffs on the daily operations of clubs and restaurants. In these briefing sessions, the managers would review staff performance and reflect the customers' feedbacks. Such daily performance reviews assist the front-line service staff in maintaining and improving service levels. We strive to promote customer satisfaction through responding to their comments and feedbacks. Our front-line service staff are required to treat customer requests, enquiries or complaints promptly and seriously. In case of any customer complaint in relation to beverage or food or quality of services, the relevant club or restaurant managers would take initiatives to investigate and resolve the matter and attend to the customers promptly.

If any staff receives a complaint from a customer, he shall report to his supervisor, usually the restaurant or club manager, who would review and understand the matter with the relevant customer and offer remedial proposals to the customer. If the complaint cannot be resolved on site or if a complaint has been received through emails, the club or restaurant managers will investigate the incident and file a report to the management with solutions to improve or avoid similar incidents in the future. An explanation will be sent to the relevant customer to ensure the matter would be resolved and to maintain good customer relationship. Our management will review the complaints and arrange necessary training to our staff to consistently improve the operation of our clubs and restaurants.

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Our Directors confirm that we are not aware of material complaints from customers or any investigation by any government authorities in relation to any complaint that could have a material adverse impact on our business, results of operation and financial position during the Track Record Period and up to the Latest Practicable Date.

Quality control in procurement of beverage products

To ensure our beverage product quality, our raw material procurement policy is to select only those suppliers who have passed selection procedures. This would include conducting background checks and enquiries on the potential supplier. We will also inspect incoming beverage products by each lot, and make sure the description matches our order. If the product does not match our original order, we will return it to the supplier for replacement.

Quality control in procurement and preparation of food

Source of food ingredients and beverage

Our procurement staff is responsible for monitoring the source of food ingredients and beverage. We select food ingredients and beverage carefully. For food ingredients, we consider their origin, nutritional value, freshness, chemical content and consumption safety. Our restaurants' signature curry sauce is selected for its taste and recipe. For beverage, we consider their origin, freshness and consumption safety. Our best-selling Champagne brand, Met & Chandon, is selected for its taste consistency, among others.

Inspection procedures

Upon delivery of the items to the clubs and restaurants, our kitchen staff weighs the incoming food ingredients with an electronic scale, checks the time of delivery, checks the type, quantity and quality of deliveries against the delivery notes and our orders before acceptance. We also inspect the best-by date and condition of the food ingredients, and if they fall below our quality control standards we would return them to our suppliers for replacement.

Preparation procedures

In addition to using fresh and quality ingredients, cooking techniques are just as important to us. Each technique for each dish is chosen carefully. In order to highlight qualities of food ingredients on top of flavour, aroma, colour and texture, we keep abreast of cooking methods and recipes and serve our dishes at the most desired time and temperature. Our food preparation team handles and prepares food dishes in accordance with established standards, including conforming to the specifications reflected in photographs of menu items, maintaining the desirable characteristics of a given standard, preparing consistent and appropriate serving sizes and developing cooking methods to reduce food waste.

Storage procedures

All food ingredients once delivered to the restaurants are stored in respective designated areas in the kitchen and refrigerating facilities as some of them are perishable in nature. To avoid contamination, all food ingredients are required to be kept in areas with appropriate temperature and humidity, depending on their nature.

INFORMATION TECHNOLOGY

To assist our Directors and senior management to fully understand and analyse our performance, we have installed POS systems at all of our clubs and standalone restaurants that captures extensive consumer spending data, including time and date of meal, location of guest's seat, quantities of each menu item sold, drinks consumption, individual order breakdown, types of payment and maintain a membership database at our clubs that records the origination, utilisation, expiration and change of prepaid amount. The information collected through the POS systems and membership database are accessible and can be analysed by our Directors and senior management to allow them to make adjustments to, among other things, menu items and pricing.

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EMPLOYEES

Number of staff

During the two years ended 31 May 2016 and the four months ended 30 September 2016, we had a total of 36, 52 and 61 full-time employees, respectively. As at the Latest Practicable Date, we had a total staff size of 104. The following table below sets forth a breakdown of our staff by function as at the Latest Practicable Date.

<u>Function</u>	<u>Number of employees</u>
Club operations	46
Restaurant operations	48
Finance and administration	7
Sales and marketing	3
Total	104

Training and recruitment policies

We provide training regularly to our staff to enhance their knowledge, skill level and quality. For our bartenders and cooks, we encourage them to take courses to further enhance their technical skills. Our senior management also gives regular training to our staff in relation to customer service skills.

With regard to our recruitment policy, we believe we offer competitive salaries and benefits and can attract the best available employees. We also believe the commission scheme for our prepaid beverage packages is attractive to prospective jobseekers.

Labour unions and any labour disputes

We have no workers' union. Our Directors confirm that we did not experienced any significant difficulty in recruiting employees nor have we had any significant staff compensation or labour disputes during the Track Record Period. We consider we have maintained satisfactory relations with our employees.

Staff remuneration and benefits

We will review the performance of our staff periodically and consider the results of such review for staff's annual salary review and promotion appraisal. We seek to motivate our store staff by performance-based bonus in addition to their basic salary and sales commission.

In Hong Kong, we have participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). All requisite contributions had been paid by us in accordance with the aforesaid law as at the Latest Practicable Date.

Health and work safety

We follow safety manuals issued by the Occupational Safety of Health Council which set out work safety measures to prevent common accidents which could happen in our clubs and restaurants. We actively promote occupational health and safety measures and to ensure compliance with the applicable laws and regulations.

Our Directors confirm that there were no material accidents, health injuries or any non-compliance incidents with the relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

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KEY RECOGNITIONS

Set forth below is a summary of our key awards/recognitions.

<u>Award/recognition</u>	<u>Awarding body</u>	<u>Year of award or recognition</u>
Asia's Best Club — Volar	The Asian Club & Bar Association	2016
The Country's Best Club — Volar	The Asian Club & Bar Association	2016
10 Best Dance Clubs in Hong Kong — Volar	USA Today	2016
10 Best Nightclubs in Hong Kong 2016 — Volar and Fly (ranked first and seventh, respectively)	Hotels.com	2016
Quality Bar Label Award — Volar and Fly	Hong Kong Bar & Club Association	2016

MARKET COMPETITION

There were a total of 47 clubs in Hong Kong in 2015, with 21 located in the Central, according to the F&S Report. According to the F&S Report, although a high percentage of the clubs are geographically concentrated in Central, the clubbing market in Hong Kong is fragmented with a number of smaller clubs present. Primarily, the premium clubs are located in prime districts in Hong Kong such as Lan Kwai Fong in Central. The market is now well-established and the players in the market are eager to sustain their market share and to eliminate weaker and poor performing players.

As at 31 December 2015, there were approximately 5,500 and 4,000 casual dining and quick service restaurants, respectively, according to the F&S Report. Majority of restaurants are set up by individual operators while some catering service group are operating chains and different brands of restaurants, especially in quick service and casual dining sectors.

Our competitive strengths are primarily our (i) leading position with strong brand recognition; (ii) established relationship with our major suppliers and (iii) experienced management team with industry knowledge. We intend to maintain our competitiveness over other competitors through strengthening and developing our competitive strengths. For details of our competitive strengths, see “— Competitive strengths”.

We believe the entry barriers to the clubbing and restaurant markets are high, particularly (i) the high initial capital requirements and operating costs; and (ii) the stringent licensing system. For further details on the competitive landscape and market entry barriers of the industry in which we operate in, see “Industry Overview”.

ENVIRONMENTAL MATTERS

We are subject to environmental protection laws and regulations promulgated by the HK Government. We devote operating and financial resources to environmental compliance as required by Hong Kong laws and regulations in the future. During the Track Record Period, we complied with all applicable laws and regulations relating to the environment in material respects, in particular the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) and Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong).

During the Track Record Period, we recorded insignificant amounts of expenses in order to comply with applicable rules and regulations for environmental matters, including applying for water pollution control licences. For the two years ended 31 May 2016 and the four months ended 30 September 2016, the cost of compliance with such rules and regulations was approximately HK\$1,000, HK\$4,000 and nil, respectively.

INSURANCE

We maintain (i) public liability insurance for claims of illness, injuries, death or losses or damages to personal property of customers; (ii) property all risks insurance for business furniture, fixtures, utensils and

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fittings and landlord's improvement and stock and loss and damages attributable to fire and fire extinguishing activities; (iii) business interruption insurance; (iv) money all risks insurance for loss of money kept in locked safe, drawer or cash register at business premises and for loss of money in transit; (v) office insurance for office equipment, furnitures and all trade contents; and (vi) insurance for employees' compensation for injuries, illness or death in the course of the employment. We do not maintain insurance policies against all risks associated with our business. For the associate risks, see "Risk Factors — Risks relating to our business — Our insurance policies may not provide adequate coverage for all claims associated with our business operations."

Our Directors are of the view that our insurance coverage is adequate and customary for business of our size and type and in line with the standard industry practice in Hong Kong.

PROPERTIES

We currently do not own any property. As at the Latest Practicable Date, we entered into tenancy or licence agreements for a total of seven properties in Hong Kong. We consider the leasing and licensing arrangement advantageous to our overall business plan as it helps us reduce our initial capital outlay and allows us to concentrate our capital resources on renovation and improvement of our clubs and restaurants. For the two years ended 31 May 2016 and the four months ended 30 September 2016, our property rentals and related expenses accounted for approximately 23.8%, 23.5% and 25.3% of our total revenue, respectively.

Our Directors and senior management are responsible for negotiating with the landlords/licensor in relation to the renewal of the existing tenancy or licence agreements before their respective expiry dates. When renewing the existing tenancy or licence agreements, we consider various factors, including the customer flow, the revenue performance of the clubs and restaurants and the amount of increase in rent or licence fee. As at the Latest Practicable Date, we intended to renew all the existing tenancy or licence agreements upon expiry. Our Directors confirm that they did not receive any indication from the landlords/licensors that any of the tenancy or licence agreements may not be renewed upon expiry as at the Latest Practicable Date.

The table below sets forth a summary of the properties leased or licensed by us as at the Latest Practicable Date. Save as otherwise disclosed below, all our landlords/licensors are Independent Third Parties.

Tenancy agreements

Address as shown in the tenancy agreement	Our use of property	Tenant	Term	Rental type
Portion of 24/F of Wyndham Place, No. 44 Wyndham Street, Hong Kong	Head office	Buzz Concepts Management	Two years commencing on 28 April 2016 and expiring on 27 April 2018	Basic rent
Shops A, B & C on G/F and Shops A, B & C on Cockloft of No. 14 Pennington Street, Causeway Bay, Hong Kong ^(Note 1)	Tiger Curry and its storage space	City Silver	Three years commencing on 1 February 2017 and expiring on 31 January 2020	Basic rent
Shop 2602, Level 2, Gateway Arcade, Harbour City, Hong Kong	Tiger Curry & Cafe	Crown Grand	Three years commencing on 25 May 2015 and expiring on 24 May 2018	An aggregate of basic rent and turnover rent
Ground Floor of Shun Ho Tower, Nos. 24-30 Ice House Street, Central, Hong Kong	Fly	Grand Diamond	Three years commencing on 1 March 2015 and expiring on 28 February 2018 (with an option to renew for three years)	Basic rent

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Address as shown in the tenancy agreement	Our use of property	Tenant	Term	Rental type
Basement, Ho Lee Commercial Building, No. 38-44 D' Aguilar Street, Central, Hong Kong together with the flat roof on 4 th Floor adjoining lavatories thereto	Volar	Group Best (HK)	Three years commencing on 1 April 2016 and expiring on 31 March 2019 (with an option to renew for two years) ^(Note 2)	Basic rent

Notes:

- The landlords are connected persons of our Company. For details, see “Connected Transactions — Non-exempt continuing connected transactions — Leasing of properties to our Group”.
- We may not be able to renew the lease on terms commercially acceptable to us given the continuing rising rents in the past 11 years in respect of the premises where Volar has been operating. The rentals during the period from August 2004 to August 2008 were lower, which we believe were due to the effect of SARS in 2003 which generally caused difficulties for landlords in entering into or renewing leases in the property market in Hong Kong. During the period from August 2008 to August 2011, the rental was significantly higher, with an increase of approximately 326.9%, as the lease agreement was entered into during a period of active economic activities and before the financial crisis in October 2008. During the period from August 2011 to March 2013, the rental remained at a similar level, with an increase of approximately 34.2%, which we believed reflected the picking up of the economy and the then market rate. During the period from April 2013 to March 2016, the rental remained at a similar level, with an increase of approximately 20.4%, which we believed reflected the then market rate. The rental for the period from April 2016 to March 2019 remains unchanged. For the associated risk, see “Risk Factors — Risks relating to our business — We lease or license all the properties on which our outlets operate. Any failure to secure renewal of leases or licences on commercially acceptable terms or at all could adversely affect our growth prospects and business condition. We are also exposed to the commercial real estate rental market, including unpredictable and potentially high rental costs and competition for prime locations.”

Licence agreement

Address as shown in the licence agreement	Our use of property	Licensee	Term	Licence fee type
Portion of Counter B2, Shop B110, Basement 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong	Tiger Curry Jr.	Joint Ace	Approximately two years commencing on 20 May 2015 and expiring on 30 April 2017 (with an option to renew for one further year) ^(Note)	Licence fee or sales turnover, whichever is greater

Note: We have an option to extend one more year subject to the terms agreed by both parties. Based on the existing circumstances as at the Latest Practicable Date, we will exercise the option to renew the current licence upon expiry.

In addition, we executed a letter of offer to lease on 6 September 2016 with the proposed landlord confirming the major terms for the lease of a property in Tsing Yi for opening a standalone restaurant in 2017. Under such letter, the lettable area is approximately 1,070 sq.ft. and the leased term is three years commencing tentatively in June 2017 with an option to renew for another two years and the monthly rent is an aggregate of basic rent and turnover rent. We have utilised a portion of the proceeds from the Pre-IPO Investment for the payment of three months’ deposit under such letter.

LICENCES AND PERMITS

Our Hong Kong legal advisers have advised that we had obtained all requisite licences, approvals and permits from the relevant government authorities that are material for our business operations and such licences, approvals and permits remain valid as at the Latest Practicable Date.

Details of the licences we currently hold⁽¹⁾ are as follows:

Name of the outlet	General restaurant licence			Light refreshment restaurant licence			Liquor licence			Water pollution control licence		
	Holder	Licence number	Validity period	Holder	Licence number	Validity period	Holder ⁽⁴⁾	Licence number	Validity period	Holder	Licence number	Validity period
Volar	N/A	N/A	N/A	Group Best (HK)	3118800027	3 June 2016 to 2 June 2017	Mr. Gurung, Bhojendra (general manager)	5213004410	23 July 2016 to 22 April 2017 ⁽²⁾	Group Best (HK)	WT00023701-2016	1 March 2016 to 31 March 2021
Fly	N/A	N/A	N/A	Grand Diamond	3118802759	3 February 2017 to 2 February 2018	Ms. Rai, Sarita (assistant manager)	5218803201	11 February 2017 to 10 February 2019	Grand Diamond	WT00024519-2016	18 May 2016 to 31 May 2021
Tiger Curry	City Silver	2212810408	17 November 2016 to 16 November 2017	N/A	N/A	N/A	Ms. Tsui Fung-han (assistant restaurant manager)	5212826334	1 April 2016 to 31 March 2017 ⁽³⁾	City Silver	WT00021013-2015	19 March 2015 to 31 March 2020
Tiger Curry & Cafe	Crown Grand	2261812916	19 January 2017 to 18 January 2018	N/A	N/A	N/A	Ms. Ng, Suk Yee (assistant restaurant manager)	5261828727	18 August 2016 to 17 August 2017	Crown Grand	WT00024024-2016	7 April 2016 to 30 April 2021

Notes:

- As at the Latest Practicable Date, we licensed the premises on which Tiger Curry Jr. operated, and the licensor was the holder of the relevant food factory licence (valid from 22 April 2016 to 21 April 2017).
 - We submitted an application for renewal of the licence in December 2016. As at the Latest Practicable Date, the liquor licensing board had agreed to issue a renewed licence from 23 April 2017 to 22 January 2018.
 - As at the Latest Practicable Date, we had obtained a renewed licence for the period from 1 April 2017 to 31 March 2019.
 - We did not assign members of senior management to hold the liquor licence for Fly, Tiger Curry and Tiger Curry & Cafe as (i) in respect of Fly, the current liquor licence holder had joined us before our current general manager of Fly did and has been such holder since our acquisition of Fly; (ii) in respect of Tiger Curry and Tiger Curry & Cafe, our Directors consider that it is more appropriate to arrange for the current holders to hold our liquor licence as they are involved in the day to day operations of the relevant restaurant despite none of them belongs to our senior management.
- During the Track Record Period and up to the Latest Practicable Date, there was no change in the liquor licence holder in respect of Volar and Fly. In November 2014, the liquor licence holder in respect of Tiger Curry changed from the former holder to the then area manager, changed again in August 2016 to the under chef due to the resignation of the said area manager, and changed again in November 2016 to the current holder due to our Directors' consideration that it is more appropriate to arrange for the current holder to hold our liquor licence as she is involved in the day to day operations of Tiger Curry. Regarding the change of liquor licence holder from the then area manager to the under chef, an application for such change was lodged in May 2016 prior to the resignation of the then area manager in June 2016. However, our application was not approved until August 2016. Our Directors confirm that the then area manager did not revoke the liquor licence after his resignation. In January 2016, the liquor licence holder in respect of Tiger Curry & Cafe changed from the former holder to the then operation manager and changed again in August 2016 to the current holder due to resignation of the said operation manager as our employee.
- The liquor licence holder of Volar was found to have contravened a condition of the liquor licence when the number of persons allowed on the premises was exceeded on 28 June 2015 and 2 August 2015 and was fined for HK\$8,000 for each contravention. The fines were duly paid. Our Directors confirm that none of our liquor licence holders for the Track Record Period committed any material non-compliance in relation to our liquor licences. Our Directors confirm that none of our liquor licence holders was suspended or materially penalised during the Track Record Period.

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In addition, the following table sets forth licences in relation to the usage of music at our clubs and restaurants that are material to our operations:

	Public performance licence of sound recordings, music videos and/or karaoke videos from HKRIA			Phonographic performance licence from PPSEAL			Copyright music performance Licence-contract from CASH		
	Holder	Licence number	Validity period	Holder	Licence number	Validity period	Holder	Licence number	Validity period
Volar	Group Best (HK)	40691-ADIS-001-0638	1 February 2017 to 31 January 2018	Group Best (HK)	L864247 ⁽¹⁾	20 December 2016 to 19 December 2017	Group Best (HK)	R36560	1 January 2017 to 31 December 2017
						Group Best (HK)			L864248 ⁽¹⁾
Fly	Grand Diamond	40692-ADIS-001-1244	1 February 2017 to 31 January 2018	Grand Diamond	L864246 ⁽²⁾	1 November 2016 to 31 October 2017	Grand Diamond	R52192	1 September 2016 to 31 August 2017
						Grand Diamond			L864245 ⁽²⁾
Tiger Curry	City Silver	40650-RET-005-3624	1 December 2016 to 30 November 2017	City Silver	L863046	30 June 2016 to 29 June 2017	City Silver	R60381	1 September 2016 to 31 August 2017
Tiger Curry & Cafe	Crown Grand	40651-RET-005-3634	1 December 2016 to 30 November 2017	Crown Grand	L863123	1 August 2016 to 31 July 2017	Crown Grand	R60382	1 September 2016 to 31 August 2017

Notes:

1. The two licences are for the use of sound recordings as background music in bars and lounges type of premises, and for the discotheques type of premises of which the maximum capacity is over 200 persons, respectively.
2. The two licences are for the use of sound recordings as background music in bars and lounges type of premises, and for the discotheques type of premises of which the maximum capacity is from 51 to 100 persons, respectively.

We currently do not hold any music related licence in respect of Tiger Curry Jr.. As at the Latest Practicable Date, we did not receive any notice from HKRIA, PPSEAL or CASH in respect of broadcasting unlicensed music at any of our outlets.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we have six registered trademarks in Hong Kong and four registered trademarks in Macau and 11 domain names, which are material to our business. For details of our intellectual property rights, see “Further information about the business of our Group — 10. Intellectual property rights of our Group” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by any third party; or (ii) by any third party of any intellectual property rights owned by our Group. Our Directors confirm that as at the Latest Practicable Date, we were not aware of any pending or threatened claims against any member of our Group relating to the infringement of any intellectual property rights owned by third parties.

LITIGATION AND COMPLIANCE

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim 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 us, that would have a material adverse effect on our results of operations or financial condition. Our Directors confirm that we had not been involved in any non-compliance incidents which had or may have a material adverse effect on our results of operations or financial condition during the Track Record Period and up to the Latest Practicable Date, save for the incidents set out below.

No.	Particulars of non-compliance	Reasons for non-compliance	Legal consequences and potential maximum penalties	Remedial actions and status	Any operational and/or financial impact on our Group	Enhanced internal control measures to prevent re-occurrence of non-compliance
1.	City Silver continued to operate Tiger Curry without obtaining the full general restaurant licence for the period from 14 October 2014 to 16 November 2014 in breach of section 31 of the Food Business Regulation (Chapter 132X of the Laws of Hong Kong) (the "FBR") when the provisional restaurant licence had expired on 13 October 2014.	The non-compliance was attributed to the inadequate knowledge and impression of the responsible staff at the restaurant, who believed that the grant of the full general restaurant licence was affected by only a small number of outstanding immaterial matters (including the completion of the inspection of certain documentation by the relevant authorities which was considered as the main reason causing the delay), and that most of the other relevant requirements had been satisfied when the provisional restaurant licence was first granted and as such the full general restaurant licence would soon be granted.	According to section 35 of the FBR, the maximum penalty for failing to obtain a general restaurant licence under section 31 of the FBR is a fine of HK\$50,000 and HK\$900 for each day of default and an imprisonment for six months.	The full general restaurant licence of Tiger Curry was successfully granted with effect from 17 November 2014 (about one month after the expiry date).	Mr. Leung, Richard W.K., a barrister-at-law in Hong Kong ("Counsel"), having considered the relevant circumstances including (i) the period involved is very short, in terms of only about one month and (ii) City Silver has no previous record of conviction, is of the view that such non-compliance is not that serious and a small fine would be appropriate, and if there is prosecution against a Director it is unlikely that a custodial sentence would be imposed. There is no mention of civil liability under the FBR in respect of such non-compliance.	Since June 2016, our Group has designated Ms. Lau Sze Yuen ^(note) , our compliance officer, to monitor the application and/or renewal process of all requisite licences, including without limitation the general restaurant licences, for our operations by overseeing the pending expiry dates and coordinating the timely preparation and submission of renewal applications of all such licences.
					From the operational perspective, Counsel is of the view that such non-compliance would not impact on the relevant current licence.	In August 2016, we also notified the relevant senior management and staff who are responsible for licensing that the restaurants and clubs operated by our Group must not operate its business without valid licences.
					No provision has been made in the audited accounts of our Group in respect of its	After Listing, Ms. Lau Sze Yuen will check the expiry date of our licences monthly and our Group will also engage additional external licensing consultants to

No.	Particulars of non-compliance	Reasons for non-compliance	Legal consequences and potential maximum penalties	Remedial actions and status	Any operational and/or financial impact on our Group	Enhanced internal control measures to prevent re-occurrence of non-compliance
(c)	from 1 July 2013 to 29 February 2016 for Volar; and	WPCO, and under the impression that the external licensing consultant engaged by our Group would ensure that all relevant licences were obtained. By a letter dated 28 November 2014, the Environmental Protection Department (the "EPD") required City Silver to apply for the water pollution control licence and provide detailed supporting information including recent water bills and layout and drainage plans. After gathering such supporting information, the application was made on 23 December 2014.	poisonous or noxious matter into a communal sewer or communal drain, the maximum penalty as stipulated in section 11 of the WPCO is (i) for a first offence, a fine of HK\$400,000 and imprisonment for 1 year; and (ii) for a second or subsequent offence, a fine of HK\$1,000,000 and imprisonment for 2 years, and in addition, if the offence is a continuing offence, a fine of HK\$40,000 for each day of default.	(c) for Volar: applied on 10 November 2015 and successfully granted on 1 March 2016; and	impact on the relevant current licences.	professional advice on the regulatory requirements relating to the opening of new restaurants to ensure its compliance with relevant statutory requirements in the future.
(d)	from 1 November 2015 to 17 May 2016 for Fly.			(d) for Fly: applied on 10 November 2015 and successfully granted on 18 May 2016.	No provision has been made in the audited accounts of our Group in respect of its liabilities, if any, arising from its failure to obtain all requisite licences as, according to the advice of Counsel, the breaches are minor in terms of gravity such as failing to get a licence in time for a short period of time and a valid licence has been obtained afterwards. Our Directors, having considered the opinion of Counsel, are of the view that such non-compliances would not have any material financial impact on our Group.	
		For the non-compliances of (c)(iii) and (iv), specifically, the directors of Group Best (HK) and Grand Diamond were less alert to the relevance of the water pollution control licence since the relevant premises were clubs but not restaurants, and hence the volume of water discharge was much less.				

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No.	Particulars of non-compliance	Reasons for non-compliance	Legal consequences and potential maximum penalties	Remedial actions and status	Any operational and/or financial impact on our Group	Enhanced internal control measures to prevent re-occurrence of non-compliance
3.	<p>Our Group failed to file Form IR56E (notification by an employer of an employee who commences to be employed) for a total of 394 employees with the Inland Revenue Department (“the IRD”) in time since the commencement of business of our operating subsidiaries until 11 August 2016 contravening sections 52(4) and (5) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “IRO”).</p>	<p>The defaults were attributable to the inadvertent oversight of the responsible administrative staff at the relevant time, while other relevant employment filings in relation to the employment affairs of our operating subsidiaries such as Forms BIR56A and IR56B (employer’s return of remuneration and pensions and list of employees) have been duly submitted.</p>	<p>According to section 80(1)(c) of the IRO, the maximum penalty for failing to comply with the requirements of sections 52(4) and (5) of the IRO is a fine of HK\$10,000 for each offence.</p> <p>There is no provision to impose custodial sentence for offences under section 80(1)(c) of the IRO.</p>	<p>Forms IR56E have been submitted for all current employees (full-time and part-time) of our Group as of the Latest Practicable Date.</p>	<p>As advised by Counsel, concerning the possible criminal liability of the Directors and/or officers, it is not the usual or invariable practices of the IRD to proceed with prosecution against the Director and/or officer of our Group who is found to be in breach in complying with the relevant provisions of the IRO especially where (i) our Group is still in existence and can pay the penalties involved and (ii) our Group is cooperative.</p> <p>According to Counsel, even if prosecutions were being laid against the concerned subsidiaries, the actual fines would be much lower than the maximum fine stipulated. In Counsel’s experience, the IRD does not often proceed with criminal prosecution automatically.</p> <p>Our Directors, having considered the opinion of Counsel, are of the view that such non-compliances would not have any material financial impact on our Group.</p>	<p>A new internal control practice has been implemented on 1 August 2016 requiring Forms IR56E be submitted timely for all new employees of our Group.</p> <p>Since June 2016, our Group has designated Ms. Lau Sze Yuen^(Note), our compliance officer, to monitor our compliance in this regard. She will keep records of the commencement and other information of employment of all our employees and ensure that all related notices will be filed to the IRD when appropriate. She will also check and review the records monthly to ensure no material misconduct will occur.</p>

No.	Particulars of non-compliance	Reasons for non-compliance	Legal consequences and potential maximum penalties	Remedial actions and status	Any operational and/or financial impact on our Group	Enhanced internal control measures to prevent re-occurrence of non-compliance
4.	We contravened a condition of the liquor licence held by Mr. Gurung Bhojendra, the general manager of Volar, under regulations 17(1) of the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong) (the “ DCLR ”), namely not more than 293 persons shall be permitted on the premises of Volar at any one time, and committing an offence under section 46(1) of the Dutiable Commodity Ordinance (Chapter 109 of the Laws of Hong Kong) (the “ DCO ”) when a total of 611 and 649 persons were found inside the said premises on 28 June 2015 and 2 August 2015 respectively.	The non-compliances were attributable to the inadvertence of the responsible licensee.	According to section 46(3) of the DCO, the maximum penalty imposed on each contravention of section 46(1) of the DCO is a fine of HK\$100,000 and an imprisonment for one year.	By summons dated 23 July 2015 and 1 September 2015 respectively, Mr. Gurung Bhojendra was charged with the offences contrary to regulations 17(1) and 21 of the DCLR and sections 46(1) and 46(3) of the DCO. He pleaded guilty on 24 August 2015 and 29 September 2015 respectively and was fined HK\$8,000 in respect of each contravention.	As advised by Counsel, the fact that the Court has imposed a fine that is far below the maximum fine for each of the offences is an indication that the Court does not consider the circumstances to be a serious case of non-compliance with the DCO. The offences have been dealt with and there will not be any further penalty under the DCO.	Since October 2015, the security personnel of Volar has implemented a strict headcount check by increasing the number of security guards at the entrance of the premises to ensure that no excessive number of customers will be admitted. These security personnel will directly report to Mr. Gurung Bhojendra, the general manager of Volar, who will in turn report to Ms. Lau Sze Yuen ^(Note) , our compliance officer, regularly to facilitate her in monitoring our compliance in this regard.
				Payment of HK\$8,000 for each contravention had been made by our Group on 31 August 2015 and 6 October 2015 respectively.	Our Directors consider that there is no material financial impact on the Group due to the insignificant sum of the penalties.	

Note: Ms. Lau Sze Yuen, our compliance officer, was an administrative and office manager of a casual dining restaurant and bar located in Central from July 2010 to June 2016. Her principal responsibilities included application and renewal of all necessary licences and human resources management such as submission of all required forms to the IRD, and arrangement of payroll and compensation to all employees. She has over five years of experience in handling IRD forms submission and licences application and renewal for food and beverage business.

Views of our Directors and the Sponsor

As set out in “— Litigation and compliance”, our Group has laid down and implemented the following enhanced internal control measures to monitor ongoing compliance with the relevant laws and regulations to prevent the recurrence of non-compliance incidents in the future:

- we will engage additional external licensing consultants upon Listing to advise on regulatory and licensing requirements and compliance matters applicable to restaurants and clubs. We will require these external licensing consultants to keep Ms. Lau Sze Yuen, our compliance officer, informed of any changes and updates on licensing requirements, and to provide on-going training to our Directors from time to time on licensing compliance issues. We will consult these licensing consultants on the licensing requirements and procedures when planning the opening of new restaurants and bars to ensure all relevant licences and permits are obtained before commencing the operation of new restaurants and bars;
- regarding the non-compliance of licensing requirements and conditions, we have taken steps to enhance the internal control measures by implementing a set of internal compliance guidelines in relation to the licensing requirements involved in the opening of restaurants and bars. For example, we have designated Ms. Lau Sze Yuen to monitor the application and/or renewal process of all requisite licences for our operations by overseeing the pending expiry dates and coordinating the timely preparation and submission of renewal applications of all such licences. More security guards are stationed at the entrance of the relevant premises to control the number of customers admitted and reporting procedures are in place to facilitate the monitoring of our compliance; and
- regarding the non-compliance with the IRO, we will keep records of the commencement and other information of employment of all our employees and ensure that all related forms and/or notices will be filed to the IRD when appropriate.

Our Directors believe that the internal control measures will effectively ensure a proper internal control system and maintain good corporate governance practices of our Group. In view of the measures in place, our Directors are of the view, and the Sponsor concurs, that these internal control measures adopted by our Company are adequate and effective under the GEM Listing Rules to ensure ongoing compliance with the relevant laws and regulations by our Group.

Our Directors are of the view, and the Sponsor concurs, that as (i) we had immediately carried out remedial actions and adopted rectification measures to prevent the occurrence of such non-compliance incidents; and (ii) 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 a listed issuer under Rules 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.

INTERNAL CONTROL AND RISK MANAGEMENT

We have engaged an independent internal control consultant (the “**Internal Control Consultant**”) to perform a review of our internal control system including the areas of financial, operation, compliance and risk management. Based on the Internal Control Consultant's review and recommendations, we have modified and adopted certain new internal control procedures to refine our internal control system. After the modification and adoption of the new internal control procedures have been taken place, the Internal Control Consultant has performed a follow-up review and confirmed that our Group has implemented the measures recommended by the Internal Control Consultant to rectify all the previous findings identified. As our business continues to expand, we will modify and enhance our internal control systems to respond to our changing business needs as appropriate to ensure our business operations are in compliance with the applicable laws, rules and regulations in Hong Kong. In this regard, our Directors will monitor and review our internal control system on a quarterly basis and report the review results to our Audit Committee accordingly.

BUSINESS

For details of the enhanced internal control measures adopted by us to prevent re-occurrence of the abovementioned non-compliances and ensure ongoing compliances, see “— Litigation and compliance”.

To enhance the quality of our corporate governance, we have adopted the following measures:

- our Directors (apart from Mr. Kan Sze Man and Mr. Wong Sui Chi) attended a training session conducted by our Hong Kong legal advisers on 19 August 2016 and 24 August 2016 regarding the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO and the GEM Listing Rules;
- we have appointed Mr. Wong Chi Wai (黃志威) as our company secretary. Mr. Wong will act as the principal channel of communication between our Company and other members of our Group in relation to our legal, regulatory and financial reporting compliance matters. Upon receipt of queries or reports on legal, regulatory and financial reporting compliance matters, our company secretary will look into the matter and, if considered appropriate, seek advice, guidance and recommendations from professional advisers and report to relevant members of our Group and/or our Board. Details of Mr. Wong’s qualifications and experience are set out in “Directors and Senior Management”;
- we have appointed Ms. Lau Sze Yuen (劉思婉), our executive Director, as compliance officer. The role of the compliance officer includes the following:
 - to advise, with the assistance of our company secretary, on the implementation of procedures to ensure that our Group complies with the GEM Listing Rules and other relevant laws and regulations applicable to our Group;
 - to carry out the day-to-day implementation and monitoring of our internal control system with the assistance of our company secretary; and
 - to respond promptly and efficiently to all enquiries directed at her by the Stock Exchange.
- we have appointed Lego Corporate Finance as our compliance adviser to advise our Group on compliance matters upon Listing in accordance with Rule 6A.19 of the GEM Listing Rules; and
- we have established an audit committee with written terms of reference in accordance with Appendix 15 to the GEM Listing Rules to review the internal control system and procedures for compliance with the requirements of the GEM Listing Rules, the Companies Ordinance and other applicable laws, rules and regulations.

We recognise the need for risk management in our strategic and operational planning, day-to-day management and decision making process to identify the material risks associated with our business operations. The key procedures that we have established and implemented are summarised as follows:

- our risk management process is managed by our Board;
- the objectives of risk management are to identify potential risks in relation to our business operations. Our Board will formulate action plan to address and to mitigate the identified risks; and
- our Board will hold monthly meetings with the heads of different departments to further identify potential risks which may create impediments to our business operations.

CONNECTED TRANSACTIONS

During the Track Record Period, our Group entered into a number of related party transactions, details of which are set out in note 27 to the Accountant's Report. Save as disclosed below, these related party transactions of our Group were discontinued before the Latest Practicable Date.

Following the Listing, the following transactions will continue between our Group and the connected persons of our Company which will constitute continuing connected transactions for our Company under the GEM Listing Rules:

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into the following transactions, which, when aggregated, will constitute non-exempt continuing connected transactions for our Company subject to reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules upon Listing:

Leasing of properties to our Group

On 29 August 2016, City Silver, an indirect subsidiary of our Company, entered into a tenancy agreement (the "**Tenancy Agreement**") with Digital Option Limited ("**Digital Option**") and High Supreme Limited ("**High Supreme**"), pursuant to which Digital Option and High Supreme agreed to lease their owned properties in Hong Kong (collectively, the "**Premises**") to City Silver subject to the terms and condition of the Tenancy Agreement. Below set out the summary of the terms of the Tenancy Agreement:

<u>Date</u>	<u>Landlord</u>	<u>Tenant</u>	<u>Property</u>	<u>Monthly rental and payment term</u>	<u>Term</u>	<u>Use of property</u>
29 August 2016	Digital Option and High Supreme	City Silver	Shops A, B & C on G/F and Shops A, B & C on Cockloft of No. 14 Pennington Street, Causeway Bay, Hong Kong	HK\$145,000 payable on a monthly basis	Fixed term of 3 years commencing on 1 February 2017 and expiring on 31 January 2020 (both days inclusive)	Tiger Curry

Previous transactions and historical rentals

On 27 December 2013, City Silver entered into previous tenancy agreements with Digital Option and High Supreme in respect of the Premises for a fixed term of 3 years commencing on 1 February 2014. During the two years ended 31 May 2015 and 2016 and eight months ended 31 January 2017, the aggregated rentals paid by City Silver under such previous tenancy agreements were approximately HK\$1.5 million, HK\$1.5 million and HK\$1.1 million, respectively.

Annual caps and basis

The annual rentals payable by City Silver to Digital Option and High Supreme for each of the three years ending 31 May 2019 will not exceed HK\$0.6 million, HK\$1.74 million and HK\$1.74 million respectively. Such estimates are based on the fixed monthly rentals payable under the Tenancy Agreement, which were determined after arm's length negotiations with reference to (i) the historical rentals paid by our Group and (ii) the prevailing market rates of similar properties in the vicinity of those properties leased by our Group.

According to the rental appraisal report issued by International Valuation Limited, an independent qualified valuer engaged by our Group, the terms of the Tenancy Agreement are on normal commercial terms and are fair and reasonable, and the monthly rentals payable under the Tenancy Agreement are at market rates for similar premises in similar location as at the date of the Tenancy Agreement.

CONNECTED TRANSACTIONS

Implications under the GEM Listing Rules

As Digital Option and High Supreme are subsidiaries of CSI Properties, a substantial shareholder of our Company, they are associates of CSI Properties and connected persons of our Company after Listing. The transactions contemplated under the Tenancy Agreement will constitute continuing connected transactions for our Company pursuant to Rule 20.14 of the GEM Listing Rules.

Our Directors (including our independent non-executive Directors) consider that the Tenancy Agreements had been entered into on arm's length basis and in the ordinary and usual course of business, and that the transactions contemplated under the Tenancy Agreements and the annual rentals are on normal commercial terms, fair and reasonable and in the interests of our Group and our Shareholders as a whole.

As the Tenancy Agreement and the Master Agreement (as defined below) were both entered into by our Group with the associates of CSI Properties, the transactions contemplated under the Tenancy Agreement will be aggregated with those contemplated under the Master Agreement, details of which are set out in “— Non-exempt continuing connected transactions — Provision of marketing and promotion services to our Group”.

Provision of marketing and promotion services to our Group

During the Track Record Period, Model Genesis International Management Limited (“**Model Genesis**”) has been providing marketing and promotion services to our Group. On 14 March 2017, Model Genesis has entered into a master agreement (the “**Master Agreement**”) with our Company, pursuant to which Model Genesis agreed to provide the marketing and promotion services including organisation of featured events, engagements of DJs and preparation of publication materials (the “**Marketing and Promotion Services**”) mainly for “Volar” and “Fly” to our Group from the Listing Date to 31 May 2019.

Model Genesis was one of our suppliers for the Marketing and Promotion Services during the Track Record Period. Our Directors expect that we will continue to engage Model Genesis and other suppliers for provision of such service in the future.

Under the premise of compliance with the Master Agreement, our Group and Model Genesis shall further enter into separate individual contracts or purchase orders in respect of specific Marketing and Promotion Services and determine the specific terms and conditions of the Marketing and Promotion Services, such as services fees to be charged by Model Genesis (the “**Services Fees**”).

The Services Fees would be payable on a monthly basis pursuant to the Master Agreement. The terms and conditions of the transactions contemplated under the Master Agreement shall be on normal commercial terms, negotiated on arm's length basis, fair and reasonable and no less favourable to our Group than those offered to other Independent Third Parties for similar services.

Previous transactions and historical transaction amounts

Prior to the entering into the Master Agreement, Model Genesis had provided the marketing and promotion services which were of the same nature as the Marketing and Promotion Services contemplated under the Master Agreement since July 2013 (the “**Previous Marketing and Promotion Services**”).

Set out below are the historical transaction amounts paid by our Group to Model Genesis in relation to the Previous Marketing and Promotion Services during the Track Record Period:

	<i>HK\$'000</i>
Year ended 31 May 2015	2,158
Year ended 31 May 2016	3,403
For the eight months ended 31 January 2017	1,566

CONNECTED TRANSACTIONS

Such historical transaction amounts were mainly calculated by adding the costs spent in each event held in the Track Record Period, the majority part of which was attributable to the costs of DJs who are generally charged by hourly rates.

The significant increase in such historical transaction amounts from the year ended 31 May 2015 to the year ended 31 May 2016 was primarily due to the operation of “Fly” by our Group since 1 November 2015 which also required provision of the Previous Marketing and Promotion Services by Model Genesis.

Annual caps and basis

The annual caps for the total Services Fees payable by our Group to Model Genesis for the three years ending 31 May 2019 are set out below:

	<i>HK\$'000</i>
Year ending 31 May 2017	600
Year ending 31 May 2018	3,400
Year ending 31 May 2019	3,400

In determining the annual caps, we have made references to (i) the historical transaction amounts paid by our Group, (ii) the current market rate of similar services provided by Independent Third Parties, (iii) the anticipated number of featured events held in “Volar” and “Fly” for the three years ending 31 May 2019, (iv) the estimated number of potential DJs involved in featured events and (v) the approximate hourly rates charged by potential DJs. Our Directors consider that the expected number of featured events organised for “Volar” and “Fly” for each of the three years ending 31 May 2019 would be similar to the number of featured events held for the year ended 31 May 2016, hence the annual caps for the total Services Fees payable by our Group for each of the three years ending 31 May 2019 would be similar to the historical transaction amounts for the year ended 31 May 2016.

Implications under the GEM Listing Rules

As Model Genesis is owned as to 30% by Phoenix Year (which is wholly-owned by CSI Properties) and 70% by Aplus (which is wholly-owned by Mr. Kester Ng), being our substantial shareholder and Controlling Shareholder, respectively, it is an associate of each of Aplus, Mr. Kester Ng, Phoenix Year and CSI Properties and a connected person of our Company after Listing. The provision of the Marketing and Promotion Services by Model Genesis to our Group will constitute continuing connected transactions for our Company pursuant to Rule 20.14 of the GEM Listing Rules.

Our Directors (including our independent non-executive Directors) consider that the Master Agreement had been entered into on arm’s length basis and in the ordinary and usual course of business, and that the transactions contemplated under the Master Agreement and the annual caps are on normal commercial terms, fair and reasonable and in the interests of our Group and our Shareholders as a whole.

As the Master Agreement and the Tenancy Agreement were both entered into by our Group with the associates of CSI Properties, the transactions contemplated under the Master Agreement will be aggregated with those contemplated under the Tenancy Agreement. For details, see “— Non-exempt continuing connected transactions — Aggregation of transactions”.

Aggregation of transactions

The maximum aggregated annual caps for the transactions contemplated under the Tenancy Agreement and the Master Agreement (the “**Non-exempt Continuing Connected Transactions**”) payable by our Group for the three years ending 31 May 2019 will be HK\$1.2 million, HK\$5.14 million and HK\$5.14 million.

Given that one of the applicable percentage ratios (other than profit ratio) for the Non-exempt Continuing Connected Transactions calculated by reference to Rule 19.07 of the GEM Listing Rules is expected to exceed 5% but less than 25% and the aggregate consideration is less than HK\$10,000,000 on an annual basis, the Non-

CONNECTED TRANSACTIONS

exempt Continuing Connected Transactions will be subject to the reporting, annual review and announcement requirements but exempt from the independent Shareholders' approval requirement under Rule 20.74(2) of the GEM Listing Rules.

APPLICATION FOR WAIVER FOR THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Having reviewed the relevant documentation, underlying agreements and historical figures, and having considered the pricing basis and annual caps, our Directors (including the independent non-executive Directors) are of the view that:

- (a) the Non-exempt Continuing Connected Transactions have been entered into on an arm's length basis and in the ordinary and usual course of business of our Group;
- (b) the terms of the Non-exempt Continuing Connected Transactions for each of the three years ending 31 May 2019 are on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders taken as a whole; and
- (c) the annual caps of the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Based on its review of the relevant documentation and historical figures provided by our Company, the Sponsor is of the view that (i) the Non-exempt Continuing Connected Transactions have been entered into on an arm's length basis and in the ordinary and usual course of business of our Group, and (ii) the terms of the Non-exempt Continuing Connected Transactions for each of the three years ending 31 May 2019 are on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders taken as a whole; and (iii) the proposed annual caps of the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Pursuant to Rule 20.103 of the GEM Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirement under Rule 20.33 of the GEM Listing Rules for the Non-exempt Continuing Connected Transactions. We shall comply with the annual review and reporting requirements for the Non-exempt Continuing Connected Transactions under Chapter 20 of the GEM Listing Rules.

RECENT DEVELOPMENT AS AT THE LATEST PRACTICABLE DATE

A subsidiary of CSI Properties (together with its subsidiaries, the "CSI Group") entered into a provisional sale and purchase agreement (the "Sale SPA") on 6 January 2017 for the sale of the CSI Group's entire interests in, among others, Digital Option and High Supreme which are directly holding the Premises (the "CSI Sale"). Completion of the CSI Sale is conditional upon, among others, obtaining the approval of shareholders of CSI Properties in its special general meeting (the "SGM") held on 15 March 2017.

As at the Latest Practicable Date, the CSI Sale had approved in the SGM. Subject to the satisfaction of conditions in the Sale SPA, completion of the CSI Sale shall take place on the later of 31 March 2017 or the third business day following the date of the SGM. It is expected that following the completion of the CSI Sale on 31 March 2017, Digital Option and High Supreme will no longer be the subsidiaries of CSI Properties and the transactions contemplated under the Tenancy Agreement will no longer constitute continuing connected transactions for our Company pursuant to Rule 20.14 of the GEM Listing Rules. Further announcement(s) will be made by the Company in this respect as and when appropriate.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The following table sets forth certain information concerning our Directors.

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Major roles and responsibilities
Mr. Ng Shing Joe Kester (吳繩祖)	49	Chairman and executive Director	31 July 2013	19 May 2016	Overall strategic development and planning of our Group
Ms. Lau Sze Yuen (劉思婉)	40	Executive Director	1 June 2016	1 June 2016	Overall day-to-day administration and management of our Group
Mr. Kan Sze Man (簡士民)	45	Non-executive Director	31 July 2013	22 August 2016	Development and planning of our Group
Mr. Wong Sui Chi (黃瑞熾)	49	Independent non-executive Director	14 March 2017	14 March 2017	Supervising, providing independent advice to our Board and serving as chairman of audit committee and member of nomination committee and remuneration committee
Mr. Li Lap Sun (李立新)	50	Independent non-executive Director	14 March 2017	14 March 2017	Supervising, providing independent advice to our Board and serving as chairman of nomination committee and member of each of audit committee and remuneration committee
Mr. Ng Kwok Kei Sammy (伍國基)	52	Independent non-executive Director	14 March 2017	14 March 2017	Supervising, providing independent advice to our Board and serving as chairman of remuneration committee and member of each of audit committee and nomination committee

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information concerning our other senior management members.

Name	Age	Position	Date of joining our Group	Date of appointment for current position	Major roles and responsibilities
Mr. Gurung Bhojendra	40	General manager of Volar	31 July 2013	6 December 2004	Overall day-to-day operation and management of Volar
Mr. Kharga Vishal	34	General manager of Fly	9 July 2014	9 July 2014	Overall day-to-day operation and management of Fly
Mr. Wong Chi Wai (黃志威)	32	Company secretary	1 August 2016	1 August 2016	Overall management of the company secretarial affairs and the financial matters of our Group

DIRECTORS

Executive Directors

Mr. Ng Shing Joe Kester (吳繩祖), aged 49, is one of the founders of our Group, a Controlling Shareholder, our chairman and executive Director. He joined our Group in July 2013. Mr. Ng is mainly responsible for the overall strategic development and planning of our Group. He is also a director of BCI Group (BVI), BCI Group (HK), Buzz Concepts Management, Lively World, Ace Gain and Legend Vision.

Mr. Ng started investing in food and beverage and entertainment business since 2005 and is familiar with industry trends, market behaviour, customer and supplier impact and dealing with competitions and other operational challenges. He has assumed a leading role in our management and is responsible for formulating direction. He has actively involved in the handling of finance and investment related issues of our Group since our establishment. He has over 20 years of experience in the investment and financing industry. Mr. Ng worked at Merrill Lynch (Asia Pacific) Limited (principally engaged in the provision of capital market, advisory and wealth management services before it was acquired by Bank of America Corporation in January 2009) and left in the position of managing director and head of China and Hong Kong equity capital markets and financing (being mainly responsible for business management and development) from February 1995 to August 2006. He then worked at J.P. Morgan Securities (Asia Pacific) Limited (principally engaged in the provision of investment banking and financial services) with his last position being managing director in equities capital markets of global investment banking department and chairman of Asia Pacific equity capital and derivatives markets (being mainly responsible for business management and development) from August 2006 to April 2013. Mr. Ng has been the chief executive officer (being mainly responsible for the overall strategic directions of the company) of GRE Investment Advisors Limited (a company licensed under the SFC (Type 4 (advising on securities) and Type 9 (asset management) licences) and principally engaged in the provision of investment advisory and asset management services) since August 2014.

Mr. Ng obtained a bachelor's degree in medical sciences from The University of Nottingham in the United Kingdom in July 1990.

Ms. Lau Sze Yuen (劉思婉), aged 40, is our executive Director. She joined our Group in June 2016. She is mainly responsible for the overall day-to-day administration and management of our Group. She is also a director of Ace Gain.

Ms. Lau has over 15 years of experience in the food and beverage and entertainment industry. She worked as an assistant manager (being mainly responsible for daily operation of the restaurant) at Tony Roma's Famous For Ribs Hong Kong (principally engaged in restaurant business) from July 2000 to June 2001. Ms. Lau was an

DIRECTORS AND SENIOR MANAGEMENT

assistant manager in marketing (being mainly responsible for business development) at San Francisco Steak House (principally engaged in restaurant business) from August 2001 to October 2003. She then served as the general manager (being mainly responsible for business development) of Hong Kong Ganpachi Limited (currently known as Hong Kong Hachiban Limited) (principally engaged in the business of food manufacturing and restaurant) from October 2003 to February 2010. Ms. Lau was the administrative and office manager (being mainly responsible for overseeing the daily operations) of Buzz Concepts Group Limited (principally engaged in the provision of management services in food and beverage and entertainment industry) from July 2010 to June 2016.

Ms. Lau obtained a higher diploma in hotel and catering management from The Hong Kong Polytechnic University in Hong Kong in August 1999.

Non-executive Director

Mr. Kan Sze Man (簡士民), aged 45, was appointed as our non-executive Director on 14 March 2017. Mr. Kan is mainly responsible for the development and planning of our Group. He is also currently a director of BCI Group (BVI), BCI Group (HK), City Silver, Group Best (HK), Group Best (BVI), Bannock Holdings and Litton Global.

Mr. Kan has over 14 years of experience in the property investment field. Mr. Kan was a trainee solicitor and subsequently an assistant solicitor of Johnson Stokes & Master (currently known as Mayer Brown JSM) (principally engaged in the provision of legal services) from October 1995 to October 1997 and from October 1997 to December 1999, respectively. He worked at Freshfields (currently known as Freshfields Bruckhaus Deringer) (principally engaged in the provision of legal services) as a solicitor from January 2000 to May 2000. He then served as a senior vice president and legal counsel (being mainly responsible for leading the legal department) of Hikari Tsushin International Limited (currently known as China Oil And Gas Group Limited) (a company listed on the Stock Exchange (stock code: 603) and formerly principally engaged in investment in internet and telecommunication related business and manufacture of electronic products) from May 2000 to March 2001. Mr. Kan is currently an executive director, chief operating officer and group general counsel (being mainly responsible for leading the legal department and strategic business planning) of CSI Properties Limited (a company listed on the Stock Exchange (stock code: 497) and principally engaged in property repositioning and investment with its subsidiaries principally engaged in property value enhancement and development, property investment and securities investment in Hong Kong and PRC). He joined CSI Properties Limited as an executive director and group general counsel in March 2001.

Mr. Kan obtained a bachelor of arts degree in philosophy, politics and economics from Wadham College, University of Oxford in the United Kingdom in July 1993. He then obtained his diploma in law and a postgraduate diploma in legal practice from The College of Law, London in the United Kingdom in 1994 and 1995, respectively. He has been admitted as a solicitor of Hong Kong since November 1997.

Mr. Kan was the director of the following companies which were incorporated in Hong Kong and deregistered pursuant to section 291AA of the Predecessor Companies Ordinance or section 751 of the Companies Ordinance. It is confirmed by Mr. Kan that all the following deregistrations were made voluntarily by way of submitting applications to the Companies Registry of Hong Kong because these companies had either never commenced business or operation or ceased to carry on business or operation for more than three months immediately before the relevant application. The relevant details are as follows:

Name of company	Nature of business	Date of deregistration
Base Mark Limited (固基有限公司)	Vessel investment	11 September 2015
Central Mate Limited (廣瑩有限公司)	Property investment	11 September 2009
Clear Focus Investments Limited (翠茂投資有限公司)	Property investment	16 August 2013
Earn Route Limited (溢霖有限公司)	Property investment	6 January 2012
Goshine Limited (高盛興業有限公司)	Vehicle investment	10 October 2008

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Nature of business	Date of deregistration
Grand Property Limited (雄盛地產有限公司)	Never commenced business	5 August 2011
Great Level Investments Limited	Property investment	22 August 2014
Infast Limited (快的有限公司)	Property investment	15 August 2008
Island View Limited (銓景有限公司)	Never commenced business	13 March 2009
Jat Mark Limited (捷韻有限公司)	Property investment	16 October 2009
Join Max Limited	Property investment	24 October 2008
Linky Limited (領祺有限公司)	Property investment	8 April 2011
Mate Jet Limited (瑩卓有限公司)	Investment holding	27 August 2010
Profit Maker Limited (承利有限公司)	Investment holding	10 October 2014
Sennor Holdings Limited (順世集團有限公司)	Property investment	10 December 2010
Silver Cheer Limited (裕勵有限公司)	Property investment	27 February 2009
Singon Holdings Limited (裕域控股有限公司)	Investment holding	15 June 2012
Sino Rays Limited (中亮有限公司)	Property investment	20 February 2009
Sun Force Limited (陽輝有限公司)	Property investment	11 September 2009
Super Unicorn Limited (煜譽有限公司)	Never commenced business	22 August 2014
Ultimate Apex Investments Limited (馳興投資有限公司)	Never commenced business	18 September 2015
Ultra Century Ventures Limited (溢億創投有限公司)	Never commenced business	18 September 2015
Unicorn Wealth Limited (鑫禧有限公司)	Property investment	2 May 2014
View Up Limited	Property investment	16 August 2013
Wealthy Goal Limited (紹陞有限公司)	Never commenced business	15 October 2010
Wise Manor Limited (智安興業有限公司)	Never commenced business	13 March 2009

Mr. Kan was the director of the following companies which were incorporated in the British Virgin Islands and struck off from the BVI Government Register. The relevant details are as follows:

Name of company	Nature of business	Date of struck off
Gain Master Assets Limited	Investment holding	1 November 2009
All Gains Investments Limited	Securities investment	1 May 2009
City Core Limited	Investment holding	1 May 2014

Independent non-executive Directors

Mr. Wong Sui Chi (黃瑞熾), aged 49, was appointed as an independent non-executive Director on 14 March 2017. He is also the chairman of our audit committee and a member of each of our nomination committee and remuneration committee.

Mr. Wong has over 20 years of finance and accounting experience including but not limited to, financial management, corporate management and auditing, serving in international accounting firms, manufacturing and retailing companies, listed property development company, securities and futures brokerage company and shipping company. He was an independent non-executive director of Legend Strategy International Holdings Group Company Limited (a company listed on the Stock Exchange (stock code: 1355) and principally engaged in the budget hotel operations and provision of hotel consultancy and management services in the PRC) from December 2012 to July 2015. Mr. Wong was an independent non-executive director of U Banquet Group Holding Limited (a company listed on the Stock Exchange (stock code: 1483) and principally engaged in the operation of full-service Chinese restaurant chain in Hong Kong) from November 2013 to October 2016. He has

DIRECTORS AND SENIOR MANAGEMENT

been the financial controller (being mainly responsible for planning and directing the finance and accounting functions and providing financial analysis to the management) of Shine Vision Investments Limited (principally engaged in the retailing of eyewear products) since March 2012.

Mr. Wong obtained a bachelor of arts degree in accountancy from the City Polytechnic of Hong Kong (currently known as City University of Hong Kong) in Hong Kong in November 1991, a master of science degree in financial management from the University of London in the United Kingdom in December 2003. He obtained a certificate in taxation and accounting in PRC organised by The Hong Kong Polytechnic University in Hong Kong in August 2004. Mr. Wong has been a member of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in England and Wales since April 2008 and July 2008, respectively.

Mr. Li Lap Sun (李立新), aged 50, was appointed as an independent non-executive Director on 14 March 2017. He is also the chairman of our nomination committee and a member of each of our audit committee and remuneration committee.

Mr. Li worked at Merrill Lynch (Asia Pacific) Limited (principally engaged in the provision of capital market, advisory and wealth management services before it was acquired by Bank of America Corporation in January 2009) from March 1994 to October 2004 and left in the position of director (being mainly responsible for heading the equity sales team in Hong Kong). He then worked at Goldman Sachs (Asia) L.L.C. (principally engaged in investment banking, securities and investment management businesses) with his last position being executive director in the equity division (being mainly responsible for providing investment advice to fund managers and leading marketing projects for equity sales) from October 2004 to March 2007. Subsequently, he has been the director and fund manager (being mainly responsible for investment portfolio management and compliance matters) of Spitzer Asset Management Limited (a company licensed under the SFC (Type 9 (asset management) licence) and principally engaged in the provision of asset management services) since August 2007.

Mr. Li obtained a bachelor of arts degree in economics from The University of California, Los Angeles in the United States of America in June 1989 and a master of business administration degree from The University of Southern California in the United States of America in May 1992.

Mr. Li was the director of the following company which was incorporated in Hong Kong and struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance which provides that the Registrar of Companies in Hong Kong can strike a defunct company off the register of companies. The relevant details are as follows:

<u>Name of company</u>	<u>Nature of business</u>	<u>Date of struck off</u>
Billion Free Limited (億孚有限公司)	Property holding	27 September 2002

Mr. Ng Kwok Kei Sammy (伍國基), aged 52, was appointed as an independent non-executive Director on 14 March 2017. He is also the chairman of our remuneration committee and a member of each of our audit committee and nomination committee.

Mr. Ng has over 20 years of experience in the fields of accounting and auditing as well as business and financial advisory. He worked as an auditor in Ernst & Young (principally engaged in the provision of assurance, tax, advisory and transaction advisory services) between July 1989 and August 1992. He was an assistant director (being mainly responsible for overseeing the finance, accounting and investment businesses) in the accounting department of Capital Asia Limited (currently known as Goldin Properties Holdings Limited, a company listed on the Stock Exchange (stock code: 283) and principally engaged in property development) from June 1993 to August 1996. He worked as group financial controller (being mainly responsible for overseeing the finance, accounting and investment businesses) in Fortune Oil Holdings Plc. (principally engaged in investments and operations in oil and gas supply and infrastructure projects in China) from June 2001 to March 2008. He was the chief financial officer of the mining division of Mongolia Investment Group Limited (a company listed on the

DIRECTORS AND SENIOR MANAGEMENT

Stock Exchange (stock code: 0402) and principally engaged in the mining and construction businesses) from May 2010 to March 2013, and following its name changed to Peace Map Holding Limited and its business changed to the provision of aerial sensing data services in China, he was re-designated as senior consultant (being mainly responsible for overseeing the finance, accounting and investment businesses) until he left in December 2013. Mr. Ng has been an executive director (being mainly responsible for the business development and transactions execution) of Kolux Development Limited (principally engaged in corporate consulting business) since its incorporation on 25 August 1992.

Mr. Ng obtained an honours diploma in accountancy from Lingnan College (currently known as Lingnan University) in Hong Kong in November 1988, a bachelor of commerce accounting degree from Curtin University of Technology in Australia in February 1996 and a master of business administration degree from The University of Hong Kong in Hong Kong in November 2007. He has been a fellow of Hong Kong Institute of Certified Public Accountant since May 2000, a fellow of Association of Chartered Certified Accountants since October 1996 and an associate of The Institute of Chartered Accountants in England and Wales since January 2005.

Mr. Ng was the director of the following company which was incorporated in Hong Kong and deregistered pursuant to section 291AA of the Predecessor Companies Ordinance. It is confirmed by Mr. Ng that the following deregistration was made voluntarily by way of submitting an application to the Companies Registry of Hong Kong because this company had ceased to carry on business or operation for more than three months immediately before the relevant application. The relevant details are as follows:

<u>Name of company</u>	<u>Nature of business</u>	<u>Date of deregistration</u>
Mongolia Investment Holdings Limited (蒙古投資控股有限公司)	Coal mining	16 December 2011

Save as disclosed in this prospectus (if any), each of our Directors confirms with respect to himself/herself that: (i) apart from our Company, he/she has not held any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus; (ii) save as disclosed in “Further information about directors, management and staff and experts — 11. Directors — (a) Disclosure of interests” in Appendix IV to this prospectus, he/she does not have any interest in the Shares within the meaning of Part XV of the SFO; (iii) there is no other information that should be disclosed for himself/herself pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iv) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Gurung Bhojendra, aged 40, is the general manager of Volar, and is responsible for the day-to-day operation and management of Volar. Mr. Gurung joined Volar in December 2004 as a general manager, and has over 12 years of experience in the management of night entertainment clubs.

Mr. Kharga Vishal, aged 34, is the general manager of Fly, and is responsible for the day-to-day operation and management of Fly. He joined our Group in July 2014 as general manager of Fly. He has over seven years of experience in the management of food and beverage and entertainment establishments. Mr. Kharga worked at Hero Corporation Limited (currently known as Buzz Concepts Management Limited) (formerly principally engaged in the operation of a bar) with his last position being the general manager (being mainly responsible for daily operations) from December 2006 to December 2011, a bar manager (being mainly responsible for overseeing operations of the bar in the restaurant) of Lucky Trend International Limited (principally engaged in the management and operation of a restaurant) from December 2011 to July 2012, and the general manager (being mainly responsible for daily operations) of Billion Best Investment Limited (principally engaged in the management and operations of a restaurant and bar) from August 2012 to June 2014.

Mr. Wong Chi Wai (黃志威), aged 32, is our company secretary. He joined our Group in August 2016. Mr. Wong is mainly responsible for the overall management of the company secretarial affairs and financial

DIRECTORS AND SENIOR MANAGEMENT

matters of our Group. He was a manager (being mainly responsible for supervising and conducting client engagements) at Samuel H. Wong & Co. (principally engaged in the provision of audit, secretarial, tax and other services for Hong Kong and overseas clients) from December 2008 to March 2014. He was the company secretary of Tic Tac International Holdings Company Limited (a company listed on the Stock Exchange (stock code: 1470) and principally engaged in watch retailing business) from February 2015 to November 2015. Mr. Wong obtained a bachelor's degree in business administration with a major in accountancy and a minor in financial services from The Hong Kong Polytechnic University in Hong Kong in October 2008. He has been a member of the Hong Kong Institute of Certified Public Accountants since May 2012.

COMPLIANCE OFFICER

Ms. Lau Sze Yuen (劉思婉) is the compliance officer of our Company. For details of her biography, see “— Directors — Executive Directors”.

COMPANY SECRETARY

Mr. Wong Chi Wai (黃志威) is the company secretary of our Company. For details of his biography, see “— Senior management.”

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We place high value on our corporate governance practice and our Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of our Shareholders. Our Board has adopted the code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 15 to the GEM Listing Rules as our code on corporate governance. The Board will also review and monitor the practices of our Company from time to time with an aim to maintain and improve high standards of corporate governance practices. We intend to comply with the code provisions of the CG Code upon Listing.

BOARD COMMITTEES

Our Board has established the audit committee, the remuneration committee and the nomination committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit committee

We established an audit committee on 14 March 2017 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the CG Code. The duties of our audit committee include, among others, (a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing our financial statements, our annual report and accounts and our half-year report and significant financial reporting judgements contained therein; and (c) reviewing our financial controls, internal control and risk management systems.

Our audit committee consists of three independent non-executive Directors, namely Mr. Wong Sui Chi (黃瑞熾), Mr. Li Lap Sun (李立新) and Mr. Ng Kwok Kei Sammy (伍國基). Mr. Wong Sui Chi (黃瑞熾) is the chairman of the audit committee.

Remuneration committee

We established a remuneration committee on 14 March 2017 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph B.1 of the CG Code. The duties of our remuneration committee, under the principle that no Director should be involved in deciding his own remuneration include, among others, making recommendations to our Board on (a) our overall remuneration policy and structure for all

DIRECTORS AND SENIOR MANAGEMENT

of our Directors and senior management; (b) the establishment of a formal and transparent procedure for developing remuneration policies; (c) the remuneration packages of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; and (d) the remuneration of our non-executive Directors.

Our remuneration committee consists of three independent non-executive Directors, namely Mr. Wong Sui Chi (黃瑞熾), Mr. Li Lap Sun (李立新) and Mr. Ng Kwok Kei Sammy (伍國基). Mr. Ng Kwok Kei Sammy (伍國基) is the chairman of the remuneration committee.

Nomination committee

We established a nomination committee on 14 March 2017 with written terms of reference in compliance with paragraph A.5 of the CG Code. The duties of our nomination committee include, among others, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations to the Board on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (c) assessing the independence of our independent non-executive Directors; and (d) making recommendations to our Board on the appointment and succession planning for our Directors.

Our nomination committee consists of three independent non-executive Directors, namely Mr. Wong Sui Chi (黃瑞熾), Mr. Li Lap Sun (李立新) and Mr. Ng Kwok Kei Sammy (伍國基). Mr. Li Lap Sun (李立新) is the chairman of the nomination committee.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the forms of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of our Group. We reimburse our Directors and senior management for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to our operations. Our executive Directors are also employees and receive, in their capacity as employees, compensation in the form of salaries and other allowances and benefits in kind. We regularly review and determine the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After the Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors with reference to their experience, responsibilities, workload and time devoted to our Group and performance of our Group. Our Directors and senior management may also receive options to be granted under the Share Option Scheme.

For the two years ended 31 May 2016 and the four months ended 30 September 2016, the aggregate amount of remuneration paid or payable by our Group to our Directors was approximately HK\$240,000, HK\$240,000 and HK\$199,000, respectively.

For the two years ended 31 May 2016 and the four months ended 30 September 2016, the aggregate amount of remuneration paid or payable by our Group to our five highest paid individuals (excluding our Directors amongst the five highest paid individuals) was approximately HK\$2.2 million, HK\$2.4 million and HK\$0.9 million, respectively.

Save as disclosed above, no other payments have been paid or are payable by our Group in respect of the two years ended 31 May 2016 and the four months ended 30 September 2016 to our Directors or the five highest paid individuals of our Group.

DIRECTORS AND SENIOR MANAGEMENT

It is estimated that, under the arrangements currently in force, the aggregate remuneration (excluding any discretionary bonus) payable by our Group to our Directors for the year ending 31 May 2017 will be approximately HK\$0.9 million.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors or the five highest paid individuals of our Group as an inducement to join or upon joining our Group or as compensation for loss of office.

During the Track Record Period, none of our Directors waived or agreed to waive any remuneration.

EMPLOYEES

For details of the employees of our Group, including staff benefits and incentive plans provided by our Group, see “Business — Employees”.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, we have appointed Lego Corporate Finance as our compliance adviser, who will have access to all relevant records and information relating to our Group that it may reasonably require to properly perform its duties, to advise us in the following circumstances in accordance with Rule 6A.23 of the GEM Listing Rules:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this Prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this Prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company of unusual movements in the price or trading volume of our listed securities or any other matters in accordance with Rule 17.11 of the GEM Listing Rules.

The term of the appointment will 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 our financial results for the second full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of options that may be granted under the Share Option Scheme), the following persons will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to us 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 voting power in all circumstances at general meetings of any member of our Group:

Aggregate long positions in Shares

<u>Name</u>	<u>Nature of interest</u>	<u>Number of Shares immediately following completion of the Capitalisation Issue and the Share Offer⁽⁷⁾</u>	<u>Percentage of shareholding in our Company immediately following completion of the Capitalisation Issue and the Share Offer</u>
Aplus	Beneficial owner ⁽¹⁾	371,520,000 ^(L)	46.44%
Mr. Kester Ng	Interest in a controlled corporation ⁽²⁾	371,520,000 ^(L)	46.44%
Ms. Louey Andrea Alice	Interest of spouse ⁽³⁾	371,520,000 ^(L)	46.44%
Phoenix Year	Beneficial owner ⁽⁴⁾	159,180,000 ^(L)	19.90%
CSI Properties	Interest in a controlled corporation ⁽⁵⁾	159,180,000 ^(L)	19.90%
Mr. Chung Cho Yee Mico	Interest of controlled corporation ⁽⁶⁾	159,180,000 ^(L)	19.90%
Digisino Assets Limited	Interest of controlled corporation ⁽⁶⁾	159,180,000 ^(L)	19.90%
Earnest Equity Limited	Interest of controlled corporation ⁽⁶⁾	159,180,000 ^(L)	19.90%

Notes:

1. The entire issued share capital of Aplus is wholly-owned by Mr. Kester Ng.
2. Mr. Kester Ng is deemed to be interested in the same number of Shares held by Aplus under the SFO.
3. Ms. Louey Andrea Alice is the spouse of Mr. Kester Ng. By virtue of the SFO, Ms. Louey Andrea Alice is deemed to be interested in the same number of Shares in which Mr. Kester Ng is deemed to be interested under the SFO.
4. The entire issued share capital of Phoenix Year is wholly-owned by CSI Properties.
5. CSI Properties is deemed to be interested in the same number of Shares held by Phoenix Year under the SFO.
6. Mr. Chung Cho Yee Mico (“**Mr. Chung**”) owns the entire interest of Digisino Assets Limited (“**Digisino**”) which in turn owns the entire interest in Earnest Equity Limited (“**Earnest Equity**”). Earnest Equity and Mr. Chung own approximately 45.91% and 0.03% of the entire issued shares capital of CSI Properties respectively. Therefore, Mr. Chung, Digisino and Earnest Equity are deemed to be interested in the same number of Shares held by CSI Properties under SFO.

SUBSTANTIAL SHAREHOLDERS

7. The letter “L” denotes the long position in the Shares.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of options that may be granted under the Share Option Scheme) have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to us 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 voting power in all circumstances at general meetings of any member of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, our Company will be owned as to approximately 46.44% by Aplus, which is wholly-owned by Mr. Kester Ng. As Aplus and Mr. Kester Ng 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 Aplus and Mr. Kester Ng will be regarded as our Controlling Shareholders under the GEM Listing Rules.

Save as disclosed above, there is no other person who, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), will be directly or indirectly interested in 30% or more of the Shares then in issue.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors believe that we are capable of carrying on our business independently from, and does not place reliance on, our Controlling Shareholders and their respective close associates, taking into consideration the factors set out below.

Management independence

Our Board comprises two executive Directors, one non-executive Directors and three independent non-executive Directors. Save and except our executive Directors, namely Mr. Kester Ng, is our Controlling Shareholder due to his interest in Aplus as disclosed above, our Board comprises a balanced composition of independent non-executive Directors who have sufficient character, integrity and calibre for their views to carry weight, and thus can effectively exercise independent judgement. In addition, each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of 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 interests.

If our Directors who to their knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Group, the interested Directors shall declare such interest at the meeting of the Board at which the relevant transactions are to be first considered in accordance with the Articles of Association. The interested Directors shall also abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum in accordance with the Articles of Association. As such, Mr. Kester Ng will not vote on those matters or transactions relating to any of our Controlling Shareholders or otherwise give rise to potential conflicts of interest come up for discussion at Board meetings and he would not be counted towards quorum in the relevant meetings.

Since Aplus has no business other than holding the shareholding interest in our Company, our Directors do not foresee any issue which may affect our management independence. In addition, save for Mr. Kester Ng, none of our executive Directors or senior management has any managerial role or beneficial interest in Aplus or has any family relationship with our Controlling Shareholders or any of their respective close associates.

Three of our Board members, representing half of the members of our Board, are independent non-executive Directors who have extensive experience in different professions. They have been appointed pursuant to the requirements under the GEM Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions.

Furthermore, our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Board acts collectively by majority decisions in accordance with the Articles of Association and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Having considered the above factors and in light of the non-competition undertakings given by our Controlling Shareholders in favour of our Group (as more particularly set out in “— Deed of Non-competition”), our Directors are satisfied that they are able to perform their roles in our Group independently and are of the view that they are capable of managing our business independently from our Controlling Shareholders and their respective close associates after Listing.

Operational independence

While our Board has full rights to make all decisions on the overall strategic development and management and operational aspects of our Group, all essential operational functions have been and will be overseen by Mr. Kester Ng and Ms. Lau Sze Yuen, our executive Directors (whose biographies are set out in “Directors and Senior Management”), without unduly requiring the support of our Controlling Shareholders and their close associates.

Further, our Group holds all the patent, trademarks, copyrights and domain names with respect to our business, and has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective close associates.

We have access to our customers and suppliers who are third parties independent from and not connected with our Controlling Shareholders and their respective close associates.

We have implemented a set of internal control procedures to facilitate the effective and independent operation of our business. Further, save for the continuing connected transactions of our Group as set out in “Connected Transactions”, there have been no business dealings between our Group and the Controlling Shareholders and their close associates as at the Latest Practicable Date. Our Directors consider that our Group can operate independently from our Controlling Shareholders and their close associates.

Financial viability and independence

During the Track Record Period and up to the Latest Practicable Date, we had our own internal control and accounting system, finance and administration department and treasury function for cash receipts and payments.

Moreover, we make financial decisions according to our own business requirements and in this connection, our Directors are of the view that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders after the Listing and thus there is no financial dependence on them.

During the Track Record Period, our Group had certain amounts due to/from our Controlling Shareholders and/or companies controlled by them. Please refer to note 19 to the Accountant’s Report. All amounts due to/from our Controlling Shareholders and/or companies controlled by them, which are non-trade nature, will be fully settled before the Listing. In addition, taking into consideration that (i) the amount due to Shareholders was solely for capital expenditure for opening new restaurants and acquisition of Grand Diamond during the Track Record Period for business expansion purposes and therefore can be regarded as capital investments from the Shareholders; (ii) the lack of funds provided by the Shareholders would not negatively affect the operations of our Group itself as the amount due to Shareholders was to facilitate and support the capital requirements for business expansion only; (iii) the clubbing operation of Fly and the restaurants operation of the newly opened restaurants (i.e. Tiger Curry Jr. and Tiger Curry & Cafe) have been operating independently since the commencement of their respective operations without the reliance or support from the Shareholders by providing additional funds; (iv) Fly, Tiger Curry Jr. and Tiger Curry & Cafe had achieved their respective breakeven period after the commencement of operations; (v) our Group is capable to settle the amount due to Shareholders through its internal resources prior to the Listing as mentioned “Financial Information — Indebtedness”; and (vi) going

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

forward, our Group can leverage on the Listing platform for equity/debt financing and thus will not rely on loans from our shareholders for capital expenditure related to business expansion, our Directors consider and the Sponsor concurs that our Group is financially independent from our Shareholders. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Listing as our working capital is expected to be mainly funded by operating income.

RULE 11.04 OF THE GEM LISTING RULES

As at the Latest Practicable Date, certain of our Controlling Shareholders, our Directors, our substantial shareholders and their respective close associates have interest in certain food and beverage business (the “**Other F&B Business**”), details of which are set out below:

Name of entity	Place of Incorporation	Date of Incorporation	Principal Business	Ownership of our Directors and substantial shareholders and their respective close associates in such entity as at the Latest Practicable Date	Directorship of our Directors and substantial shareholders and their respective close associates in such entity as at the Latest Practicable Date
Surplus King Hotel Enterprises Limited (“ Surplus King ”)	Hong Kong	2 July 1991	Operating a hotel which includes an all day dining restaurant and a bar	100% indirectly wholly-owned by CSI Properties	Mr. Kan Sze Man ⁽¹⁾
MG Goodness Limited (“ MG Goodness ”)	Hong Kong	17 July 2008	Operating a self services food shop, a bakery and a cafe	Mr. Chung Cho Yee Mico had an effective ownership of 50% in MG Goodness ⁽²⁾	Mr. Kan Sze Man and Mr. Chung Cho Yee Mico ^(1, 2 and 3)

Notes:

- As at the Latest Practicable Date, Mr. Kan Sze Man was our non-executive Director.
- As at the Latest Practicable Date, Mr. Chung Cho Yee Mico was a director and a controlling shareholder of CSI Properties, a substantial shareholder of our Company. He was a close associate of CSI Properties under the GEM Listing Rules.
- As at the Latest Practicable Date, the directors of MG Goodness was Expert Rise Management Limited (“**Expert Rise**”), Solution Kingdom Limited (“**Solution Kingdom**”), Chosen King Limited (“**Chosen King**”) and other Independent Third Parties. Mr. Kan Sze Man was the director of Onpoint Events Limited, which was one of the directors of Chosen King whereas Mr. Chung Cho Yee Mico was the director of Expert Rise, which was a director of Solution Kingdom, and the director of Sure Able Investments Limited, which was one of the directors of Chosen King.

Save as disclosed above, our Directors, to the best knowledge, information and belief having made all reasonable enquiries, confirm that, none of our Controlling Shareholders, our Directors, our substantial shareholders and their respective close associates is interested in any business which competes, or may compete, directly or indirectly, with the business of our Group as at the Latest Practicable Date and would require disclosure under Rule 11.04 of the GEM Listing Rules.

DELINEATION OF BUSINESSES

Our Directors, after having made all reasonable enquiries, are of the view that there is a clear delineation between our business and the Other F&B Business due to the following reasons:

- cuisines, themes and ambience* — the nature of cuisine and dining experience provided to customers of our restaurants are different compared to other F&B Business. The Other F&B Business does not

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

consist of Japanese quick-service or casual dining restaurants which have the theme of or principally serve Japanese-style curry. Moreover, we own and operate two night entertainment clubs, Volar and Fly, and plan to diversify and expand our presence in the night entertainment market by establishing sports-themed bars, which are not present in the Other F&B Business;

- (b) *operations and management* — despite that Mr. Kan Sze Man is a director of companies operating certain Other F&B Business, he confirms that he does not involve in day-to-day operations of both our restaurant business and the Other F&B Business. Our Directors confirm that none of our current Directors and senior management of our Company, except for Mr. Kan Sze Man, has any position or assumes any role in any of the Other F&B Business. In addition, given (i) the complete separation of staff members in our Group and the companies operating Other F&B Business to handle day-to-day operations, (ii) the different procurement function for sourcing food and beverage; and (iii) the completely segregated internal control, financial, accounting, sales and marketing, legal and compliance systems between our Group's business and Other F&B Business, the operations of our Group are independent of and separate from the Other F&B Business; and
- (c) *ownership* — apart from the ownership of our substantial shareholders in the Other F&B Business, our Controlling Shareholders and their respective close associates do not have interests or engage in the Other F&B Business as at the Latest Practicable Date.

Taking into account the above, our Directors consider that the extent of competition between our business and each of the Other F&B Business is not an extreme case and will not have a material impact on our business as a whole. As a result, none of the Other F&B Business would compete, or is expected to compete, directly or indirectly, with our Group's business. Our Directors also do not expect that there will be any overlap or competition between our Group's business and Other F&B Business after the Listing.

Having considered the view of our Directors and all relevant circumstances, the Sponsor concurs with our Directors' view that the extent of competition between our business and each of the Other F&B Business is not an extreme case.

DEED OF NON-COMPETITION

For the purpose of the Listing, the Controlling Shareholders have entered into with and in favour of our Company (for ourselves and as trustee for our subsidiaries) the Deed of Non-competition. Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in, any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, each of our Controlling Shareholders has unconditionally and irrevocably undertaken in favour of our Company (for ourselves and for the benefits of our subsidiaries), on a joint and several basis, that at any time during the Relevant Period (as defined below), each of them shall, and shall procure that their respective close associates and/or companies directly or indirectly controlled by them (other than our Group) shall:

- (a) not, directly or indirectly, establish or invest or be interested or involved or engaged in or carry on or be concerned with or acquire or hold any right or interest (in each case whether as an investor, a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group in Hong Kong and any other country or jurisdiction to which our Group provides such products and/or services and/or in which any member of our Group carries on business mentioned above currently and from time to time (the "**Restricted Activity**");
- (b) not solicit or entice away or endeavour to solicit or entice away any existing employee or then existing employee of our Group for employment by it/him/her or its/his/her close associates (excluding our Group);
- (c) not, without the prior consent from our Company, make use of or divulge to any person or publish or disclose any information pertaining to the business of our Group which may have come to its/his/her

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

knowledge in its/his/her capacity as the Controlling Shareholder or otherwise for any purpose of engaging, investing or participating in any Restricted Activity;

- (d) not serve as senior management, chief executive or director of any body corporate (except members of our Group) to operate any Restricted Activity;
- (e) not, either on its/his/her own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any Restricted Activity;
- (f) not, either on its/his/her own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, solicit or entice away or endeavour to solicit or entice away from or discourage from dealing with our Group any person who was at any time during the period of one year preceding the date of the Deed of Non-competition a manufacturer for or supplier or subcontractor, customer or client of our Group;
- (g) if there is any project or new business opportunity that relates to the Restricted Activity and is offered or becomes aware to our Controlling Shareholders or their respective close associates, whether on their own or with others or in conjunction with or on behalf of other persons/entities, whether directly or indirectly, they shall (i) promptly refer such project or new business opportunity to our Group in writing for consideration and provide such information as is reasonably required in order to enable our Group to come to an informed assessment of such opportunity, (ii) use its/his/her best endeavours to procure that such opportunity is offered to our Group on terms no less favourable than the terms on which such opportunity is offered to such Controlling Shareholder and/or its/his/her close associates, and (iii) with regard to any project or new business opportunity shall have been rejected by our Group and the principal terms of which our Controlling Shareholders and/or any of his/her/its close associates and/or entities or companies controlled by he/she/it invest or participate are no more favourable than those made available to our Company; and
- (h) not or procure its/his/her close associates (excluding our Group) not to invest or participate in or carry on any project or business opportunity of the Restricted Activity.

The above undertakings under the Deed of Non-competition do not apply to:

- (a) the holding of, or interests in, the shares of any members of our Group;
- (b) the holding of, or interests in, the shares of a company other than a member of our Group whose shares are listed on a recognised stock exchange provided that the total number of the shares held by the relevant Controlling Shareholder and/or its/his/her close associates does not exceed 5% of the issued shares of that class of the company in question, and such Controlling Shareholder and its/his/her respective close associates, whether acting singly or jointly, would not participate in or be otherwise involved in the management of the company in question.

Each of our Controlling Shareholders has represented and warranted to the Company (for ourselves and for the benefits of our Subsidiaries) that neither it/he/she nor any of its/his/her close associates is currently interested, involved or engaging or carry on or concern with or hold any right or interest, directly or indirectly, in (whether as an investor, a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Activity otherwise than through our Group.

Each of our Controlling Shareholders has further unconditionally and irrevocably undertaken to our Company (for ourselves and for the benefit of our subsidiaries):

- (a) to allow our Directors, their respective representatives and our auditors to have sufficient access to the records of each of our Controlling Shareholders and their respective close associates to ensure compliance with the terms and conditions of the Deed of Non-competition;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) to provide to our Group and our Directors (including the independent non-executive Directors) from time to time all information necessary for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-competition by our Controlling Shareholders;
- (c) to make an annual declaration as to full compliance with the terms of the Deed of Non-competition and a consent to disclose such letter in our annual report.

The Deed of Non-competition will become effective upon the Share Offer becoming unconditional. The obligations of our Controlling Shareholders under the Deed of Non-competition will remain in effect during the period (the “**Relevant Period**”) from the Listing Date until the earlier of the date on which:

- (a) our Controlling Shareholders, together with their close associates, whether individually or taken together, cease to be interested directly or indirectly in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder) or more of the issued share capital of our Company; or
- (b) the Shares cease to be listed and traded on the Stock Exchange.

We believe the 30% threshold is justifiable as it is equivalent to the thresholds applied under the GEM Listing Rules and the Takeovers Code for the concept of “control”.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our Shareholders:

- (i) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders, and the decisions on matters reviewed will be disclosed in our annual reports;
- (ii) an annual declaration as to full compliance with the terms of the Deed of Non-competition will be made by our Controlling Shareholders, and will be disclosed in our annual reports;
- (iii) our Directors will operate in accordance with our Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested; and
- (iv) pursuant to the Corporate Governance Code (the “**CG Code**”) set out in Appendix 15 of the GEM Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company’s cost.

We will follow the measures in the CG Code which sets out the principles of good corporate governance in relation to, among others, Directors and the chairman, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report which will be included in our annual reports.

SHARE CAPITAL

SHARE CAPITAL

The authorised and issued share capital of our Company are as follows:

Authorised share capital		<i>(HK\$)</i>
10,000,000,000	Shares	100,000,000

Without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the share capital immediately following the Capitalisation Issue and the Share Offer will be as follows:

Issued share capital		
10,000	Shares in issue as at the date of this prospectus	100
Shares to be issued		
599,990,000	Shares to be issued pursuant to the Capitalisation Issue	5,999,900
200,000,000	Shares to be issued pursuant to the Share Offer	2,000,000
Total issued shares on completion of the Share Offer		
800,000,000	Shares	8,000,000

Assumptions

The above table assumes the Capitalisation Issue and the Share Offer become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate granted to our Directors to allot and issue or repurchase Shares as referred to “— General mandate to issue Shares” or “— General mandate to repurchase Shares”, as the case may be.

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 Offer Shares represent 25% of the issued share capital of our Company upon Listing. Together with the Shares held by Etchers Entertainment, Jet Top, Perfect King and Jubilee Success, it is expected that approximately 33.66% of the issued share capital of our Company will be held by the public upon Listing.

Ranking

The Offer Shares will rank *pari passu* in all respects with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus, except for the entitlements under the Capitalisation Issue.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 14 March 2017. For the principal terms of the Share Option Scheme, see “Other information — 15. Share Option Scheme” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been conditionally granted a general unconditional mandate authorising them to exercise all the powers of our Company to allot, issue and deal with the Shares with a total number of not more than 20% of the number of our issued Shares immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of options that may be granted under the Share Option Scheme), and the number of Shares repurchased by us, if any, pursuant to the repurchase mandate described below.

The general mandate will expire:

- (a) at the conclusion of our Company's next annual general meeting;
- (b) at the expiration of the period within which our Company is required by any applicable law of the Cayman Islands or the Articles to hold the next annual general meeting; or
- (c) when varied, revoked or renewed by passing an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

Further information of this general mandate is summarised in "Further information about our Company and our subsidiaries — 3. Resolutions in writing of the Shareholders passed on 14 March 2017" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been conditionally granted a general unconditional mandate to exercise all the powers of our Company to repurchase the Shares with a total number of not more than 10% of the total number of our issued Shares immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of options that may be granted under the Share Option Scheme).

This repurchase mandate only relates to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws, rules and regulations. A summary of the relevant requirements of the GEM Listing Rules on this repurchase mandate is in "Further information about our Company and our subsidiaries — 7. Repurchase by our Company of our own securities" in Appendix IV to this prospectus.

This repurchase mandate will expire:

- (a) at the conclusion of our Company's next annual general meeting;
- (b) at the expiration of the period within which our Company is required by any applicable law of the Cayman Islands or the Articles to hold the next annual general meeting; or
- (c) when varied, revoked or renewed by passing an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

Further information of this repurchase mandate is summarised in "Further information about our Company and our subsidiaries — 3. Resolutions in writing of the Shareholders passed on 14 March 2017" in Appendix IV to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its Shares into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, see “2. Articles of Association — (a) Shares — (iii) Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Shares or any class of Shares may be varied, modified 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 general meeting of the holders of the Shares of that class. For details, see “2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

FINANCIAL INFORMATION

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial information, and the accompanying notes, included in the Accountant's Report, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The discussion and analysis in this section of the prospectus contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and interpretation of historical trends, current conditions and expected future developments as well as other factors that we believe are appropriate under the relevant circumstances. However, whether our actual results reported in future periods differ materially from those discussed below depends on various factors which do not have control over. Factors that could cause or contribute to such differences included those discussed in "Forward-looking Statements", "Risk Factors" and "Business" as well as those discussions elsewhere in this prospectus.

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a food, beverage and entertainment group based in Hong Kong that owns and operates two night entertainment clubs, namely Volar and Fly; and three restaurants focusing on Japanese-style curry dishes under our proprietary "Tiger" brand. During the Track Record Period, we acquired Grand Diamond, the operating company of Fly in November 2015 and two restaurants were also added to our Group under our "Tiger" brand, namely Tiger Curry Jr. and Tiger Curry & Cafe, which commenced business in May 2015 and July 2015, respectively.

For the two years ended 31 May 2015 and 2016, our Group recorded revenue of approximately HK\$67.4 million and HK\$88.9 million, respectively, and net profit of approximately HK\$7.1 million and HK\$8.4 million, respectively.

For the four months ended 30 September 2015 and 2016, our Group recorded revenue of approximately HK\$23.5 million and HK\$30.6 million, respectively, and net profit of approximately HK\$0.6 million and net loss of approximately HK\$6.8 million, respectively. Excluding the non-recurring Listing expenses of approximately HK\$8.2 million charged for the four months ended 30 September 2016, the net profit would increase to approximately HK\$1.4 million for the four months ended 30 September 2016.

BASIS OF PRESENTATION

Pursuant to the Reorganisation as detailed in "History, Reorganisation and Corporate Structure — Reorganisation", our Company became the holding company of the subsidiaries now comprising our Group on 19 July 2016 by way of transfer of equity interests in BCI Group (BVI) to our Company in consideration of our Company's allotment and issue of share to the Companies held by the then shareholders of BCI Group (BVI). As the Reorganisation only involved inserting a new holding entity at the top of an existing group and has not resulted in any change of economic substance, our consolidated financial information has been presented as a continuance of the existing group using the merger basis of accounting.

Our consolidated financial information has been prepared in accordance with the HKFRSs and applicable disclosures requirements of the GEM Listing Rules and the Companies Ordinance. Our consolidated financial information is presented in Hong Kong dollars, which is our functional and presentation currency.

Details regarding the basis of presentation and preparation of our consolidated financial information are set out in notes 1 and 2 to the Accountant's Report.

All material intra-group balances, transactions and cash flows have been eliminated on combination.

FINANCIAL INFORMATION

PRINCIPAL FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The results of operations and financial position have been and will continue to be affected by a number of factors, many of which may be beyond the control of our Group, including those factors set out in “Risk Factors” and those set out below.

Our arrangements with our largest supplier, Moët Hennessy Diageo Limited (“MHD”)

During the Track Record Period, our cost of inventories sold was one of the largest components of our operating expenses. Among which, our cost of beverage represented approximately 86.9% for the year ended 31 May 2015, approximately 77.9% for the year ended 31 May 2016 and approximately 72.4% and 74.8% for the four months ended 30 September 2015 and 2016, respectively.

During the Track Record Period, MHD, which is one of the two largest Champagne exclusive distributors in Hong Kong according to the F&S Report, was our largest supplier. For the years ended 31 May 2015 and 2016, the inventories that we purchased from MHD, which were primarily the alcoholic beverages for use in our clubs, were approximately HK\$8.4 million and HK\$9.4 million, accounting for approximately 65.0% and 53.4% of our total purchases, respectively. For the four months ended 30 September 2015 and 2016, the inventories we purchased from MHD were approximately HK\$2.9 million and HK\$3.3 million, accounting for approximately 56.4% and 51.5% of our total purchase, respectively. As at the Latest practicable Date, we entered into a purchasing and sponsorship agreement which stipulates, among others, the selling prices of beverages during the contract period and sponsorship arrangements. Such agreement will expire on 31 March 2017. As at the Latest Practicable Date, as confirmed by MHD in writing, MHD will sign a new agreement with us on substantially the same terms as the current agreement on or before 31 March 2017. For details of our relationship with MHD, see “Business — Suppliers — Relationship with MHD”. There is no assurance that we will be able to renew our contract with MHD upon expiry. If MHD reduces the volume supplied to us or ceases to supply to us for any reason, we will need to find alternative suppliers on similar sale terms and conditions acceptable to us. If we fail to do so in a timely manner, the operations of our clubs will be interrupted, our costs may increase and our business, financial condition, results of operations and growth prospects may therefore be materially and adversely affected.

Property rentals and related expenses

We lease or license all the properties on which our outlets operate. The property rentals and related expenses was the largest component of our operating expenses and the changes in the level of rentals and related expenses will have direct impact to our profitability. For the years ended 31 May 2015 and 2016, our property rentals and related expenses amounted to approximately HK\$16.1 million and HK\$20.9 million, respectively, representing approximately 23.8% and 23.5% of our total revenue, respectively. For the four months ended 30 September 2015 and 2016, our property rentals and related expenses amounted to approximately HK\$6.3 million and HK\$7.7 million, representing approximately 26.7% and 25.3% of our total revenue, respectively. Property rentals and related expenses vary depending on the size and location of our outlets. Most of the tenancy agreements of our outlets are based on fixed rent except for two restaurants of our Group which are based on the restaurant’s respective revenue pursuant to the terms and conditions as set out in the respective agreements.

For every lease that our Group considers to enter into, our Group considers whether the property rentals and related expenses are within the acceptable range, taking into account the expected revenue to be derived from the outlet in future. As we intend to open five new “Tiger” branded restaurants and establish two sports-themed bars in Hong Kong during the three years ending 31 May 2019, we expect that our property rentals and related expenses related our outlets to increase in the future.

Cost of inventories sold

The cost of inventories sold mainly represent the cost of beverages and food ingredients. The cost of inventories sold was the second largest component of our operating expenses and, therefore, the prices and

FINANCIAL INFORMATION

supply of beverages and food ingredients have direct impact to our results of operation. For the two years ended 31 May 2015 and 2016, our cost of inventories sold amounted to approximately HK\$13.3 million and HK\$18.2 million, respectively, representing approximately 19.7% and 20.4% of our total revenue, respectively. For the two years ended 31 May 2015 and 2016, our costs of beverages amounted to approximately HK\$11.6 million and HK\$14.2 million, respectively, representing approximately 86.9% and 77.9% of our total cost of inventories sold, respectively, and our costs of food ingredients amounted to approximately HK\$1.6 million and HK\$3.8 million, respectively, representing approximately 12.0% and 21.1% of our total cost of inventories sold, respectively.

For the four months ended 30 September 2015 and 2016, our cost of inventories sold amounted to approximately HK\$4.9 million and HK\$5.9 million, representing approximately 20.9% and 19.3% of our total revenue, respectively. For the four months ended 30 September 2015 and 2016, our costs of beverages amounted to approximately HK\$3.6 million and HK\$4.4 million, representing approximately 72.4% and 74.8% of our total cost of inventories sold, respectively, and our costs of food ingredients amounted to approximately HK\$1.3 million and HK\$1.4 million, representing approximately 26.7% and 24.3% of our total cost of inventories sold, respectively. We have devoted substantial efforts to secure sufficient supply of beverages and food ingredients, however, in line with the industry practice, we had not entered into any long term contract with our suppliers. For details of our suppliers, see “Business — Suppliers”.

During the Track Record Period, we did not experience any interruption of supply that had any material adverse impact on our business or results of operations. However, the prices and supply of beverage and food ingredients are subject to a number of factors that are beyond our control, including governmental regulations, general economic condition, demand and supply.

Employee benefits expenses

Club and restaurant operations are highly service-oriented and labour intensive. Employee benefits expenses were one of the largest components of our operating expenses. Our employee benefits expenses included all salaries and benefits payable to all the employees and staff, including the executive Director, headquarters staff and operational staff in each outlet. For the two years ended 31 May 2015 and 2016, our staff costs amounted to approximately HK\$7.7 million and HK\$13.1 million, respectively, representing approximately 11.4% and 14.7% of our total revenue, respectively. For the four months ended 30 September 2015 and 2016, our staff costs amounted to approximately HK\$3.5 million and HK\$5.9 million, representing approximately 14.9% and 19.4% of our total revenue, respectively. Our Group believes that high-quality customer service is a key attribute of our success. Therefore, we need to offer competitive wages and other benefits to our employees in order to attract, motivate and retain a sufficient number of qualified employees.

Due to the increase in the statutory minimum wage, shortage of labour and the general increase in labour costs in Hong Kong, the salary level of employees in the clubbing and restaurant industry in Hong Kong has generally increased in recent years. We expect our staff costs will continue to increase as inflationary pressures in Hong Kong continue to drive up salary levels and we may not be able to increase our prices sufficiently to pass these increased staff costs onto our customers.

Seasonality

Our Group experiences seasonal fluctuation in the revenue. For our clubbing operations, we generally experience a higher level of revenue from December to January. Our Directors consider that there are more holiday gatherings and celebration activities from November to January with more festival days such as Christmas and New Year’s Eve in these periods. For our restaurant operations, we generally experience a higher level of revenue from December to January and July to August. Our Directors consider that we are able to capture more expenditure from students during their school holidays. For both our clubbing and restaurant operations, we generally experience a lower level of revenue in February. Our Directors consider that our target customers become less keen about night entertainment and dining out with friends after the holidays in December and January and with the Chinese New Year, which usually falls in the month of February, is a busy travel period. Severe weather conditions (such as typhoon) may also impact the revenue. Because of the seasonality of the business, the results for any period in a year are not necessarily indicative of the results that may be achieved for the full year.

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Market competition

We face intense competition from other night entertainment venues, various restaurant chains and individual restaurant operators which target the same or similar group of customers. There are numerous night entertainment venues in Hong Kong that serve alcoholic beverages in venues that open at night and restaurants in Hong Kong offering Japanese-style cuisine. These establishments compete with us in terms of, among other things, taste, quality, price, customer service, ambience, and the overall entertainment and dining experience. Some of our competitors may have longer operating history, larger customer bases, better brand recognition and reputation, and better financial position, marketing strategies and public relations resources. As we face intense competition from other competitors as well as new market entrants, our business and results of operations may be adversely affected in the event that we are not able to stay competitive in terms of our pricing, or there is deterioration in the quality of our products and services.

Availability of commercially attractive locations and ability to renew existing leases/licences of the leased/licensed properties and market conditions of the retail rental market

All of our clubs and restaurants are located in prime areas in Hong Kong, such as Causeway Bay and Lan Kwai Fong and major shopping malls in Hong Kong such as Harbour City and Times Square. Our Directors believe that locations of our clubs and restaurants are vital for reaching target customers and the promotion of our brands and reputation and it is important that our clubs and restaurants are situated in commercially attractive locations. However, due to our stringent criteria on the club and restaurant locations, commercially viable choices are usually limited. In the event that there is a need for relocation due to whatever reasons or we intend to open new outlets, we cannot assure that we will be able to find suitable premises for our outlets with reasonable commercial terms, and accordingly our plan for relocation or expansion may be delayed or disrupted which in turn may have an adverse effect on our results of operations and financial conditions.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

Critical accounting policies and estimates refer to those accounting policies and estimates that entail significant uncertainty and judgement, and could yield materially different results under different conditions and/or assumptions. The preparation of our financial information in conformity with the HKFRSs requires our management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The methods and approach that we use in determining these items is based on our experience, the nature of our business operations, the relevant rules and regulations and the relevant circumstances. These underlying assumptions and estimates are reviewed regularly as they may have a significant impact on our operational results as reported in our consolidated financial information included elsewhere in this prospectus. Below is a summary of the significant accounting policies in accordance with HKFRSs that we believe are important to the presentation of our financial information and involve the need to make estimates and judgements about the effect of matters that are inherently uncertain. We also have other policies, judgements, estimates and assumptions that we consider as significant, which are set out in detail in notes 4 and 5 to the Accountant's Report.

Revenue recognition

During the Track Record Period, we recognised revenue from our clubbing operations when (i) sales of beverages were delivered; (ii) our services were provided or other products were delivered (including tips, cloakroom fees, photobooth income and rental income from leasing our club premises for event) to our customers and we recognised revenue from our restaurant operations when our catering services have been rendered.

For further details regarding our accounting policy relating to revenue recognition, see "note 5.14 revenue recognition" to the Accountant's Report.

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Property, plant and equipment

As at 31 May 2015, 31 May 2016 and 30 September 2016, we had property, plant and equipment of approximately HK\$10.9 million, HK\$10.2 million and HK\$9.2 million, respectively, representing our leasehold improvement, furniture, fixtures and equipment and motor vehicles.

For further details regarding our accounting policy relating to property, plant and equipment, see “note 5.4 property, plant and equipment” to the Accountant’s Report.

Financial liabilities

Our financial liabilities during the Track Record Period mainly represented trade payables, accruals and other payables and amounts due to related parties.

For further details regarding our accounting policy relating to financial liabilities, see “note 5.5 financial instruments — (iii) financial liabilities” to the Accountant’s Report.

Leasing

During the Track Record Period, we had operating lease commitments in respect of the head office, club premises and restaurant premises.

For further details regarding our accounting policy relating to leasing, see “note 5.8 leasing” to the Accountant’s Report.

SUMMARY RESULTS OF OPERATIONS

The following table presents the summary of our consolidated results for the Track Record Period, which are derived from, and should be read in conjunction with the consolidated financial information contained in the Accountant’s Report.

	Year ended 31 May		Four months ended 30 September	
	2015 (HK\$'000)	2016 (HK\$'000)	2015 (HK\$'000) (Unaudited)	2016 (HK\$'000)
Revenue	67,387	88,870	23,519	30,613
Cost of inventories sold	(13,300)	(18,172)	(4,905)	(5,910)
Other income and gains	432	557	144	72
Property rentals and related expenses	(16,066)	(20,919)	(6,274)	(7,748)
Advertising and marketing expenses	(11,278)	(11,709)	(3,363)	(3,684)
Employee benefits expenses	(7,656)	(13,068)	(3,514)	(5,929)
Depreciation	(3,472)	(4,199)	(1,294)	(1,436)
Listing expenses	—	—	—	(8,191)
Other expenses	(7,478)	(10,953)	(3,389)	(4,201)
Profit/(Loss) before income tax expense	8,569	10,407	924	(6,414)
Income tax expense	(1,470)	(2,023)	(293)	(361)
Profit/(Loss) and total comprehensive income/(expense) for the year/period	<u>7,099</u>	<u>8,384</u>	<u>631</u>	<u>(6,775)</u>

DESCRIPTION AND ANALYSIS OF PRINCIPAL COMPONENTS IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we derived our revenue from our clubbing operations and restaurant operations. Revenue from our clubbing operations and restaurant operations during the Track Record Period were

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mainly generated from sales of beverages at our clubs and sales of food and beverages at our restaurants in Hong Kong, respectively. Our total revenue for the two years ended 31 May 2015 and 2016 amounted to approximately HK\$67.4 million and HK\$88.9 million, respectively and our total revenue for the four months ended 30 September 2015 and 2016 amounted to approximately HK\$23.5 million and HK\$30.6 million, respectively.

The table below sets forth the breakdown of our revenue by outlet for the Track Record Period.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	(HK\$'000)	(% of total revenue)	(HK\$'000)	(% of total revenue)	(HK\$'000) (unaudited)	(% of total revenue)	(HK\$'000)	(% of total revenue)
Clubbing operations	62,082	92.1	72,851	82.0	18,707	79.5	24,240	79.2
Volar	62,082	92.1	62,748	70.6	18,707	79.5	19,726	64.4
Fly ⁽¹⁾	—	—	10,103	11.4	—	—	4,514	14.8
Restaurant operations	5,305	7.9	16,019	18.0	4,812	20.5	6,373	20.8
Tiger Curry	5,208	7.8	6,044	6.8	2,294	9.8	1,960	6.4
Tiger Curry Jr. ⁽²⁾	97	0.1	4,982	5.6	1,548	6.6	2,003	6.5
Tiger Curry & Cafe ⁽³⁾	—	—	4,993	5.6	970	4.1	2,410	7.9
Total	67,387	100.0	88,870	100.0	23,519	100.0	30,613	100.0

Notes:

1. Fly came under our operation through our acquisition of its operating company in November 2015. For details, see “History, Reorganisation and Corporate Structure — Corporate development — Our corporate history — Grand Diamond”.
2. Commenced business on 20 May 2015.
3. Commenced business on 30 July 2015.

Our total revenue increased by approximately 31.9% from approximately HK\$67.4 million for the year ended 31 May 2015 to approximately HK\$88.9 million for the year ended 31 May 2016 and our total revenue increased by approximately 30.2% from approximately HK\$23.5 million for the four months ended 30 September 2015 to approximately HK\$30.6 million for the four months ended 30 September 2016. Such increase in the revenue was mainly due to the increase in revenue from our clubbing operations as well as our restaurant operations. The following is the analysis of our revenue generated from our clubbing operations and restaurant operations during the Track Record Period.

Our clubbing operations

Revenue from our clubbing operations mainly represents the sales of beverage, entrance fee income, sponsorship income, and sales of other products and services (including cloakroom income, photobooth income, tips income and rental income from leasing our club premises for events). For the two years ended 31 May 2015 and 2016, revenue generated from our clubbing operations amounted to approximately HK\$62.1 million and HK\$72.9 million, accounting for approximately 92.1% and 82.0% of our total revenue, respectively. Revenue from our clubbing operations increased by approximately HK\$10.8 million or 17.3% from approximately HK\$62.1 million for the year ended 31 May 2015 to approximately HK\$72.9 million for the year ended 31 May 2016. Such increase was mainly due to the revenue contributed by Fly to our Group which came under our operation through acquisition of its operating company in November 2015 of approximately HK\$10.1 million for the year ended 31 May 2016.

For the four months ended 30 September 2015 and 2016, our revenue generated from clubbing operations increased from approximately HK\$18.7 million for the four months ended 30 September 2015 to approximately HK\$24.2 million for the four months ended 30 September 2016, representing an increase of approximately HK\$5.5 million or 29.6% and accounting for approximately 79.5% and 79.2% of our total revenue, respectively.

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The increase in revenue from clubbing operations was mainly due to revenue contributed by Fly of approximately HK\$4.5 million for the four months ended 30 September 2016. Excluding the contribution of Fly, the increase in revenue from clubbing operations was increased by approximately HK\$1.0 million which was contributed by Volar from approximately HK\$18.7 million for the four months ended 30 September 2015 to approximately HK\$19.7 million, representing an increase of approximately 5.4%.

During the Track Record Period, we generated the majority of our revenue from net sales of beverage of our clubbing operations which amounted to approximately HK\$55.7 million and HK\$66.6 million for the two years ended 31 May 2015 and 2016 and amounted to approximately HK\$17.3 million and HK\$21.6 million for the four months ended 30 September 2015 and 2016, respectively, accounting for approximately 89.7% and 91.4% for the two years ended 31 May 2015 and 2016 and approximately 92.2% and 89.3% for the four months ended 30 September 2015 and 2016 of our revenue from clubbing operations.

The following tables sets forth a breakdown of revenue from our clubbing operations in terms of service category for the Track Record Period.

	Year ended 31 May							
	2015				2016			
	Volar		Fly		Volar		Fly	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Gross sales of beverage	65,341	105.2	—	—	67,008	106.8	11,180	110.7
Less: sales discount	(9,654)	(15.5)	—	—	(9,025)	(14.4)	(2,543)	(25.2)
Net sales of beverage ^(Note)	55,687	89.7	—	—	57,983	92.4	8,637	85.5
Entrance fee income	4,503	7.3	—	—	2,249	3.6	971	9.6
Sponsorship income	896	1.4	—	—	1,303	2.1	349	3.5
Others	996	1.6	—	—	1,213	1.9	146	1.4
Total clubbing revenue	62,082	100.0	—	—	62,748	100.0	10,103	100.0

	Four months ended 30 September							
	2015				2016			
	Volar		Fly		Volar		Fly	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Gross sales of beverage	20,645	110.3	—	—	20,718	105.0	5,313	117.7
Less: sales discount	(3,389)	(18.1)	—	—	(2,970)	(15.0)	(1,412)	(31.3)
Net sales of beverage ^(Note)	17,256	92.2	—	—	17,748	90.0	3,901	86.4
Entrance fee income	649	3.5	—	—	671	3.4	453	10.0
Sponsorship income	502	2.7	—	—	965	4.9	104	2.3
Others	300	1.6	—	—	342	1.7	56	1.3
Total clubbing revenue	18,707	100.0	—	—	19,726	100.0	4,514	100.0

Note: According to the Hong Kong Accounting Standard (“HKAS”) 18 — Revenue, the amount of the revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity. Therefore, sales of beverage of our Group were accounted for net of sales discounts.

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Sales of beverage

During the Track Record Period, we generated most of our revenue from sales of beverage at our clubs, which comprised different alcoholic and non-alcoholic beverage products. The table below sets forth the breakdown of the beverage categories sold for the Track Record Period.

Type of beverages	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Gross sales of beverage (HK\$'000)	% of total gross sales of beverage (%)	Gross sales of beverage (HK\$'000)	% of total gross sales of beverage (%)	Gross sales of beverage (HK\$'000) (Unaudited)	% of total gross sales of beverage (%)	Gross sales of beverage (HK\$'000)	% of total gross sales of beverage (%)
Champagne	29,088	44.5	35,777	45.8	10,297	49.9	10,975	42.2
Spirits ⁽¹⁾	20,819	31.9	25,029	32.0	5,755	27.9	9,106	35.0
Cocktails and liqueurs ⁽²⁾	5,396	8.3	5,434	6.9	1,546	7.5	1,795	6.9
Soft drinks and other ⁽³⁾	3,260	5.0	3,153	4.0	901	4.4	1,066	4.1
Beer	1,230	1.9	1,746	2.2	388	1.9	670	2.6
Wine	330	0.5	584	0.7	76	0.3	322	1.2
Service charge	5,218	7.9	6,465	8.4	1,682	8.1	2,097	8.0
Total	65,341	100.0	78,188	100.0	20,645	100.0	26,031	100.0

Notes:

1. Include mainly whisky, vodka, brandy, gin, rum, tequila, Schnapps etc.
2. Generally refers to an alcoholic beverage served by glass and prepared by bartenders mixing different alcoholic and non-alcoholic ingredients.
3. Others generally include mineral water, juices and condiments.

During the Track Record Period, Champagne was the best-selling category of beverages which accounted for approximately 44.5% and 45.8% of the total gross sales of beverage for each of the two years ended 31 May 2015 and 2016 and approximately 49.9% and 42.2% for the four months ended 30 September 2015 and 2016, respectively. Revenue generated from our sales of Champagne increased by approximately HK\$6.7 million from approximately HK\$29.1 million for the year ended 31 May 2015 to approximately HK\$35.8 million for the year ended 31 May 2016, representing an increase of approximately 23.0% and revenue generated from our sales of Champagne slightly increased by approximately HK\$0.7 million from approximately HK\$10.3 million for the four months ended 30 September 2015 to approximately HK\$11.0 million for the four months ended 30 September 2016, representing an increase of approximately 6.8%. Revenue generated from sales of spirits, which is the second best-selling category among all types of beverages, accounted for approximately 31.9% and 32.0% of the total gross sales of beverage for each the two years ended 31 May 2015 and 2016 and approximately 27.9% and 35.0% for the four months ended 30 September 2015 and 2016, respectively. Revenue generated from our sales of spirits increased by approximately HK\$4.2 million from approximately HK\$20.8 million for the year ended 31 May 2015 to approximately HK\$25.0 million for the year ended 31 May 2016, representing an increase of approximately 20.2% and revenue generated from our sales of spirits increased by approximately HK\$3.3 million from approximately HK\$5.8 million for the four months ended 30 September 2015 to approximately HK\$9.1 million for the four months ended 30 September 2016, representing an increase of approximately 56.9%. The aforesaid increases in the sales of Champagne and spirits during the Track Record Period were mainly due to an increase of gross sales of beverages generated from Volar and Fly by approximately HK\$1.7 million and HK\$11.2 million for the year ended 31 May 2016 and approximately HK\$0.1 million and HK\$5.3 million for the four months ended 30 September 2016, respectively, primarily due to the acquisition of Grand Diamond, the operating company of Fly, in November 2015 while no sales were contributed by Fly in the prior financial year/period.

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Entrance fee income

Our entrance fee income comprised cover charges and pre-event sales. Cover charge refers to the fee we charge for attending our clubs (whether on a regular operating day or on a day with featured events) and ranges from HK\$150 to HK\$600 per customer. The cover charge generally entitles our customers to a few complimentary beverages. Pre-event sales refer to the ticket income we charge for featured events generated from sales of tickets through an independent online ticketing agent which generally receives a fee from us based on the amount of gross ticket revenue from purchases through their website.

The table below sets forth the breakdown of our entrance fee income for the Track Record Period.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Entrance fee income	% of total entrance fee income	Entrance fee income	% of total entrance fee income	Entrance fee income	% of total entrance fee income	Entrance fee income	% of total entrance fee income
	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i> <i>(Unaudited)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>
Cover charges	4,292	95.3	3,028	94.0	592	91.2	1,087	96.7
Pre-event sales	211	4.7	192	6.0	57	8.8	37	3.3
Total	4,503	100.0	3,220	100.0	649	100.0	1,124	100.0

Revenue generated from our entrance fee income decreased by approximately HK\$1.3 million from approximately HK\$4.5 million for the year ended 31 May 2015 to approximately HK\$3.2 million for the year ended 31 May 2016, representing a decrease of approximately 28.5%. The decrease was principally attributable to the decrease of cover charges of approximately HK\$1.3 million as a result of the increase in the number of our customers who joined our prepaid beverage package during the year ended 31 May 2016 in which those customers were not required to pay the cover charge as such charges were waived.

Revenue generated from our entrance fee income increased by approximately HK\$0.5 million from approximately HK\$0.6 million for the four months ended 30 September 2015 to approximately HK\$1.1 million for the four months ended 30 September 2016, representing an increase of 73.2%. Such increase was primarily due to an increase in cover charges of approximately HK\$0.5 million as a result of our servicing of an enlarged customer base after the opening of Fly (which came under our operation in November 2015).

Sponsorship income

Our sponsorship income mainly covers (i) the sponsorship fees we receive from beverage suppliers for displaying logos or products and other promotions in our clubs; and (ii) beverage products equivalent to a certain value we receive from beverage suppliers according to the number and type of events promoting specified beverages. We enter into purchasing and sponsorship agreements mainly with beverage suppliers including MHD. These agreements are mainly for a term of one year and set out the selling prices of beverages during the contract period and the sponsorship fees we are entitled to for conducting the specified promotional activities for designated beverages, and do not impose supply or purchase obligations. As at the Latest Practicable Date, among our five largest suppliers during the Track Record Period, we entered into purchasing and sponsorship agreements with MHD and Supplier A, details of which are set out in "Business — Suppliers".

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The table below sets forth the breakdown of our sponsorship income for the Track Record Period.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Sponsorship income	% of total sponsorship income	Sponsorship income	% of total sponsorship income	Sponsorship income	% of total sponsorship income	Sponsorship income	% of total sponsorship income
	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>
Sponsorship fees	482	53.8	1,068	64.6	312	62.2	891	83.3
Beverage products equivalent to certain value ^(Note)	414	46.2	584	35.4	190	37.8	178	16.7
Total	896	100.0	1,652	100.0	502	100.0	1,069	100.0

Note: For accounting purpose, these figures (i) include beverage products we receive based on the promotional activities we conduct; and (ii) exclude beverage products we receive based on our purchase volume which are recorded on our stock record as normal stock.

Revenue generated from our sponsorship income increased by approximately HK\$0.8 million from approximately HK\$0.9 million for the year ended 31 May 2015 to approximately HK\$1.7 million for the year ended 31 May 2016, representing an increase of approximately 84.4%. The increase was mainly due to the increase in sponsorship fees generated from Volar and Fly (which came under our operation in November 2015) by approximately HK\$0.4 million and HK\$0.3 million for the year ended 31 May 2016 as compared to the last financial year.

Revenue generated from our sponsorship income increased by approximately HK\$0.6 million from approximately HK\$0.5 million for the four months ended 30 September 2015 to approximately HK\$1.1 million for the four months ended 30 September 2016, representing an increase of approximately 112.9%. The increase was mainly due to an increase in sponsorship fees generated from Volar and Fly (which came under our operation in November 2015) by approximately HK\$0.5 million and HK\$0.1 million for the four months ended 30 September 2016, respectively, as compared to the four months ended 30 September 2015.

Others

Revenue generated from others mainly consists of cloakroom income, photobooth income, tips income and rental income from leasing our club premises for events. Revenue generated from others increased by approximately HK\$0.4 million from approximately HK\$1.0 million for the year ended 31 May 2015 to approximately HK\$1.4 million for the year ended 31 May 2016, representing an increase of approximately 36.4%. The increase was mainly as a result of (i) the increase in event rental income generated from Volar by approximately HK\$0.1 million; and (ii) the increase in tips income generated from our clubbing operations of approximately HK\$0.2 million, as compared to the corresponding period in 2015.

Revenue generated from others remained relatively stable at approximately HK\$0.4 million for the four months ended 30 September 2016 as compared to approximately HK\$0.3 million for the four months ended 30 September 2015.

Our restaurant operations

Revenue generated from our restaurant operations mainly represents the net sales of food and beverage and others. During the Track Record Period, we generated the majority of our revenue from the sales of food and beverage which amounted to approximately HK\$5.3 million and HK\$16.0 million for the two years ended 31 May 2015 and 2016 and approximately HK\$4.8 million and HK\$6.4 million for the four months ended 30 September 2015 and 2016, respectively, accounting for approximately 7.9% and 18.0% of our total revenue for the two years ended 31 May 2015 and 2016 and approximately 20.5% and 20.8% of our total revenue for the four months ended 30 September 2015 and 2016, respectively.

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The tables below sets forth the breakdown of our revenue from our restaurant operations in terms of service category for the Track Record Period.

	Year ended 31 May						Four months ended 30 September					
	2015			2016			2015			2016		
	Tiger Curry	Tiger Curry & Cafe	Tiger Curry Jr.	Tiger Curry	Tiger Curry & Cafe	Tiger Curry Jr.	Tiger Curry	Tiger Curry & Cafe	Tiger Curry Jr.	Tiger Curry	Tiger Curry & Cafe	Tiger Curry Jr.
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
	<i>(Unaudited)</i>						<i>(Unaudited)</i>					
Net sales of food and beverage	5,199	—	97	6,036	4,986	4,982	2,291	968	1,548	1,958	2,407	2,003
Others	9	—	—	8	7	—	3	2	—	2	3	—
Total restaurant revenue	5,208	—	97	6,044	4,993	4,982	2,294	970	1,548	1,960	2,410	2,003

Revenue generated from our net sales of food and beverage increased by approximately HK\$10.7 million from approximately HK\$5.3 million for the year ended 31 May 2015 to approximately HK\$16.0 million for the year ended 31 May 2016, representing an increase of approximately 202.2%. The substantial increase was mainly due to (i) the commencement of operation of Tiger Curry Jr. and Tiger Curry & Cafe in May 2015 and July 2015, respectively, which generated revenue of approximately HK\$5.0 million and HK\$5.0 million for the year ended 31 May 2016, respectively; and (ii) the growth in revenue generated from Tiger Curry by approximately HK\$0.8 million or 16.1% for year ended 31 May 2016 as compared to the year ended 31 May 2015.

Revenue generated from our net sales of food and beverage increased by approximately HK\$1.6 million from approximately HK\$4.8 million for the four months ended 30 September 2015 to approximately HK\$6.4 million for the four months ended 30 September 2016, representing an increase of approximately 32.5%. The increase was mainly due to the growth in revenue from Tiger Curry & Cafe, which commenced business on 30 July 2015, of approximately HK\$1.4 million as a result of our full-period of operation for the four months ended 30 September 2016.

Costs of inventories sold

Our costs of inventories sold mainly represents the cost of beverage and food ingredients used in our operations. The major beverage and food ingredients purchased by our Group includes, but is not limited to, Champagne, frozen food, dried food, etc.. Cost of inventories sold is one of the major components of our operating expenses which amounted to approximately HK\$13.3 million and HK\$18.2 million for the two years ended 31 May 2015 and 2016 and approximately HK\$4.9 million and HK\$5.9 million for the four months ended 30 September 2015 and 2016, respectively, representing approximately 19.7% and 20.4% of our Group's total revenue for the two years ended 31 May 2015 and 2016 and approximately 20.9% and 19.3% of our total revenue for the four months ended 30 September 2015 and 2016, respectively.

The tables below sets forth the breakdown of our costs of inventories sold for the Track Record Period.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Beverage	11,556	86.9	14,165	77.9	3,552	72.4	4,422	74.8
Food	1,591	12.0	3,840	21.1	1,311	26.7	1,433	24.3
Other	153	1.1	167	1.0	42	0.9	55	0.9
Total	13,300	100.0	18,172	100	4,905	100.0	5,910	100.0

During the Track Record Period, our costs of inventories sold increased by approximately HK\$4.9 million from approximately HK\$13.3 million for the year ended 31 May 2015 to approximately HK\$18.2 million for the year ended 31 May 2016, representing an increase of approximately 36.6%. The increase was generally in line with our revenue growth rate for the year ended 31 May 2016 of approximately 31.9%. The increase was primarily a result of the increases in the costs of beverages and food ingredients amounting to approximately

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HK\$2.6 million and HK\$2.2 million for the year ended 31 May 2016, respectively, which is mainly due to our expansion of (i) the clubbing operations by acquiring Grand Diamond, the operating company of Fly, in November 2015, and (ii) the restaurant operations by opening Tiger Curry Jr. and Tiger Curry & Cafe in May 2015 and July 2015, respectively.

Our costs of inventories sold increased by approximately HK\$1.0 million from approximately HK\$4.9 million for the four months ended 30 September 2015 to approximately HK\$5.9 million for the four months ended 30 September 2016, representing an increase of approximately 20.5%. The increase was generally in line with our revenue growth rate for the four months ended 30 September 2016 of approximately 30.2%. Such increase was mainly due to a surge in the costs of beverages and food ingredients amounting to approximately HK\$0.9 million and HK\$0.1 million, respectively, for the four months ended 30 September 2016 as a result of the expansion of our clubbing operations and restaurant operations mentioned above.

See “— Sensitivity and breakeven analysis” for the impact of hypothetical fluctuations in costs of inventories sold on our profit before taxation and profit for the year during the Track Record Period.

Other income and gains

Our other income and gains mainly represents the gain on disposal of property, plant and equipment, management fee income and bank interest income.

The tables below sets forth the breakdown of our other income and gains for the Track Record Period.

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Gain on disposal of property, plant and equipment	—	125	—	—
Management fee income	432	432	144	72
Total	<u>432</u>	<u>557</u>	<u>144</u>	<u>72</u>

During the Track Record Period, our other income and gains increased by approximately 28.9% from approximately HK\$0.4 million for the year ended 31 May 2015 to approximately HK\$0.6 million for the year ended 31 May 2016. The increase was mainly due to the disposal of a motor vehicle during the year ended 31 May 2016 which amounted to approximately HK\$125,000.

Our other income and gains remained relatively stable at approximately HK\$0.1 million for the four months ended 30 September 2015 and 2016.

Property rentals and related expenses

Our property rentals and related expenses primarily represent the rental payments under operating leases and property management fee paid for our club premises, restaurants and office premises. The property rentals and related expenses were the largest component of our operating expenses which amounted to approximately HK\$16.1 million and HK\$20.9 million for the two years ended 31 May 2015 and 2016 and approximately HK\$6.3 million and HK\$7.7 million for the four months ended 30 September 2015 and 2016, respectively, accounting for approximately 23.8% and 23.5% of our total revenue for the two years ended 31 May 2015 and 2016 and approximately 26.7% and 25.3% of our total revenue for the four months ended 30 September 2015 and 2016, respectively. The rental type of our current lease agreements of our club premises and restaurants are either (i) a fixed rent; (ii) a fixed rent or turnover rent whichever is the greater; and (iii) an aggregate of fixed rent and turnover rent.

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The tables below sets forth the breakdown of our property rentals and related expenses for the Track Record Period.

	Year ended 31 May		Four months ended 30 September	
	2015 <i>(HK\$'000)</i>	2016 <i>(HK\$'000)</i>	2015 <i>(HK\$'000)</i> <i>(Unaudited)</i>	2016 <i>(HK\$'000)</i>
Clubbing operations	14,469	16,208	4,787	5,776
Restaurant operations	1,491	4,546	1,454	1,600
Others	106	165	33	372
Total	16,066	20,919	6,274	7,748

During the Track Record Period, our property rentals and related expenses increased by approximately HK\$4.8 million from approximately HK\$16.1 million for the year ended 31 May 2015 to approximately HK\$20.9 million for the year ended 31 May 2016, representing an increase of approximately 30.2%. The increase was mainly due to (i) the property rentals and related expenses amounting to approximately HK\$1.7 million incurred by Fly, which came under our operation through our acquisition of its operating company in November 2015; and (ii) the property rentals and related expenses incurred by Tiger Curry Jr. and Tiger Curry & Cafe which commenced operation in May 2015 and July 2015, respectively, amounting to approximately HK\$1.4 million and HK\$1.7 million, respectively.

Our property rentals and related expenses increased by approximately HK\$1.4 million from approximately HK\$6.3 million for the four months ended 30 September 2015 to approximately HK\$7.7 million for the four months ended 30 September 2016, representing an increase of approximately 23.5%. The increase was mainly due to (i) the property rentals and related expenses amounting to approximately HK\$0.9 million incurred by Fly; and (ii) the property rentals and related expenses amounting to approximately HK\$0.4 million incurred by our head office, the term of which commenced in April 2016 under the tenancy agreement.

See “— Sensitivity and breakeven analysis” for the impact of hypothetical fluctuations in property rentals and related expenses on our profit before taxation and profit for the year during the Track Record Period.

Advertising and marketing expenses

Our advertising and marketing expenses primarily consist of advertising and promotional expense such as the cost of engaging resident and guest DJs and the expenses we incurred for engaging Model Genesis for the provision of marketing and promotion services to our clubbing operations. Our advertising and marketing expenses remained relatively stable at approximately HK\$11.3 million and HK\$11.7 million for the two years ended 31 May 2015 and 2016, respectively, representing approximately 16.7% and 13.2% of our total revenue, respectively.

Our advertising and marketing expenses increased by approximately HK\$0.3 million from approximately HK\$3.4 million for the four months ended 30 September 2015 to approximately HK\$3.7 million for the four months ended 30 September 2016, representing an increase of approximately 9.5%. The increase was primarily due to the marketing expenses incurred for Fly, which came under our operation in November 2015.

Employee benefits expenses

During the Track Record Period, our employee benefits expenses represented one of the major components of our operating expenses, which primarily consisted of salaries, discretionary bonuses, membership commission, tips from customers allocated to staff and other benefits including retirement benefit scheme contribution and other allowances and benefits payable to the permanent staff and part time staff. Our employee benefits expenses amounted to approximately HK\$7.7 million and HK\$13.1 million for the two years ended 31 May 2015 and 2016 and approximately HK\$3.5 million and HK\$5.9 million for the four months ended 30 September 2015 and 2016, respectively, representing approximately 11.4% and 14.7% of our total revenue for the two years ended 31 May

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2015 and 2016 and approximately 14.9% and 19.4% of our total revenue for the four months ended 30 September 2015 and 2016, respectively.

The tables below sets forth the breakdown of our employee benefits expenses for the Track Record Period.

	Year ended 31 May,		Four months ended 30 September	
	2015 <i>(HK\$'000)</i>	2016 <i>(HK\$'000)</i>	2015 <i>(HK\$'000)</i> <i>(Unaudited)</i>	2016 <i>(HK\$'000)</i>
Salaries and other benefits	7,128	12,273	3,298	5,470
Directors' remuneration	240	240	80	199
Retirement benefit scheme contribution	288	555	136	260
Total	<u>7,656</u>	<u>13,068</u>	<u>3,514</u>	<u>5,929</u>

During the Track Record Period, our employee benefits expenses increased by approximately HK\$5.4 million from approximately HK\$7.7 million for the year ended 31 May 2015 to approximately HK\$13.1 million for the year ended 31 May 2016, representing an increase of approximately 70.7%. The increase was mainly due to (i) the staff costs attributable to Fly (which came under our operation through our acquisition of its operating company in November 2015) of approximately HK\$1.2 million; and (ii) the staff costs attributable to Tiger Curry Jr. and Tiger Curry & Cafe of approximately HK\$1.1 million and HK\$2.0 million, which commenced business in May 2015 and July 2015, respectively.

Our employee benefits expenses increased by approximately HK\$2.4 million from approximately HK\$3.5 million for the four months ended 30 September 2015 to approximately HK\$5.9 million for the four months ended 30 September 2016, representing an increase of approximately 68.7%. The increase was mainly due to (i) the staff cost incurred for Fly and Tiger Curry & Cafe of approximately HK\$0.7 million and HK\$0.3 million, respectively; and (ii) the increase in head office staff costs of approximately HK\$0.9 million as a result the expansion of our clubbing and restaurant operations.

Depreciation

Our depreciation represents the depreciation charge for property, plant and equipment, including, among others, leasehold improvements, furniture, fixtures and equipment and motor vehicles. Our depreciation amounted to approximately HK\$3.5 million and HK\$4.2 million for the two years ended 31 May 2015 and 2016 and approximately HK\$1.3 million and HK\$1.4 million for the four months ended 30 September 2015 and 2016, respectively, representing approximately 5.2% and 4.7% of our total revenue for the two years ended 31 May 2015 and 2016 and approximately 5.5% and 4.7% of our total revenue for the four months ended 30 September 2015 and 2016, respectively.

During the Track Record Period, our depreciation increased by approximately HK\$0.7 million from approximately HK\$3.5 million for the year ended 31 May 2015 to approximately HK\$4.2 million for the year ended 31 May 2016, representing an increase of approximately 20.9%. The increase was mainly as a result of the opening of Tiger Curry Jr. and Tiger Curry & Cafe during the year ended 31 May 2016.

Our depreciation remained relatively stable at approximately HK\$1.4 million for the four months ended 30 September 2016 as compared to approximately HK\$1.3 million for the four months ended 30 September 2015.

Other expenses and Listing expenses

Our other operating expenses mainly represents security expenses for our clubs, credit card commissions, repairs and maintenance costs and cleaning expenses. For the two years ended 31 May 2015 and 2016, our other expenses amounted to approximately HK\$7.5 million and HK\$11.0 million, respectively, which accounted for

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approximately 11.1% and 12.3% of our total revenue, respectively. For the four months ended 30 September 2015 and 2016, our other expenses amounted to approximately HK\$3.4 million and HK\$4.2 million, respectively, which accounted for approximately 14.4% and 13.7% of our total revenue, respectively.

The tables below sets forth the breakdown of our other expenses for the Track Record Period.

	Year ended 31 May		Four months ended 30 September	
	2015 (HK\$'000)	2016 (HK\$'000)	2015 (HK\$'000) (Unaudited)	2016 (HK\$'000)
Security expenses	2,222	2,870	807	1,044
Credit card commissions	1,061	1,271	351	476
Repair and maintenance expenses	711	1,208	306	365
Cleaning expense	647	1,506	381	664
Utilities expenses	644	970	312	417
Legal and professional fee	390	375	169	198
Utensils expenses	389	314	172	95
Licence fee	348	416	115	270
Insurance	315	429	125	157
Other expenses ^(Note)	751	1,594	651	515
Total	<u>7,478</u>	<u>10,953</u>	<u>3,389</u>	<u>4,201</u>
Listing expenses	—	—	—	<u>8,191</u>

Note: Other expenses refers to motor car maintenance expenses, travelling expenses and other miscellaneous expenses.

During the Track Record Period, our other expenses increased by approximately HK\$3.5 million from approximately HK\$7.5 million for the year ended 31 May 2015 to approximately HK\$11.0 million for the year ended 31 May 2016. Such increase was mainly due to the increase in security expenses, credit card commissions, repair and maintenance expenses and cleaning expenses incurred for our clubbing operations and restaurant operations, which were in line with our business expansion during the year ended 31 May 2016.

Our other expenses increased by approximately HK\$0.8 million from approximately HK\$3.4 million for the four months ended 30 September 2015 to approximately HK\$4.2 million for the four months ended 30 September 2016, representing an increase of approximately 24.0%. Such increase was mainly due to an increase in security expenses, credit card commissions and cleaning expense.

Listing expenses of approximately HK\$8.2 million were recognised for the four months ended 30 September 2016. No such expenses were incurred for the four months ended 30 September 2015 and the two years ended 31 May 2015 and 2016.

Profit/(loss) before income tax expense

As a result of the foregoing, our profit before income tax expense increased by approximately HK\$1.8 million from approximately HK\$8.6 million for the year ended 31 May 2015 to approximately HK\$10.4 million for the year ended 31 May 2016, representing an increase of approximately 21.4%, and we changed from profit before income tax expense of approximately HK\$0.9 million for the four months ended 30 September 2015 to loss before income tax expenses of approximately HK\$6.4 million for the four months ended 30 September 2016. Excluding the non-recurring Listing expenses of approximately HK\$8.2 million incurred during the four months ended 30 September 2016, we would have recorded a profit before income tax expenses of approximately HK\$1.8 million for the four months ended 30 September 2016.

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Income tax expense

Our operations in Hong Kong are subject to Hong Kong profits tax of 16.5% on estimated assessable profit arising in Hong Kong and we have no tax obligation arising from other jurisdictions during the Track Record Period. For details, see “note 5.10 impairment of assets (other than financial assets)” to the Accountant’s Report.

For the two years ended 31 May 2015 and 2016, our income tax expense amounted to approximately HK\$1.5 million and HK\$2.0 million, respectively. Such increase was in line with the increase in the profit before taxation for the year ended 31 May 2016. The effective income tax rate increased from approximately 17.2% in the year ended 31 May 2015 to 19.4% in the year ended 31 May 2016.

Our income tax expense remained relatively stable at approximately HK\$0.4 million for the four months ended 30 September 2016 as compared to approximately HK\$0.3 million for the four months ended 30 September 2015.

Profit and total comprehensive income/(expense) for the year

As a result of the cumulative factors discussed above, the profit and total comprehensive income for the year increased by approximately HK\$1.3 million, or 18.1%, from approximately HK\$7.1 million for the year ended 31 May 2015 to approximately HK\$8.4 million for the year ended 31 May 2016. We changed from profit and total comprehensive income of approximately HK\$0.6 million for the four months ended 30 September 2015 to loss position of approximately HK\$6.8 million for the four months ended 30 September 2016. Excluding the non-recurring Listing expenses of approximately HK\$8.2 million incurred during the four months ended 30 September 2016, we would have recorded a profit of approximately HK\$1.4 million for the four months ended 30 September 2016.

Our net profit margins were approximately 10.5% and 9.4% for the two years ended 31 May 2015 and 2016, respectively. The slight decrease was mainly due to the fact that our Group has experienced rising operating expenses (including property rentals and related expenses and employee benefits expenses) as a result of the operations of Fly, Tiger Curry Jr. and Tiger Curry & Cafe during the year ended 31 May 2016.

For the four months ended 30 September 2015 and 2016, excluding the non-recurring Listing expenses incurred for the period, our net profit margins were approximately 2.7% and 4.6%, respectively. The lower net profit margin for the four months ended 30 September 2015 was mainly due to (i) the seasonal factor from clubbing operations as we generally experienced a higher level of revenue from December to January; and (ii) the pre-opening costs incurred for Tiger Curry Jr. and Tiger Curry & Cafe which commenced operation in May 2015 and July 2015, respectively.

LISTING EXPENSES

Our Directors are of the view that our financial results for the year ending 31 May 2017 are expected to be adversely affected by, among others, the Listing expenses in relation to the Share Offer, the nature of which is non-recurring. The total Listing fee in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$21.2 million (based on the mid-point of the indicative Offer Price range of HK\$0.30 per Share). Among the estimated total Listing fees, (i) approximately HK\$7.9 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$13.3 million is expected to be recognised as expenses in our consolidated statements of comprehensive income, of which approximately HK\$8.2 million had been recognised as expenses during the four months ended 30 September 2016, and the remaining of approximately HK\$5.1 million is expected to be recognised for the eight months ending 31 May 2017.

Our Directors would like to emphasise that the amount of the Listing expense is a current estimate for reference only and the final amount to be recognised in our consolidated financial statements for the year ending 31 May 2017 is subject to adjustment based on audit and the then changes in variables and assumptions.

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Prospective investors should note that we expect the estimated non-recurring Listing expenses mentioned above to adversely affect our financial performance for the year ending 31 May 2017, and may or may not be comparable to our financial performance in the past.

LIQUIDITY AND CAPITAL RESOURCES

Our principal liquidity and working capital requirements primarily relate to our operating expenses. Historically, we have met our working capital and other liquidity requirements principally through a combination of cash generated from our operating activities and advance from related parties. As at 31 May 2015, 31 May 2016 and 30 September 2016, we had cash and cash equivalents of approximately HK\$2.4 million, HK\$17.0 million and HK\$8.8 million, respectively, which were substantially held in Hong Kong dollars.

Our working capital requirements mainly represent the payments for food ingredients and beverages, staff costs, property rentals and related expenses and other operating expenses incurred for our business operations. Going forward, we expect to fund our working capital and other capital requirements with a combination of various sources including, but not limited to, cash generated from our operations and the net proceeds from the Share Offer as well as other possible equity and debt financings as and when appropriate.

CASH FLOWS

The following table sets forth the condensed summary of our consolidated statements of cash flows for the Track Record Period.

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net cash generated from/(used in) operating activities	11,137	15,198	1,947	(7,601)
Net cash (used in)/generated from investing activities	(8,299)	1,938	(4,350)	(517)
Net cash (used in)/generated from financing activities	(1,629)	(2,558)	2,020	(99)
Net increase/(decrease) in cash and cash equivalents	1,209	14,578	(383)	(8,217)
Cash and cash equivalents at beginning of the year	1,234	2,443	2,443	17,021
Cash and cash equivalents at end of the year	<u>2,443</u>	<u>17,021</u>	<u>2,060</u>	<u>8,804</u>

Cash flows in operating activities

We derive the cash flow from operating activities principally from our of clubbing and restaurant operations and our cash used in operating activities is mainly included payments of the purchases of food ingredients and beverages, property rentals and related expenses, advertising and marketing expenses, staff costs and other operating expenses.

For the year ended 31 May 2015, we recorded net cash inflows from operating activities of approximately HK\$11.1 million. Operating cash inflow before changes in working capital was approximately HK\$12.0 million, primarily attributable to profit before tax for the year of approximately HK\$8.6 million, as adjusted by depreciation of property, plant and equipment of approximately HK\$3.5 million. Changes in working capital contributed to a cash outflow of approximately HK\$1.0 million consisting primarily of the decrease in trade and other payables of approximately HK\$1.6 million and partially offset by the decrease in trade receivables, deposits and other receivables of approximately HK\$0.7 million.

For the year ended 31 May 2016, we recorded net cash inflows from operating activities of approximately HK\$15.2 million. Operating cash inflow before changes in working capital was approximately HK\$14.5 million, primarily attributable to profit before tax for the year of approximately HK\$10.4 million, as adjusted by depreciation of property, plant and equipment of approximately HK\$4.2 million and gain on disposal of property, plant and equipment of approximately HK\$0.1 million mainly due to the disposal of a motor vehicle during the

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year. Changes in working capital contributed to a cash inflow of approximately HK\$0.7 million primarily consisting of the decrease in trade receivable, deposits and other receivables of approximately HK\$0.1 million and increase in trade and other payables of approximately HK\$0.7 million mainly due to increases in purchase of our inventories of beverages as reflected in the increase in cost of inventories sold.

For the four months ended 30 September 2016, we recorded net cash outflows in operating activities of approximately HK\$7.6 million. Operating cash outflow before changes in working capital was approximately HK\$5.0 million, primarily due to loss before tax for the period of approximately HK\$6.4 million, as adjusted by depreciation of property, plant and equipment of approximately HK\$1.4 million. Changes in working capital caused a cash outflow of approximately HK\$2.6 million primarily consisting of an increase in trade receivable, deposits and other receivables of approximately HK\$4.4 million and an increase in inventory of approximately HK\$0.2 million, which was mitigated by an increase in trade and other payables of approximately HK\$1.9 million due to an increase in the purchase of inventories of beverages as reflected in the increase in cost of inventories sold.

The increase in our net cash inflows from operating activities for the year ended 31 May 2016 as compared to the year ended 31 May 2015 was mainly due to (i) the increase in our profit before income tax expense of approximately HK\$1.8 million; and (ii) the increase in trade and other payables of approximately HK\$0.7 million mainly as a result of the increase in purchase of our inventories of beverages as mentioned above.

The net cash outflows from operating activities for the four months ended 30 September 2016 of approximately HK\$7.6 million as compared to the net cash inflows of approximately HK\$1.9 million for the four months ended 30 September 2015 was mainly due to the loss before income tax expense for the period of approximately HK\$6.4 million and an increase in trade receivables, deposits and other receivables of approximately HK\$4.4 million primarily attributable to (i) the prepayment of Listing expenses of approximately HK\$2.7 million; (ii) the prepayment for operating expenses for Fly of approximately HK\$0.6 million; (iii) the sponsorship fee and incentive receivables from beverage suppliers of approximately HK\$0.5 million for the four months ended 30 September 2016; and (iv) the deposit paid for a new standalone restaurant to be opened in Tsing Yi of approximately HK\$0.5 million.

Cash flows in investing activities

We recorded net cash outflows in investing activities of approximately HK\$8.3 million for the year ended 31 May 2015 and net cash inflows of approximately HK\$1.9 million for the year ended 31 May 2016. During the Track Record Period, our cash flows in investing activities primarily consisted of purchase of property, plant and equipment, advances to and repayments from related parties.

For the year ended 31 May 2015, we recorded net cash outflows in investing activities of approximately HK\$8.3 million, which was the combined results of (i) purchase of property, plant and equipment of approximately HK\$1.6 million which mainly related to the renovation of tiger curry and the opening of new restaurant, Tiger Curry Jr., for the year ended 31 May 2015; and (ii) the increase in advances to related parties of approximately HK\$6.7 million.

For the year ended 31 May 2016, we recorded net cash inflows from investing activities of approximately HK\$1.9 million, which was mainly due to the repayment from related companies amounted to approximately HK\$6.0 million, the effect of which was partially offset by the acquisition of Grand Diamond (the operating company of Fly), net of cash acquired, amounted to approximately HK\$1.4 million and the purchase of property, plant and equipment of approximately HK\$2.8 million, which mainly related to the opening of Tiger Curry & Cafe for the year ended 31 May 2016.

For the four months ended 30 September 2016, we recorded net cash outflows in investing activities of approximately HK\$0.5 million, which was mainly due to the purchase of property, plant and equipment of approximately HK\$0.4 million related to the minor refurbishment at and adding new equipment for Volar and Fly.

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Cash flows in financing activities

We recorded net cash outflows in financing activities of approximately HK\$1.6 million and HK\$2.6 million for each of the years ended 31 May 2015 and 2016, respectively. During the Track Record Period, our cash flows in financing activities primarily consisted of the advances from and repayments to related parties and repayments on other borrowing.

For the year ended 31 May 2015, we recorded net cash outflows in financing activities of approximately HK\$1.6 million, which primarily consisted of the repayments on other borrowing to a third party of approximately HK\$2.0 million, partially offset by the advances from the related parties of approximately HK\$0.4 million.

For the year ended 31 May 2016, the net cash outflows in financing activities of approximately HK\$2.6 million was mainly due to the repayment to related parties of approximately HK\$2.6 million.

For the four months ended 30 September 2016, we recorded net cash outflows in financing activities of approximately HK\$0.1 million, which was mainly due to the repayment to a Shareholder, namely Mr. Kester Ng, of approximately HK\$5.2 million which was mitigated by the proceeds from the Pre-IPO Investments of approximately HK\$5.1 million.

WORKING CAPITAL

After taking into account the following financial resources available to us:

- the amounts of net cash generated from our operating activities during the Track Record Period;
- our cash and cash equivalent of approximately HK\$8.8 million as at 30 September 2016 and approximately HK\$5.0 million as at 31 January 2017 based on our unaudited management accounts;
- the unutilised banking facility of HK\$10.0 million as at the Latest Practicable Date; and
- the estimated net proceeds from the Share Offer of approximately HK\$38.8 million (assuming an Offer Price of HK\$0.30 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.25 per Offer Share and 0.35 per Offer Share) to be received by us,

our Directors are of the opinion that we have sufficient working capital to meet our present requirement for at least the next 12 months from the date of this prospectus.

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NET CURRENT LIABILITIES

The table below set forth our current assets, current liabilities and net current liabilities of for the dates indicated. As at 31 May 2015, 31 May 2016, 30 September 2016 and 31 January 2017, we had net current liabilities of approximately HK\$8.4 million, HK\$4.8 million, HK\$6.0 million and HK\$0.7 million, respectively. Details of the components are set out as follows:

	As at 31 May		As at 30 September	As at 31 January
	2015	2016	2016	2017
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i> <i>(Unaudited)</i>
Current assets				
Inventories	195	354	507	660
Trade and other receivables	5,919	3,302	6,691	9,288
Amounts due from related companies	8,846	—	—	—
Cash and cash equivalents	2,443	17,021	8,804	4,993
	17,403	20,677	16,002	14,941
Current liabilities				
Trade and other payables	12,373	13,953	15,265	11,823
Amounts due to related parties	13,273	9,313	4,114	2,063
Current tax liabilities	147	2,253	2,651	1,718
	25,793	25,519	22,030	15,604
Net current liabilities	8,390	4,842	6,028	663

Our current assets as at 31 May 2015, 31 May 2016, 30 September 2016 and 31 January 2017 amounted to approximately HK\$17.4 million, HK\$20.7 million, HK\$16.0 million and HK\$14.9 million, respectively, with inventories, trade and other receivables, amounts due from related companies and cash and cash equivalents being the major components. Our current liabilities as at 31 May 2015, 31 May 2016, 30 September 2016 and 31 January 2017 amounted to approximately HK\$25.8 million, HK\$25.5 million, HK\$22.0 million and HK\$15.6 million, respectively, with trade and other payables, amounts due to related parties and current tax liabilities being the major components.

Our net current liabilities position decreased by approximately HK\$3.6 million from approximately HK\$8.4 million as at 31 May 2015 to approximately HK\$4.8 million as at 31 May 2016. Such decrease was mainly due to an increase in our current asset portion by approximately HK\$3.3 million while the current liabilities as at 31 May 2016 remained relatively stable as compared to 31 May 2015. The decrease in our net current liabilities position was mainly attributable to the combined effect of the increase in cash and cash equivalents as a result of the profit generated from our operation activities of approximately HK\$15.2 million and settlements from our related companies of approximately HK\$8.8 million during the year ended 31 May 2016.

Our net current liabilities position increased by approximately HK\$1.2 million from approximately HK\$4.8 million as at 31 May 2016 to approximately HK\$6.0 million as at 30 September 2016. Such increase was mainly due to (i) a decrease in the cash and cash equivalents of approximately HK\$8.2 million mainly as a result of the payment of non-recurring Listing expenses; and (ii) an increase in trade and other payables of approximately HK\$1.3 million resulting from accruals for Listing expenses of approximately HK\$2.0 million which was mitigated by (i) an increase in trade and other receivables of approximately HK\$3.4 million mainly due to the combined effect of the prepaid Listing expenses of approximately HK\$2.7 million and sponsorship fee and incentives receivables of approximately HK\$0.5 million; and (ii) a decrease in the amounts due to related parties of approximately HK\$5.2 million as a result of the repayment to a Shareholder, namely Mr. Kester Ng, of approximately HK\$5.2 million during the four months ended 30 September 2016.

Our net current liabilities position decreased by approximately HK\$5.4 million from approximately HK\$6.0 million as at 30 September 2016 to approximately HK\$0.7 million as at 31 January 2017. Such decrease

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was mainly due to a decrease in our current liabilities portion by approximately HK\$6.4 million while the current assets as at 31 January 2017 decrease slightly by approximately HK\$1.1 million as compared to 30 September 2016, which was in turn mainly due to the net cash generated from operating activities during the four months ended 31 January 2017 and the decrease in other payables (mainly due to payment of accrued Listing expense) and repayment to our Shareholders (i.e. Phoenix Year and Mr. Kester Ng).

DISCUSSION OF CERTAIN STATEMENTS OF FINANCIAL POSITION ITEMS

Current assets

Inventories

During the Track Record Period, our inventories mainly comprised beverages used in our operations. As at 31 May 2015, 31 May 2016 and 30 September 2016, we had inventories of approximately HK\$0.2 million, HK\$0.4 million and HK\$0.5 million, respectively. The following table sets forth the inventory balances and inventory turnover days as at the dates indicated.

	As at 31 May		As at 30 September
	2015	2016	2016
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Beverage	195	354	507
Inventory turnover days ^(Note)	5.4	5.5	8.9

Note: Inventory turnover days are calculated by dividing the average inventory balance by cost of inventories sold for the year/period multiplied by the number of days during the year/period (i.e. 365 days for the year ended 31 May 2015, 366 days for the year ended 31 May 2016 and 122 days for the four months ended 30 September 2016). Average inventory balance is the average of the beginning and ending inventory balances for the relevant year/period.

As at 31 May 2015 and 31 May 2016, our inventory balance amounted to approximately HK\$0.2 million and HK\$0.4 million, respectively. Such increase of our inventory balance was mainly due to the increase in purchase after the acquisition of Grand Diamond, the operating company of Fly, for its operation since November 2015.

Our inventory balance slightly increased from approximately HK\$0.4 million as at 31 May 2016 to approximately HK\$0.5 million as at 30 September 2016. Such increase was mainly due to a relatively higher inventory level of beverages products as at 30 September 2016 in anticipation of the upcoming holidays and festivals in October 2016.

Our inventory turnover days were approximately 5.4 days and 5.5 days, respectively, for the year ended 31 May 2015 and 2016. The turnover days were considered stable as we aim at maintaining our inventory level at a minimum level.

Our inventory turnover days increased by approximately 3.4 days from approximately 5.5 days for the year ended 31 May 2016 to approximately 8.9 days for the four months ended 30 September 2016. Such increase was mainly due to a relatively higher inventory level as at 30 September 2016 as mentioned above.

As at the Latest Practicable Date, approximately 87.5% of our inventories as at 30 September 2016 had been subsequently utilised.

Trade receivables

During the Track Record Period, our trade receivables primarily comprised (i) receivables from credit card companies arising from credit card sales; (ii) receivables from our certain valued customers who entitled complimentary beverage package (the “Complimentary Package Customers”) and (iii) receivables from food court operator for Tiger Curry Jr.. The receivables from the Complimentary Package Customers represented the

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over-consumption portion to the complimentary quota granted to them in exchange for customer traffic flow to our clubs. The credit card companies usually settle their payments within seven days after the credit card transaction was approved and there was no credit term granted to the customers (including the Complimentary Package Customers).

As at 31 May 2015 and 31 May 2016, our trade receivables amounted to approximately HK\$1.4 million and HK\$1.0 million, respectively. The relatively higher balance of trade receivables as at 31 May 2015 was primarily due to the fact that 31 May 2015 was Sunday, while 31 May 2016 was Tuesday and hence, there was two additional business days for the credit card companies for processing the credit card transactions which took place during the weekend prior to 31 May 2016 as compared to 31 May 2015.

Our trade receivables increased by approximately HK\$0.5 million from approximately HK\$1.0 million as at 31 May 2016 to approximately HK\$1.5 million as at 30 September 2016. Such increase was mainly due to a receivables balance attributable to Volar and Fly from the credit card companies of approximately HK\$0.5 million as at 30 September 2016 (Friday), whereas no such receivables balance was maintained as at 31 May 2016 since Volar and Fly are generally closed for business on Sunday and Monday (may open on Sunday/Monday if the next day is a public holiday) and the credit card transactions which took place during the weekend prior to 31 May 2016 were already processed by the relevant credit card companies, hence the receivables balance as at 31 May 2016 (Tuesday) did not include credit card receivables from Volar and Fly.

The following table sets forth an ageing analysis of our trade receivables based on the invoice date as at the dates indicated.

	As at 31 May		As at 30 September
	2015	2016	2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Within 30 days	1,051	642	1,193
31 – 60 days	49	66	108
61 – 90 days	55	103	111
Over 90 days	262	146	68
Total	<u>1,417</u>	<u>957</u>	<u>1,480</u>

The following table sets forth the ageing analysis of the trade receivables based on due date as at the dates indicated.

	As at 31 May		As at 30 September
	2015	2016	2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
1 – 30 days	1,051	642	1,193
31 – 90 days	104	169	219
Over 90 days	262	146	68
Total	<u>1,417</u>	<u>957</u>	<u>1,480</u>

As at 31 May 2015, 31 May 2016 and 30 September 2016, approximately HK\$1.4 million, HK\$1.0 million and HK\$1.5 million of our trade receivables were past due for which we had not provided for impairment loss. Such amounts were not impaired as there are no indication of change in credit quality of our trade receivables and the outstanding amounts from which were considered subsequently recoverable.

As at the Latest Practicable Date, all of our trade receivables as at 30 September 2016 had been subsequently settled.

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

	Year ended 31 May		Four months ended 30 September
	2015	2016	2016
	<i>(Days)</i>	<i>(Days)</i>	<i>(Days)</i>
Trade receivable turnover days ^(Note)	9.0	4.9	4.9

Note: Trade receivable turnover days are calculated by dividing the average trade receivables balance by revenue for the relevant year/period multiplied by the number of days during the period (i.e. 365 days for the year ended 31 May 2015, 366 days for the year ended 31 May 2016 and 122 days for the four months ended 30 September 2016). Average trade receivables balance is the average of the beginning and ending trade receivables balances for the relevant year/period.

For the two years ended 31 May 2015 and 2016, our trade receivables turnover days were approximately 9.0 days and 4.9 days, respectively, which were generally in line with the settlement period from credit card companies.

For the four months ended 30 September 2016, our trade receivables turnover days were approximately 4.9 days, which were stable as compared to the year ended 31 May 2016.

Other receivables

Our other receivables as at 31 May 2015, 31 May 2016 and 30 September 2016 amounted to approximately HK\$4.5 million, HK\$2.3 million and HK\$5.2 million, respectively. The following table sets out the other receivables, deposits and prepayment as at the dates indicated.

	As at 31 May		As at 30 September
	2015	2016	2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Other receivables	22	375	745
Prepayments	603	1,055	4,015
Deposits	3,877	915	451
	<u>4,502</u>	<u>2,345</u>	<u>5,211</u>
Long-term deposits	<u>1,053</u>	<u>5,203</u>	<u>6,185</u>

During the Track Record Period, our other receivables mainly represented sponsorship income receivables from beverage suppliers, in return for brand displaying and promotions through different events held at our clubs. The other receivables increased by approximately HK\$0.3 million from approximately HK\$22,000 as at 31 May 2015 to approximately HK\$375,000 as at 31 May 2016, mainly due to the increase in sponsorship income receivables from beverage suppliers.

Other receivables further increased by approximately HK\$0.3 million from approximately HK\$0.4 million as at 31 May 2016 to approximately HK\$0.7 million as at 30 September 2016. Such increase was mainly due to the incentives receivables of approximately HK\$0.5 million from beverage suppliers.

Our prepayments mainly represented the prepaid expenses in relation to licences, insurance and other expenses. The balance increased from approximately HK\$0.6 million as at 31 May 2015 to approximately HK\$1.0 million as at 31 May 2016 mainly as a result of the prepayments for renovation and insurance and other expenses for Fly.

Other prepayment further increased by approximately HK\$3.0 million from approximately HK\$1.0 million as at 31 May 2016 to approximately HK\$4.0 million as at 30 September 2016. Such increase was mainly due to the prepayment of Listing expenses of approximately HK\$2.7 million.

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During the Track Record Period, our deposits consisted of current and non-current portion (i.e. long-term deposits). Our current portion of deposits consisted of rental deposits and utility deposits for the leasing of our leased properties. Our long-term deposits mainly represented the rental deposits paid for Volar and Fly.

Our current portion of deposits decreased by approximately HK\$3.0 million from approximately HK\$3.9 million as at 31 May 2015 to approximately HK\$0.9 million as at 31 May 2016. Such decrease was mainly attributable to the reclassification of the deposits paid for a leased premises to long-term deposits after the renewal of the lease agreement which amounted to approximately HK\$3.6 million which partially offset by the deposits paid for Tiger Curry Jr. and Tiger Curry & Cafe.

Our current portion of deposits further decreased by approximately HK\$0.4 million from approximately HK\$0.9 million as at 31 May 2016 to approximately HK\$0.5 million as at 30 September 2016, representing a decrease of approximately 50.7%. Such decrease was primarily due to a reclassification of deposits paid for a lease premises to long term deposits after the renewal of the lease agreement which amounted to approximately HK\$0.5 million.

Our long term deposits increased by approximately HK\$4.1 million from approximately HK\$1.1 million as at 31 May 2015 to approximately HK\$5.2 million as at 31 May 2016. Such increase was mainly due to additional rental deposits paid for Fly, amounted to approximately HK\$0.9 million as well as the reclassification of the rental deposits paid for Volar of approximately HK\$3.6 million.

Our long-term deposits increased by approximately HK\$1.0 million from approximately HK\$5.2 million as at 31 May 2016 to approximately HK\$6.2 million as at 30 September 2016, representing an increase of approximately 18.9%. Such increase was mainly due to the deposit paid in September 2016 for a new standalone restaurant to be opened in Tsing Yi of approximately HK\$0.5 million and a reclassification of the deposits paid for a leased premises as mentioned above.

Amounts due from and to related companies

The following table sets out a summary of the amounts due from and to related parties, including related companies, and Shareholders as at the end of each reporting during the Track Record Period.

	As at 31 May		As at 30 September
	2015	2016	2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Amounts due from related companies	8,846	—	—
Amount due to a related company	—	52	—
Amounts due to Shareholders	13,273	9,261	4,114
Total	13,273	9,313	4,114

Except for the amounts due from Model Genesis International Management Limited (“Model Genesis”) which represented the balance in connection with the continuing connected transactions (details of which are set out in “Connected Transactions”), which are trade in nature, unsecured, interest-free and have no fixed terms of repayment, the remaining balance of amounts due from related companies are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment. The amounts due to Shareholders (Phoenix Year and Mr. Kester Ng) were mainly originated from the non-interest bearing advances provided by our related parties to our Group in meeting its capital expenditures for the opening of restaurants and the acquisition of Grand Diamond, the operating company of Fly, during the Track Record Period. The amount due to a related company, namely Model Genesis, is trade in nature, unsecured, interest-free and has no fixed terms of repayment.

All of the amounts due to our Shareholders will be settled prior to the Listing.

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Trade payables

Our trade payables primarily related to the purchases of food ingredients and beverages for our clubbing and restaurant operations. During the Track Record Period, our suppliers generally granted us credit terms of 30 days.

The following table sets out the ageing analysis of our trade payable based on the invoice date as at the end of each reporting period during the Track Record Period.

	As at 31 May		As at 30 September
	2015	2016	2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Within 30 days	2,043	2,834	3,538
31 – 60 days	98	127	301
Over 60 days	—	8	23
Total	2,141	2,969	3,862

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

	Year ended 31 May		Four months ended 30 September
	2015	2016	2016
	<i>(Days)</i>	<i>(Days)</i>	<i>(Days)</i>
Trade payable turnover days ^(Note)	55.3	51.5	70.5

Note: Trade payable turnover days are calculated by dividing the average trade payable balance by the total amount of cost of inventories sold for the relevant year/period multiplied by the number of days during the year/period (i.e. 365 days for the year ended 31 May 2015, 366 days for the year ended 31 May 2016 and 122 days for four months ended 30 September 2016). Average trade payable balance is the average of the beginning and ending trade payable balances for the relevant year/period.

As at 31 May 2015 and 2016, our trade payables amounted to approximately HK\$2.1 million and HK\$3.0 million, respectively. As at 31 May 2016, the increase in our trade payables was generally in line with the increase in our costs of inventories sold mainly as a result of the increase in purchase of food ingredients and beverages for Fly and Tiger Curry Jr. and Tiger Curry & Cafe.

As at 30 September 2016, our trade payables further increased by approximately HK\$0.9 million from approximately HK\$3.0 million as at 31 May 2016 to approximately HK\$3.9 million as at 30 September 2016. Such increase was mainly due to purchases made towards the period ended 30 September 2016 to increase the level of inventories in anticipation of the upcoming holidays and festivals in October 2016.

For the two years ended 31 May 2015 and 2016, our trade payables turnover days were relatively stable at approximately 55.3 days and 51.5 days, respectively. The turnover days were in line with the payment terms of 30 days generally granted by our suppliers after the invoice date and the fact that our suppliers normally issues their invoices to our Group on a monthly basis for the purchases made by our Group in the last preceding month.

For the four months ended 30 September 2016, our trade payables turnover days were increased by approximately 19.0 days from 51.5 days for the year ended 31 March 2016 to 70.5 days for the four months ended 30 September 2016. Such increase was primarily due to an increase in payables balance as a result of purchases made towards the period ended 30 September 2016, our Company to increase the level of inventories in anticipation of the upcoming holidays and festivals in October 2016.

As at the Latest Practicable Date, all of our trade payables as at 30 September 2016 had been subsequently settled.

Our Directors confirm that we did not have any material default in payment of trade payables during the Track Record Period.

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Accruals and other payables

Our accruals and other payables mainly comprised accruals for staff related costs, accruals for utilities, consumables and deferred rental. The increase in accruals and other payables of approximately HK\$2.3 million, from approximately HK\$7.0 million as at 31 May 2015 to HK\$9.3 million as at 31 May 2016 was primarily due to the increase in payables for utilities, consumables and accrued staff cost after the opening of Tiger Curry Jr. and Tiger Curry & Cafe as well as Fly during the year ended 31 May 2016.

Our accruals and other payables remained relatively stable at approximately HK\$9.5 million as at 30 September 2016 as compared to approximately HK\$9.3 million as at 31 May 2016, which mainly comprised accruals for utilities, consumables and accrued staff cost.

Receipt in advance

During the Track Record Period, our receipt in advance mainly comprised prepaid beverage packages made by our customers of our clubs, which remained relatively stable at approximately HK\$3.9 million, HK\$3.9 million and HK\$4.0 million as at 31 May 2015, 31 May 2016 and 30 September 2016.

INDEBTEDNESS

Borrowings

The following table sets out our borrowings as at 31 May 2015, 31 May 2016, 30 September 2016 and 31 January 2017, being the latest practicable date for the purpose of this statement of indebtedness:

	As at 31 May		As at 30 September	As at 31 January
	2015	2016	2016	2017
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000) (Unaudited)
Amounts due to related companies	—	52	—	—
Amounts due to Shareholders	13,273	9,261	4,114	2,063
	<u>13,273</u>	<u>9,313</u>	<u>4,114</u>	<u>2,063</u>

As at 31 May 2015, 31 May 2016, 30 September 2016 and 31 January 2017, our borrowings mainly represented amounts due to related companies and amount due to Shareholders, namely Phoenix Year and Mr. Kester Ng, which in aggregate amounted to approximately HK\$13.3 million, HK\$9.3 million, HK\$4.1 million and HK\$2.1 million, respectively. Such borrowings are unsecured, interest-free and have no fixed term of repayment.

During the Track Record Period, we have financed our capital expenditure for the opening of restaurants and the acquisition of Grand Diamond (the operating company of Fly) primarily through the amount due to Shareholders. No financing from shareholders was required for the normal business operation of our Group and the running of our clubs and restaurants during the Track Record Period and up to the Latest Practicable Date.

Based on the unaudited management accounts of our Group for the eight months ended 31 January 2017, as at 31 January 2017, our Group has cash and cash equivalents of approximately HK\$5.0 million and the amount due to Shareholders of approximately HK\$2.1 million. In addition, our Group has generated positive cash flow from its operation for the two years ended 31 May 2016. Based on the above, our Directors are of the view that our Group has sufficient funds to settle the amount due to Shareholders through its internal resources prior to the Listing and that the settlement of such amount due to Shareholders does not constitute a material change in our Group's indebtedness subsequent to the Track Record Period.

Our Directors confirm that we had not had any material delay or default in payment with regard to any borrowings during the Track Record Period and up the Latest Practicable Date.

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Apart from intra-group liabilities, we did not have any outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, foreign exchange liabilities or other material contingent liabilities as at 31 January 2017, being the latest practicable date for the preparation of the indebtedness statement in this prospectus. As at the Latest Practicable Date, we have obtained an unutilised banking facility of HK\$10.0 million granted from a commercial bank for our working capital.

Material indebtedness change

Our Directors confirm that, up to the Latest Practicable Date, there has been no material change in our indebtedness and capital commitment since 31 January 2017, being the latest practicable date for determining our indebtedness.

OPERATING LEASE COMMITMENTS

As at 31 May 2015, 31 May 2016 and 30 September 2016, we had commitments for future minimum lease payments in respect of the leased properties for our clubs, restaurants and office premises under non-cancellable operating leases which fall due as follows:

	As at 31 May		As at 30 September
	2015	2016	2016
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Not later than one year	15,783	20,993	21,204
Later than one year and not later than five years	4,927	29,896	27,680
Total	20,710	50,889	48,884

In addition, the operating leases for Tiger Curry & Cafe and Tiger Curry Jr. are based on the relevant restaurants' turnover pursuant to the terms and conditions as set out in the respective agreements. As the future turnover of Tiger Curry & Cafe and Tiger Curry Jr. could not be reliably determined, the relevant contingent payments have not been included in the above table and only the minimum lease commitments have been included.

CAPITAL COMMITMENTS

As at 31 May 2015, 31 May 2016 and 30 September 2016, we had no material capital commitments.

CAPITAL EXPENDITURE

Historical capital expenditures

During the Track Record Period, our capital expenditure primarily related to expenditures on leasehold improvements for our new restaurants and purchase of furniture, fixtures and equipment used in our operations amounted to approximately HK\$1.6 million, HK\$2.8 million and HK\$0.5 million for the two years ended 31 May 2015 and 2016 and for the four months ended 30 September 2016, respectively, and the acquisition of Grand Diamond (the operating company of Fly), net of cash acquired, of approximately HK\$1.4 million. We principally funded our capital expenditures through a combination of advances from related parties and internally generated funds during the Track Record Period. During the Track Record Period, we financed our capital expenditures for opening new outlets by shareholders' loan and did not seek bank borrowings due to (i) we believe that the finance costs associated with the latter, including interest expenses, would be higher due to our relatively short business history; (ii) we were able to obtain shareholders' loan on favourable terms; and (iii) we did not require a substantial investment based on the pace of our business development at the time. At present, we aim to expand our scale of business and strengthen our market position in food and beverage and entertainment industry in Hong Kong. See "Business — Business strategies" for a detail description of our future

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plans and business strategies. Being a private entity with the current level of available financial resources, we would not be able to implement our expansion plan within the timeframe and will miss the business opportunities which are present under the current market conditions. If we were to seek bank borrowings for our expansion plan, the amount we require would entail substantial finance costs or we may only be able to secure a sum to implement a portion of our expansion plan. Following the Listing, with the net proceeds from the Share Offer and the flexibility and additional avenues to raise funds, we will be able to implement our expansion plan and expedite our growth. For further details on our need for additional avenues to raise funds, see “Future Plans and Use of Proceeds — Reasons for the Share Offer — Additional avenues to raise capital”. Our Directors believe that had we sought to obtain external financing during the Track Record Period, we would not have had encountered substantial difficulties in doing so.

Planned capital expenditures

Save for the planned usage of the proceeds from the Share Offer as disclosed in “Future Plans and Use of Proceeds” and the additions of property, plant and equipment such as office equipments, furniture, fixtures and equipments and leasehold improvement necessary for our business operations which will be made by us from time to time, we had no material planned capital expenditures as at Latest Practicable Date.

PROPERTY INTERESTS

As at the Latest Practicable Date, we did not own any property and all of our places of operations are leased or licensed properties. See “Business — Properties” for details.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we were not involved in any legal proceedings pending or, to our knowledge, threatened against us which could have a material adverse effect on the business or operations. Our Directors confirm that, as at the Latest Practicable Date, we did not have any material contingent liabilities.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in note 26 to the Accountant’s Report. Our Directors confirm that these related party transactions were conducted on arm’s length basis, normal commercial terms and were no less favourable than terms available from Independent Third Parties which are considered fair and reasonable.

Having considered that the amounts of these related party transactions are relatively immaterial as compared to the revenue generated by us, our Directors are of the view that the aforesaid related party transactions did not distort our financial results during the Track Record Period or cause our Track Record Period results to be unreflective of our future performance.

For details of related party transactions that will continue after Listing, see “Connected Transactions”.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, save as disclosed herein, we had no other material off-balance sheet arrangements.

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FINANCIAL RATIOS

The following table sets forth our key financial ratios over the periods indicated.

	Notes	Year ended 31 May		Four months ended
		2015	2016	30 September
				2016
Net profit/(loss) margin before interest and tax (%)	1	12.7%	11.7%	(21.0)%
Net profit/(loss) margin (%)	2	10.5%	9.4%	(22.1)%
Return on equity (%)	3 and 8	197.7%	70.0%	N/A
Return on total assets (%)	4 and 8	23.7%	21.1%	N/A
Current ratio	5	0.7	0.8	0.7
Quick ratio	6	0.7	0.8	0.7
Gearing ratio (%)	7	369.7%	77.8%	37.7%

Notes:

- Net profit margin before interest and tax is calculated based on the net profit attributable to owners of our Company netting off the interest and tax expenses for the financial year/period divided by total revenue for the financial year/period multiplied by 100%.
- Net profit margin is calculated based on the net profit attributable to owners of our Company for the financial year/period divided by total revenue for the financial year/period and multiplied by 100%.
- Return on equity is calculated based on the net profit attributable to owners of our Company for the financial year divided by total equity attributable to owners of our Company at the end of the financial year and multiplied by 100%.
- Return on total assets is calculated based on the net profit attributable to owners of our Company for the financial year divided by total assets at the end of the financial year and multiplied by 100%.
- Current ratio is calculated based on the total current assets at the end of the financial year/period divided by the total current liabilities at the end of the financial year/period.
- Quick ratio is calculated based on the total current assets (excluding inventories) at the end of the financial year/period divided by the total current liabilities at the end of the financial year/period.
- Gearing ratio is calculated based on total debt at the end of the financial year/period divided by total equity attributable to owners of our Company at the end of the financial year/period and multiplied by 100%.
- Return on equity and return on total assets for the four months ended 30 September 2016 are not comparable to those for the years ended 31 March 2015 and 2016.

Net profit margin before interest and tax and net profit margin

Net profit margin before interest and tax slightly decreased from approximately 12.7% for the year ended 31 May 2015 to approximately 11.7% for the year ended 31 May 2016 and net profit margin slightly decreased from 10.5% for the year ended 31 May 2015 to approximately 9.4% for the year ended 31 May 2016. Such decrease was mainly due to the fact that our Group has experienced rising operating expenses (including property rentals and related expenses and employee benefits expenses) as a result of the operations of Fly, Tiger Curry Jr. and Tiger Curry & Cafe during the year ended 31 May 2016.

Our net loss margin before interest and tax and net loss margin were approximately 21.0% and 22.1%, respectively for the four months ended 30 September 2016. The decrease in our net profit margin before interest and tax and net profit margin as compared to the year ended 31 May 2016 was mainly due to the Listing expenses of approximately HK\$8.2 million incurred during the period. Excluding the non-recurring Listing expenses, our net profit margin before interest and tax and net profit margin would be approximately 5.8% and 4.6%, respectively.

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Return on equity

Return on equity decreased from approximately 197.7% for the year ended 31 May 2015 to approximately 70.0% for the year ended 31 May 2016. Such decrease was mainly attributable to the increase in our equity base as a result of the profit recognised for the year ended 31 May 2016.

Return on total assets

Return on total assets decreased from approximately 23.7% for the year ended 31 May 2015 to approximately 21.1% for the year ended 31 May 2016. Such decrease was mainly due to the increase in total assets as a result of our acquisition of Grand Diamond, the operating company of Fly, and the opening of Tiger Curry Jr. and Tiger Curry & Cafe during the year ended 31 May 2016.

Current ratio and quick ratio

Current ratio and quick ratio slightly increased from approximately 0.7 and 0.7 as at 31 May 2015 to approximately 0.8 and 0.8 as at 31 May 2016, respectively, primarily due to the increase in our current assets mainly as a result of the increase cash and cash equivalents which partially offset the decrease in amounts due from related parties and trade receivable. After excluding the inventory as at 31 May 2015 and 31 May 2016, the quick ratio remained stable at 0.7 as at 31 May 2015 and 0.8 as at 31 May 2016.

Our current ratio and quick ratio slightly decreased from approximately 0.8 and 0.8 as at 31 May 2016 to approximately 0.7 and 0.7 as at 30 September 2016, respectively, mainly due to a greater extent of decrease in current assets resulting from a decrease in cash and cash equivalents after repayment to a shareholder, namely Mr. Kester Ng, and the payment of non-recurring Listing expenses which partially offset the decrease in amounts due from related parties. After excluding the inventory, the quick ratio remained at 0.7 as at 30 September 2016.

Gearing ratio

Our gearing ratio was approximately 369.7% and 77.8% as at 31 May 2015 and 31 May 2016, respectively. Our gearing ratio significantly improved mainly attributable to the repayment to our related parties of approximately HK\$4.0 million and the increase in our equity base as a result of the profit generated from the operation during the year ended 31 May 2016.

Our gearing ratio improved from approximately 77.8% as at 31 May 2016 to approximately 37.7% as at 30 September 2016, mainly attributable to a further decrease in amounts due to related parties from approximately HK\$9.3 million as at 31 May 2016 to approximately HK\$4.1 million as at 30 September 2016.

SENSITIVITY AND BREAKEVEN ANALYSIS

Sensitivity analysis

During the Track Record Period, our major operating costs of our operations included property rentals and related expenses, cost of inventories sold and employee benefits expenses. These three largest operating cost components amounted to (i) approximately HK\$16.1 million, HK\$13.3 million and HK\$7.7 million for the year ended 31 May 2015 respectively, representing approximately 27.1%, 22.4% and 12.9% of our total operating expenses for the same financial year respectively; (ii) approximately HK\$20.9 million, HK\$18.2 million and HK\$13.1 million for the year ended 31 May 2016 respectively, representing approximately 26.4%, 22.9% and 16.5% of our total operating expenses for the same financial year respectively; and (iii) approximately HK\$7.7 million, HK\$5.9 million and HK\$5.9 million for the four months ended 30 September 2016, representing approximately 26.8%, 20.4% and 20.5% of our total operating expenses (excluding the non-recurring Listing expenses of approximately HK\$8.2 million incurring during the four months ended 30 September 2016) for the same period respectively. The year on year/period on period fluctuation of our property rentals and related expenses, cost of inventory sold and employee benefits for the Track Record Period was approximately 30.2%, 36.6% and 70.7% respectively.

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The sensitivity analysis illustrates the effect of the hypothetical fluctuation of 5% and 10% on our major operating cost components, namely property rentals and related expenses, cost of inventory sold and employee benefits expenses and their respective impact on our net profit for the two years ended 31 May 2015 and 2016:

Hypothetical Fluctuation	+5%	-5%	+10%	-10%
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Impact on certain consolidated statements of profit or loss and other comprehensive income items for the year ended 31 May 2015

	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Change in property rentals and related expenses	803.3	(803.3)	1,606.6	(1,606.6)
Change in profit before taxation	(803.3)	803.3	(1,606.6)	1,606.6
Change in profit after taxation	(670.8)	670.8	(1,341.5)	1,341.5

Impact on certain consolidated statements of profit or loss and other comprehensive income items for the year ended 31 May 2016

	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Change in property rentals and related expenses	1,046.0	(1,046.0)	2,091.9	(2,091.9)
Change in profit before taxation	(1,046.0)	1,046.0	(2,091.9)	2,091.9
Change in profit after taxation	(873.4)	873.4	(1,746.7)	1,746.7

Impact on certain consolidated statements of profit and loss and other comprehensive income items for the four months ended 30 September 2016

	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Change in property rentals and related expenses	387.4	(387.4)	774.8	(774.8)
Change in profit before taxation	(387.4)	387.4	(774.8)	774.8
Change in profit after taxation	(323.5)	323.5	(647.0)	647.0

Hypothetical Fluctuation	+5%	-5%	+10%	-10%
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Impact on certain consolidated statements of profit or loss and other comprehensive income items for the year ended 31 May 2015

	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Change in cost of inventories sold	665.0	(665.0)	1,330.0	(1,330.0)
Change in profit before taxation	(665.0)	665.0	(1,330.0)	1,330.0
Change in profit after taxation	(555.3)	555.3	(1,110.6)	1,110.6

Impact on certain consolidated statements of profit or loss and other comprehensive income items for the year ended 31 May 2016

	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Change in cost of inventories sold	908.6	(908.6)	1,817.2	(1,817.2)
Change in profit before taxation	(908.6)	908.6	(1,817.2)	1,817.2
Change in profit after taxation	(758.7)	758.7	(1,517.4)	1,517.4

Impact on certain consolidated statements of profit and loss and other comprehensive income items for the four months ended 30 September 2016

	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Change in cost of inventories sold	296.8	(296.8)	593.5	(593.5)
Change in profit before taxation	(296.8)	296.8	(593.5)	593.5
Change in profit after taxation	(247.8)	247.8	(495.6)	495.6

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Hypothetical Fluctuation +5% -5% +10% -10%

Impact on certain consolidated statements of profit or loss and other comprehensive income items for the year ended 31 May 2015

	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Change in employee benefits expenses	382.8	(382.8)	765.6	(765.6)
Change in profit before taxation	(382.8)	382.8	(765.6)	765.6
Change in profit after taxation	(319.6)	319.6	(639.3)	639.3

Impact on certain consolidated statements of profit or loss and other comprehensive income items for the year ended 31 May 2016

	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Change in employee benefits expenses	653.4	(653.4)	1,306.8	(1,306.8)
Change in profit before taxation	(653.4)	653.4	(1,306.8)	1,306.8
Change in profit after taxation	(545.6)	545.6	(1,091.2)	1,091.2

Impact on certain consolidated statements of profit and loss and other comprehensive income items for the four months ended 30 September 2016

	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Change in employee benefits expenses	296.5	(296.5)	592.9	(592.9)
Change in profit before taxation	(296.5)	296.5	(592.9)	592.9
Change in profit after taxation	(247.5)	247.5	(495.1)	495.1

Because a number of assumptions have been applied, the above sensitivity analysis is for illustrative purposes only.

Breakeven analysis

For the year ended 31 May 2015, it is estimated that holding all other variables constant, with an increase in (i) property rentals and related expenses by approximately 53.3%; (ii) cost of inventory sold by approximately 64.4% and (iii) employee benefits by approximately 111.9%, we would achieve breakeven.

For the year ended 31 May 2016, it is estimated that holding all other variables constant, with an increase in (i) property rentals and related expenses by approximately 49.7%; (ii) cost of inventory sold by approximately 57.3% and (iii) employee benefits by approximately 79.6%, we would achieve breakeven.

For the four months ended 30 September 2016, it is estimated that, excluding Listing expenses of HK\$8.2 million incurred for the period, with an increase in (i) property rentals and related expenses by approximately 22.9% and holding all other variables constant; (ii) cost of inventory sold by approximately 30.1% and holding all other variables constant; and (iii) employee benefits by approximately 30.0% and holding all other variables constant, we would achieve breakeven.

FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

Our major financial instrument include trade receivables, other receivables, deposits, amounts due from related parties, cash and cash equivalents, trade payables, accruals and other payables, and amounts due to related parties. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instrument include interest rate risk, credit risk and liquidity risk. The policy on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Our exposure to interest rate risk relates principally to our bank deposits bear floating interest rates. We have no cash flow or fair value interest rate risk as there are no borrowings which bear fixed or floating interest

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rates. We monitor interest rate exposure on ongoing basis and will consider hedging any significant interest rate risk. No sensitivity analysis is presented since we consider that the exposure of cash flow interest rate risk arising from variable-rate bank balance is limited due to their short maturities.

Credit risk

Our maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets are the carrying amount of those assets as stated in the consolidated statements of financial position.

We have concentration of credit risk on trade and other receivables. Our concentration of credit risk by geographical location is in Hong Kong. To monitor the credit risk exposure, our Directors have reviewed the recoverability of these balances periodically and opined there was no significant credit risk. Cash and bank balances are deposits in banks with sound credit ratings. Given their high credit ratings, our Group does not expect to have high credit risk in this aspect. Also, management regularly assesses credit risk for amount due from a related company by reviewing financial information of related parties on a regular basis to minimise credit risk. Other than the above, we do not have other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalent deemed adequate by us to finance our operations and mitigate the effects of fluctuations in the cash flows. We believe that we will have sufficient working capital for our future operational requirement.

See note 30(b) to the Accountant's Report for the details on the remaining contractual maturities of our non-derivative financial liabilities at the end of each reporting period during the Track Record Period.

DIVIDEND AND DIVIDEND POLICY

During the Track Record Period and up to the Latest Practicable Date, we did not declare an dividends.

Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. Our Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to any applicable laws and regulations including the Companies Law and our Articles. Subject to the Companies Law and our Articles, our Company may in a general meeting declare dividends, but no dividends shall exceed the amount recommended by our Board. Our Board may, subject to our Articles, from time to time, pay to our Shareholders such interim dividends as appear to our Board to be justified by the financial conditions and the profits of our Company. Our Board may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of our Company as it thinks fit. The amount of any dividends to be declared and paid in the future will depend on, among other things, our dividend policy, results of operations, cash flows and financial conditions, operating and capital requirements and other relevant factors. There will be no assurance that our Company will be able to declare or distribute any dividend in the 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 level of dividends that may be declared or paid by our Board in the future. Currently, we do not have any predetermined dividend distribution ratio.

DISTRIBUTABLE RESERVE

Under the Companies Law, we may pay dividends out of our profit or our share premium account in accordance with the provisions of our Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, we remain able to pay our debts as and when they fall due in the ordinary course of business. Our Company was incorporated on 19 May 2016 and there was no distributable reserve as at 31 May 2015, 31 May 2016 and 30 September 2016, respectively.

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DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirm that, except for otherwise disclosed in this prospectus, as the Latest Practicable Date, there was no circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the Listing Rules.

RECENT DEVELOPMENT OF OUR GROUP SUBSEQUENT TO THE TRACK RECORD PERIOD

Based on the unaudited financial information of our Group, our revenue for the eight months ended 31 January 2017 was higher than that for the corresponding period in 2016, which was mainly attributable to an increase in revenue from our clubbing operations and restaurant operations as a result of (i) the acquisition of Grand Diamond, the operating company of Fly, in November 2015; and (ii) our full-period operation of Tiger Curry & Cafe which commenced business on 30 July 2015. We recorded a loss before taxation for the eight months ended 31 January 2017, which was mainly due to the expenses incurred for the Listing. Without taking into account of such non-recurring Listing expenses, we would have recorded a profit before taxation for the eight months ended 31 January 2017 at a relatively stable level as compared to that for the corresponding period in 2016.

We currently expect that our financial results for the year ending 31 May 2017 will be negatively impacted by the non-recurring Listing expenses recognised and to be recognised as expenses in our consolidated statements of comprehensive income. For further details regarding our Listing expenses, see “— Listing expenses”.

NO MATERIAL ADVERSE CHANGE

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects since 30 September 2016, being the date to which our latest audited financial information was prepared, and there had been no event since 30 September 2016 which would materially and adversely affect the information shown in our consolidated financial information included in the Accountant’s Report.

UNAUDITED PRO FORMA NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of our Company’s consolidated net tangible assets which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on our consolidated net tangible assets attributable to owners of our Company as if the Share Offer had taken place on 30 September 2016. The unaudited pro forma statement of consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our Company’s consolidated net tangible assets attributable to owners of our Company had the Share Offer been completed as of 30 September 2016 or any future dates.

	Audited consolidated net tangible assets attributable to the owners of our Company as at 30 September 2016	Estimated net proceeds from the Share Offer	Unaudited pro forma consolidated net tangible assets attributable to the owners of our Company	Unaudited pro forma consolidated net tangible assets per Share attributable to owners of our Company
	<i>HK\$’000</i> <i>(note 1)</i>	<i>HK\$’000</i> <i>(note 2)</i>	<i>HK\$’000</i>	<i>HK\$</i> <i>(note 3)</i>
Based on the Offer Price of HK\$0.25 per Share	7,401	37,572	44,973	0.06
Based on the Offer Price of HK\$0.35 per Share	7,401	56,432	63,833	0.08

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Notes:

1. The audited consolidated net tangible assets of our Group attributable to owners of our Company as at 30 September 2016 is extracted from the Accountant's Report, which is based on the audited consolidated net assets of our Group attributable to owners of our Company of approximately HK\$11,087,000 as at 30 September 2016 adjusted for intangible assets of approximately HK\$3,686,000 as at 30 September 2016.
2. The estimated net proceeds from the Share Offer are based on 200,000,000 new Shares and the indicative Offer Price of new Shares pursuant to the Share Offer of HK\$0.25 and HK\$0.35 per Offer Share, being the lower end to higher end of the stated Offer Price range per Offer Share, after deduction of the underwriting fees and other related expenses of approximately of HK\$12,278,000 and HK\$13,358,000, respectively, taking into account the effect of Listing expenses of approximately HK\$8,191,000 which have been accounted for prior to 30 September 2016, payable and borne by our Company in connection with the Share Offer.
3. The unaudited pro forma consolidated net tangible assets per Share attributable to the owners of our Company is calculated based on 800,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer, including 200,000,000 new Shares issued upon the Share Offer as set out in "Share Capital" to this prospectus. It does not take into account or any Shares which may be allotted, issued or repurchase by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus otherwise.
4. No adjustment has been made to the unaudited pro forma consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 30 September 2016.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVE

Our principal business objective is to further consolidate our market share in the food and beverage and entertainment industry and to continue to expand domestically by implementing the following business strategies.

BUSINESS STRATEGIES

For our business strategies, see “Business — Business strategies”.

IMPLEMENTATION PLAN

In order to implement the business objectives and strategies as described above, set forth below are our implementation plans for each of the six-month periods from the Latest Practicable Date until 31 May 2019. It should be noted that the implementation plans are formulated on the bases and assumptions referred to in “—Bases and assumptions”. These bases and assumptions are subject to many uncertainties and unpredictable factors, in particular the risk factors set out in “Risk Factors”.

From the Latest Practicable Date to 31 May 2017

<u>Business strategy</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
Upgrade our club facilities	HK\$4.0 million	Renovate and refurbish Fly

For the six months ending 30 November 2017

<u>Business strategy</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
Continue to expand and diversify our outlet network	HK\$8.6 million	Set up a sports-themed bar in Wan Chai, Sheung Wan or Causeway Bay
	HK\$2.3 million	Set up a standalone restaurant in Tsing Yi
	HK\$0.5 million	Set up a food court restaurant in Cheung Sha Wan

For the six months ending 31 May 2018

<u>Business strategy</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
Upgrade our club facilities	HK\$10.3 million	Renovate and refurbish Volar
Continue to expand and diversify our outlet network	HK\$0.5 million	Set up a food court restaurant in Kwun Tong

For the six months ending 30 November 2018

<u>Business strategy</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
Continue to expand and diversify our outlet network	HK\$2.7 million	Set up a standalone restaurant in Tai Koo Shing

For the six months ending 31 May 2019

<u>Business strategy</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
Continue to expand and diversify our outlet network	HK\$8.6 million	Set up a sports-themed bar in Wan Chai, Sheung Wan or Causeway Bay

FUTURE PLANS AND USE OF PROCEEDS

BASES AND ASSUMPTIONS

Potential investors should note that the attainability of our business objectives depends on the following general assumptions and specific assumptions:

- the net proceeds from Share Offer based on the Offer Price of HK\$0.30 per Offer Share (being the mid-point of the indicative Offer Price range), after deducting related expenses, are estimated to be approximately HK\$38.8 million;
- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong or in any other places in which any member of our Group carries on its business or will carry on its business;
- we continue our existing operations in substantially the same manner as they were carried out during the Track Record Period and we will also be able to carry out our development plans without material disruptions;
- there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of our Group operates or will operate;
- there will be no material changes in legislation or regulations whether in Hong Kong or elsewhere materially affecting the business carried on by our Group;
- there will be no significant changes in our business relationship with our major suppliers;
- we will be able to maintain our customers;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined in “— Implementation plan”;
- 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;
- there will be no change in the effectiveness of our licences and permits;
- we will be able to retain key staff in the management and the main operational departments;
- the Share Offer will be completed in accordance with and as set out in “Structure and Conditions of the Share Offer”;
- we will not be materially affected by the risk factors as set out in “Risk Factors”; and
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate.

REASONS FOR THE SHARE OFFER

Our Company intends to raise funds by the Share Offer in order to pursue our business objective and implement our business strategies in “— Business strategies” in “— Business objective”.

Additional avenues to raise capital

Our Directors believe that the Listing is strategically critical to our long-term growth as it will provide us with additional avenues to raise capital for expansion and other development needs whilst reducing any reliance on the financial strength from our shareholders, promoting our brand awareness and strengthening our competitiveness.

FUTURE PLANS AND USE OF PROCEEDS

We have historically been relying on internally generated funds and advances from related parties to support our capital requirements. As at 31 January 2017, our amounts due to shareholders were approximately HK\$2.1 million, all of which was allocated for capital expenditures for our clubs and restaurants. During the Track Record Period, we did not seek bank borrowing to support our capital requirements. For details, see “Financial Information — Capital expenditure — Historical capital expenditures”. As at the Latest Practicable Date, the proceeds from our Pre-IPO Investments were partially utilised in the following manner: (i) approximately 10.7% for the payment of three months’ deposit (the “**Deposit**”) for a new standalone restaurant to be opened in Tsing Yi; and (ii) approximately 80.2% for general working capital. The remaining balance of the proceeds from our Pre-IPO Investments will be utilised for setting up a new food court restaurant in Mong Kok.

Taking into account that we paid the Deposit pursuant to the letter of offer to lease dated 6 September 2016 entered into with the proposed landlord who is an Independent Third Party for the lease of a property in Tsing Yi for opening a potential standalone restaurant, the remaining expenditure for setting up such standalone restaurant will be funded by proceeds from the Share Offer. As at 31 January 2017, our cash and cash equivalents were approximately HK\$5.0 million. Our Directors plan to maintain our existing level of cash and cash equivalents for, among others, supporting our business operation at the current scale, payment of listing expenses and repayment of amounts due to shareholders while the net proceeds from the Share Offer will be used to fund our further business expansion by financing our future plans as described in “Business — Business strategies”. Upgrading our club facilities and operating on an expanded scale by increasing the number of outlets entail the need to commit to a higher level of capital resources. The fact that the investment payback period is relatively long for restaurant business will intensify the financial strain on shareholders. Despite a certain portion of the gross proceeds from the Share Offer will apply to Listing expenses, our Directors consider that the Share Offer would be the most suitable alternative compared to other financing methods for the following reasons:

- (i) being a private company with a small shareholder base, the amount of shareholders’ loans available is limited. Further, the financing costs associated with bank borrowings are usually relatively higher for private companies and banks would normally require guarantees from our shareholders for securing the bank borrowings. Bank borrowings will also subject us to interest rate risks. Therefore, if we relied on bank borrowings to finance our expansion, the increase in our financing costs will place significant financial burden on the small group of shareholders, and any reliance on the financial strength of the shareholders would substantially hinder the development and expansion of our business. Our Directors are of the view that no healthy, sizeable and established corporation should rely heavily on the financial resources of its shareholders to fund its operations; and
- (ii) following the Listing, we will have access to the capital markets, providing us additional avenues for future fundraising through the issuance of equity and debt securities for business development in the long run. Equity financing does not involve recurring interest expense and the financing process is usually simpler and quicker than negotiating bank borrowings, and therefore would allow our Group to react promptly to market conditions and business opportunities. Further, our Directors believe that a listing status will allow us to gain leverage in obtaining bank financing for our projects on relatively more favourable terms for business expansion. Therefore, the Listing will allow us to cease our financial reliance on our Controlling Shareholders and offer us more flexibility to finance our operation.

Increased competitiveness through strengthening of market position

The Listing status will strengthen our market position, enhance our reputation and corporate profile and raise our brand publicity, which in turn will increase our competitiveness. A number of our competitors within our industry are listed companies. Our Directors believe that a listing status, which entails public financial disclosures and regulatory supervision, can enhance our corporate profile and credibility with the public and potential business partners. In addition, our Directors are of the view that the Listing will also increase our bargaining power in negotiating terms with our suppliers and potential business partners as a business relationship with a listed company will be more appealing to them. As a listed entity, our brand will become

FUTURE PLANS AND USE OF PROCEEDS

more visible to the public and our customers and suppliers will have more confidence in the quality of our services, our financial strength and credibility, transparency in operations and financial reporting, and our internal control systems.

Improved corporate governance practices

The Listing will enhance our corporate governance practices including internal control, risk management and audit practices, which will better equip ourselves for future growth.

Stronger ability to attract and retain personnel that fit our strategic aims

We compete with other club and restaurant operators for personnel that fit and contribute to our strategic aims. The Listing status will create a stronger employer image and in turn improve our ability to recruit, select, motivate and retain key management personnel as well as to expediently and effectually capitalise on any of our business opportunities that may arise. In addition, our Directors are of the view that the Listing will enable us to offer an equity-based incentive programmes (such as a share option scheme) to our employees that more directly correlates to their performance in our business. We would therefore be in a better position to motivate our employees with any incentive programmes that are closely aligned with the objective of creating value for our Shareholders.

USE OF PROCEEDS

We estimate that the net proceeds to be received by us from the Share Offer, after deducting the underwriting commission and related expenses payable by our Company in the aggregate amount of approximately HK\$21.2 million, will be approximately HK\$38.8 million (assuming a Offer Price of HK\$0.30 per Offer Share, being the mid-point of the indicative Offer Price range). We intend to apply such net proceeds from the Share Offer as follows:

- approximately HK\$23.2 million, representing about 59.8% of the net proceeds from the Share Offer, will be used for continuing to expand and diversify our outlet network, among which:
 - approximately HK\$17.2 million or 44.3% of the net proceeds from the Share Offer will be used for establishing two sports-themed bars;
 - approximately HK\$6.0 million, representing about 15.5% of the net proceeds from the Share Offer will be used for establishing two standalone restaurants and two food court restaurants;
- approximately HK\$14.3 million, representing about 36.8% of the net proceeds from the Share Offer, will be used for upgrading our club facilities among which:
 - approximately HK\$10.3 million, representing about 26.5% of the net proceeds from the Share Offer, will be used for covering the decoration, furniture and fixture expenses for Volar; and
 - approximately HK\$4.0 million, representing about 10.3% of the net proceeds from the Share Offer, will be used for covering the decoration, furniture and fixture expenses for Fly; and
- approximately HK\$1.3 million, representing about 3.4% of the net proceeds from the Share Offer, will be used for general working capital of our Group.

The above allocation of the net proceeds from the Share Offer will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher level or a lower level compared to the mid-point of the indicative Offer Price range.

Our Directors expect that the net proceeds from the issue of the Offer Shares (assuming any options which may be granted under the Share Option Scheme are not exercised) of approximately HK\$38.8 million will be

FUTURE PLANS AND USE OF PROCEEDS

sufficient to finance our business plans as scheduled in “— Implementation plan”. The net proceeds of the Share Offer are expected to be fully utilised by 31 May 2019 according to our business plans. In the event that the net proceeds from the issue of the Offer Shares is insufficient to finance the capital expenditure as mentioned above, we will finance our business plans from internal resources.

In the event that any part of the future plans does not materialise or proceed as planned, we will carefully evaluate the situation and may reallocate the intended funding to our other future plans and/or place the proceeds on short-term interest bearing deposit accounts with licensed banks and/or financial institutions in Hong Kong so long as we consider it to be in the best interest of our Company and our Shareholders taken as a whole. Should our Directors decide to allocate the net proceeds from the Share Offer to business plans and/or new projects of our Group other than those disclosed in this prospectus after the Listing, we will make an announcement to notify our Shareholders and investors of the changes in compliance with the GEM Listing Rules.

If the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds to be received by us from the Share Offer will increase or decrease by approximately HK\$10.6 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Offer Price is determined at the highest or lowest of the indicative Offer Price range.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Sole Bookrunner

Great Roc Capital Securities Limited

Joint Lead Managers

Lego Securities Limited
Great Roc Capital Securities Limited

Co-Managers

RHB Securities Hong Kong Limited
South China Securities Limited

UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to initially offer 20,000,000 new Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Division and certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally, but not jointly nor jointly and severally, agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) shall have the absolute right to terminate the Public Offer Underwriting Agreement by notice in writing to our Company with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Lead Managers or any of the Public Offer Underwriters:
 - (i) any matter or event showing any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a material breach of any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement or any other provisions of the Public Offer Underwriting Agreement by any party thereto (other than the Sponsor, the Joint Lead Managers and the Public Offer Underwriters) which, in any such cases, is considered, in the reasonable opinion of the Joint Lead Managers, to be material in the context of the Share Offer; or
 - (ii) any statement contained in this prospectus and the Application Forms, the post hearing information pack, the formal notice and any announcements issued by our Company (including any supplement or amendment to each of the said documents) has become or been discovered to be untrue, incorrect or misleading in any material respect which is considered, in the reasonable opinion of the Joint Lead Managers, to be material in the context of the Share Offer; or

UNDERWRITING

- (iii) any event, series of events, matter or circumstance occurs or arises on or after the date of the Public Offer Underwriting Agreement and before 8:00 a.m. on the Listing Date, being an event, matter or circumstance which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement untrue, incorrect or misleading in any material respect, and which is considered, in the reasonable opinion of the Joint Lead Managers, to be material in the context of the Share Offer; or
 - (iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Joint Lead Managers, a material omission in the context of the Share Offer; or
 - (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company or any of the executive Directors or our Controlling Shareholders arising out of or in connection with the breach of any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement; or
 - (vi) any breach by any party to the Public Offer Underwriting Agreement (other than the Sponsor, the Joint Lead Managers and the Public Offer Underwriters) of any provision of the Public Offer Underwriting Agreement which, in the reasonable opinion of the Joint Lead Managers, is material in the context of the Share Offer; or
- (b) there shall have developed, occurred, existed, or come into effect any event or series of events, matter or circumstance whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (i) any new law or regulation or any change in existing laws or regulations, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business and/or operation of our Group (the “**Relevant Jurisdictions**”); or
 - (ii) any change in, or any event or series of events or development resulting or likely to result in any change in local, regional or international financial, equity securities, currency, political, military, industrial, economic, stock market or other market conditions or prospects in or affecting the Relevant Jurisdictions; or
 - (iii) any change in the system under which the value of the HK dollars is linked to that of the US dollars; or
 - (iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in the Relevant Jurisdictions; or
 - (vi) any change or prospective change in the business or in the financial or trading position or prospects of any member of our Group of material importance; or
 - (vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the Relevant Jurisdictions; or

UNDERWRITING

- (viii) a general moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance service in or affecting the Relevant Jurisdictions; or
- (ix) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism (whether or not responsibility has been claimed), strike or lock-out; or
- (x) 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 crisis involving or affecting the Relevant Jurisdictions; or
- (xi) a valid demand by any creditor for repayment or payment of any material indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xii) any material 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); or
- (xiii) a petition 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 anything analogous thereto occurs in respect of any member of our Group; or
- (xiv) any litigation or claim of material importance of any third party being instigated or threatened against any member of our Group,

which, in the reasonable opinion of the Joint Lead Managers:

- (i) is or will be, or is likely to be, materially adverse to the business, financial, trading or other conditions or prospects of our Group taken as a whole or any member of our Group; or
- (ii) has or will have or is likely to have a material adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of the Shares following the Listing; or
- (iii) makes it impracticable or inadvisable for the Public Offer Underwriters to proceed with the Share Offer as a whole.

For the above purpose:

- (i) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US shall be taken as an event resulting in a change in currency conditions; and
- (ii) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Pursuant to the Public Offer Underwriting Agreement, our Company has undertaken to and covenanted with each of the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters that

UNDERWRITING

our Company will not, and each of our Controlling Shareholders and executive Directors has jointly and severally undertaken to and covenanted with each of the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters that it/he will procure our Company not to, without the prior written consent of the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, except for the issue of Shares under the Share Offer, the Capitalisation Issue, the grant of any option under the Share Option Scheme, or the issue of Shares upon exercise of any option granted under the Share Option Scheme:

- (i) 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 which is 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 options, rights or warrants 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
- (ii) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for Shares or securities of our Company 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 (i) above during the Second Six-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.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with each of our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters that, without the prior written consent of the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Public Offer 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 close associates or companies controlled by it/him or any nominee or trustee holding in trust for it/him shall:

- (i) at any time during the First Six-month Period, 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 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
- (ii) at any time during the Second Six-month Period, 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 securities referred to in sub-paragraph (i) 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 (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it/he will take all

UNDERWRITING

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.

Undertakings pursuant to the Listing Rules

Undertakings by our Company

Our Company has undertaken to the Stock Exchange that no further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except for those permitted in accordance with Rule 17.29(1) to (5) of the GEM Listing Rules.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to our Company and to the Stock Exchange that, except pursuant to the Share Offer, it/he shall not and shall procure that the relevant registered holder(s) shall not:

- (i) at any time during the First Six-month Period, 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 securities of our Company in respect of which it/he is shown by this prospectus to be the beneficial owner(s); and
- (ii) at any time during the Second Six-month Period, 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 securities referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be our Controlling Shareholder.

Each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with each of our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Public Offer Underwriters and the Stock Exchange that:

- (i) 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 in the Company is made in this prospectus and ending on the date on which the Second Six-month Period expires, it/he must inform our Company, the Sponsor and the Joint Lead Managers immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any of its/his interests in the Shares or other securities of our Company under sub-paragraph (i) above, it/he must inform our Company, the Sponsor and the Joint Lead Managers 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 GEM Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

UNDERWRITING

Our Company, our Controlling Shareholders and the executive Directors have agreed to indemnify the Public Offer Underwriters from certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company or our Controlling Shareholders or the executive Directors of the Public Offer Underwriting Agreement.

Placing

In connection with the Placing, it is expected that our Company and the covenantors to be named therein (namely our Controlling Shareholders and the executive Directors) will enter into the Placing Underwriting Agreement with the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Placing Underwriters on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly and not jointly and severally, agree to act as agents of our Company to procure subscribers for the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in “— Underwriting arrangements, commissions and expenses — Public Offer — Undertakings pursuant to the Public Offer Underwriting Agreement”.

Commission and expenses

The Public Offer Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price of all Offer Shares underwritten by them, which are to be borne by our Company, out of which they will pay any sub-underwriting commission, praecipium and selling concession and will be reimbursed for their reasonable expenses.

For unsubscribed Public Offer Shares reallocated to the Placing, the underwriting commission will not be paid to the Public Offer Underwriters but will instead be paid, at the rate applicable to the Placing, to the Joint Lead Managers and the relevant Placing Underwriters.

The total commission and expenses relating to the Share Offer and Listing (including the GEM Listing fees, legal and other professional fees, and printing), are estimated to approximately HK\$21.2 million, assuming an Offer Price of HK\$0.30, being the mid-point of the indicative Offer Price range, which will be payable by our Company.

SOLE BOOKRUNNER’S, JOINT LEAD MANAGERS’ AND UNDERWRITERS’ INTERESTS IN OUR COMPANY

Save as provided for under the Underwriting Agreements and save as disclosed in this prospectus, none of the Sole Bookrunner, the Joint Lead Managers 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 nor any interest in the Share Offer.

SPONSOR’S INTERESTS AND INDEPENDENCE

Save as provided for under the Underwriting Agreements and save as disclosed in this prospectus, neither the Sponsor nor any of its directors, employees and close associates is interested legally or beneficially in the

UNDERWRITING

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 Share Offer or has any other business relationship with our Group.

Neither the Sponsor nor any of its directors, employees and close associates has accrued any material benefit as a result of the successful outcome of the Share Offer, other than by way of documentation and financial advisory fee to be paid to the Sponsor for acting as the sponsor of the Share Offer.

None of the directors and employees of the Sponsor has any directorship in our Company or any other companies comprising our Group.

The Sponsor satisfies the independence criteria applicable to the Sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE STRUCTURE OF THE SHARE OFFER

Lego Securities Limited and Great Roc Capital Securities Limited are the Joint Lead Managers to the Share Offer.

An aggregate of 20,000,000 Shares have been initially allocated to the Public Offer for subscription in Hong Kong at the Offer Price under the Public Offer (subject to re-allocation on the basis described in “— Re-allocation between the Placing and the Public Offer” below) outside the United States (including to professional institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S. An aggregate of 180,000,000 Shares are initially offered under the Placing for subscription, subject to re-allocation as mentioned below and under the GEM Listing Rules.

Investors are free to select to apply for the Public Offer Shares or the Placing Shares, but not both. Our Directors and the Joint Lead Managers will take all reasonable steps to identify any multiple applications under the Public Offer and the Placing which are not allowed and are bound to be rejected.

PRICING

The Offer Price will be not more than HK\$0.35 per Offer Share and is expected to be not less than HK\$0.25 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable upon application for the Public Offer Shares

Investors of the Public Offer Shares will be required to pay the maximum indicative Offer Price of HK\$0.35 plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,535.27 for each board lot of 10,000 Shares. If the final Offer Price is less than the maximum indicative Offer Price, arrangements will be made to refund any excess amount to the investors, without interest.

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors the level of indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “bookbuilding”, is expected to continue up to, and to cease on or around the Price Determination Date. The Offer Price is expected to be fixed by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company, on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, 30 March 2017 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company may agree.

The Offer Price shall be fixed on the Price Determination Date by agreement among our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) in Hong Kong dollars after the market demand for the Offer Shares has been determined. The Offer Price range disclosed in this prospectus and the Application Forms is indicative only and the Joint Lead Managers (for themselves and on behalf of the Underwriters) may, based on the level of indications of interest expressed by prospective investors during the bookbuilding process and after consultation with our Company and with the written consent of our Company, reduce the indicative Offer Price range below that disclosed in this prospectus and the Application Forms at any time not later than the morning of the last day for lodging applications under the Public Offer. If the Offer Price range is reduced, the Sponsor shall assist our Company in arranging for, and our Company shall, as soon as

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause there to be published in accordance with the GEM Listing Rules a notice of reduction of the Offer Price range or to be announced in such manner as permitted under the GEM Listing Rules and agreed between our Company, the Joint Lead Managers and the Sponsor. Upon issue of these notices, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and us will be fixed within this revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in indicative Offer Price range may not be made until the last day for lodging applications under the Public Offer. Such notice shall also include confirmation or revision, as appropriate, of the working capital statement, offer statistics and any financial or other information in this prospectus which may change as a result of any such reduction. Applicants under the Public Offer should note that if an application for the Public Offer Shares before the last day for lodging applications under the Public Offer have been submitted, applicants will not be allowed to subsequently withdraw their application. However, if the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If, for any reason, our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before the Price Determination Date, the Offer Price will be HK\$0.25.

CONDITIONS OF THE SHARE OFFER

Acceptance of applications for the Offer Shares will be conditional upon:

- (i) the Listing Division granting the listing of, and permission to deal in, on the Stock Exchange, our Shares in issue, any Shares to be issued pursuant to the Capitalisation Issue and the Share Offer and any Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and
- (ii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming unconditional (including, if relevant, as a result of a waiver of any condition(s) by the Joint Lead Managers (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms and conditions of the respective agreements,

in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If any of the above conditions has not been fulfilled or waived prior to the time(s) and date(s) specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Share Offer will be caused to be published by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.bcggroup.com.hk the next day following such lapse. In such event, all application money will be refunded, without interest. The terms on which the application money will be refunded are set forth under "Refund of your money" on the Application Forms. In the meantime, all application money received from the Public Offer will be held in a separate bank account (or separate bank accounts) with the receiving bank in Hong Kong.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

We expect to issue share certificates for the Offer Shares on Thursday, 6 April 2017. Share certificates for the Offer Shares will only become valid certificates of title at 8.00 a.m. on Friday, 7 April 2017 provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in “Underwriting — Underwriting arrangements, commissions and expenses — Public Offer — Grounds for termination” has not been exercised.

THE PUBLIC OFFER

Our Company is initially offering 20,000,000 Shares under the Public Offer, at the Offer Price, representing 10.0% of the total number of the Offer Shares being offered in the Share Offer, for subscription by way of a public offer in Hong Kong, subject to the re-allocation as mentioned below and under the GEM Listing Rules. The Public Offer is managed by the Joint Lead Managers and is fully underwritten by the Public Offer Underwriters. Applicants for the Public Offer Shares are required to pay on application the maximum indicative Offer Price of HK\$0.35 per Offer Share plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Public Offer is open to all members of the public in Hong Kong. An applicant for the Public Offer Shares will be required to give an undertaking and confirmation in the Application Form that he has not taken up and will not indicate an interest to take up any Placing Shares nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is bound to be rejected. The Public Offer will be subject to the conditions stated under “Structure and Conditions of the Share Offer”.

If the Public Offer is not fully subscribed for, the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) have the authority to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as they deem appropriate to satisfy demand under the Placing. The total number of the Public Offer Shares to be allotted and issued may change as a result of the re-allocation as mentioned below.

When there is over-subscription, allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 20,000,000 Public Offer Shares initially available for subscription will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

THE PLACING

Our Company is initially offering 180,000,000 Shares at the Offer Price, representing 90% of the total number of the Offer Shares being offered in the Share Offer, for subscription by way of the Placing, subject to re-allocation as mentioned below and under the GEM Listing Rules.

The Placing is fully underwritten by the Placing Underwriters on a several basis upon and subject to the terms and conditions of the Placing Underwriting Agreement.

Investors subscribing for the Placing Shares are also required to pay brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to purchase further Shares or hold or sell the Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a broad Shareholder base for the benefit of our Company and the Shareholders as a whole.

In addition, our Company and the Joint Lead Managers will use their best endeavours to observe the minimum public float requirement under the GEM Listing Rules when making allocations of the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares. The Placing is subject to the Public Offer being unconditional.

The total number of the Placing Shares to be allotted and issued may change as a result of re-allocation mentioned below and any re-allocation of the unsubscribed Public Offer Shares to the Placing as mentioned under “— The Public Offer”.

RE-ALLOCATION BETWEEN THE PLACING AND THE PUBLIC OFFER

The allocation of Offer Shares between the Public Offer and the Placing is subject to adjustment on the following basis:

- (i) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 60,000,000 Shares, representing 30.0% of the total number of the Offer Shares available under the Share Offer;
- (ii) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 80,000,000 Shares, representing 40.0% of total number of the Offer Shares available under the Share Offer; and
- (iii) if the number of Shares validly applied for under the Public Offer represents 100 times or more the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 100,000,000 Shares, representing 50.0% of the total number of the Offer Shares available under the Share Offer.

In addition, the Joint Lead Managers may, in their sole discretion, allocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may be re-allocated as between these offerings at the discretion of the Joint Lead Managers. If either the Public Offer or the Placing is not fully subscribed, the Joint Lead Managers have the authority to re-allocate any or all unsubscribed Offer Shares from such offering to the other in such proportions as the Joint Lead Managers deem appropriate.

Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Thursday, 6 April 2017.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on GEM and our Company complies 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 on 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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Friday, 7 April 2017. Shares will be traded in board lots of 10,000 Shares and are fully transferable. The GEM stock code for the Shares is 8412.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Lead Managers and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you, or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any of our subsidiaries;
- a director or chief executive officer of our Company and/or any of our subsidiaries;
- a close associate (as defined in the GEM Listing Rules) of any of the above;
- a core connected person (as defined in the GEM Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

HOW TO APPLY FOR PUBLIC OFFER SHARES

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form. For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Form

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 24 March 2017 until 12:00 noon on Wednesday, 29 March 2017 from:

- (i) the following addresses of the Public Offer Underwriters:

Great Roc Capital Securities Limited

Suite 3712, 37/F., West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Lego Securities Limited

Room 804, 8/F., Jubilee Centre
46 Gloucester Road
Wanchai, Hong Kong

RHB Securities Hong Kong Limited

12/F, World-Wide House
19 Des Voeux Road Central
Central, Hong Kong

South China Securities Limited

28/F, Bank of China Tower
1 Garden Road, Central
Hong Kong

- (ii) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

District	Branch name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon	Kwun Tong Branch	G/F, 414 Kwun Tong Road, Kowloon
	68 Nathan Road Branch	Basement, Shop B1, G/F and M/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui

HOW TO APPLY FOR PUBLIC OFFER SHARES

District	Branch name	Address
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 24 March 2017 until 12:00 noon on Wednesday, 29 March 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**HORSFORD NOMINEES LIMITED — BCI GROUP PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 24 March 2017 — 9:00 a.m. to 5:00 p.m.
Saturday, 25 March 2017 — 9:00 a.m. to 1:00 p.m.
Monday, 27 March 2017 — 9:00 a.m. to 5:00 p.m.
Tuesday, 28 March 2017 — 9:00 a.m. to 5:00 noon
Wednesday, 29 March 2017 — 9:00 a.m. to 12:00 noon

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 29 March 2017, the last application day or such later time as described in "— 9. Effect of bad weather on the opening of the Application Lists".

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (a) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, our Directors, the Sponsor, the Sole Bookrunner and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ii) HKSCC Nominees will do the following things on your behalf:
- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of our Company, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
 - agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
 - agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
 - agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the

HOW TO APPLY FOR PUBLIC OFFER SHARES

time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving the **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer

HOW TO APPLY FOR PUBLIC OFFER SHARES

Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates ^(Note):

Friday, 24 March 2017	—	9:00 a.m. to 8:30 p.m. ^(Note)
Saturday, 25 March 2017	—	8:00 a.m. to 1:00 p.m. ^(Note)
Monday, 27 March 2017	—	8:00 a.m. to 8:30 p.m. ^(Note)
Tuesday, 28 March 2017	—	8:00 a.m. to 8:30 p.m. ^(Note)
Wednesday, 29 March 2017	—	8:00 a.m. ^(Note) to 12:00 noon

Note:

These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 24 March 2017 until 12:00 noon on Wednesday, 29 March 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 29 March 2017, the last application day or such later time as described in “— 9. Effect of bad weather on the opening of the Application Lists”.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential

HOW TO APPLY FOR PUBLIC OFFER SHARES

service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 29 March 2017.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If your application is successful, brokerage fee will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure and Conditions of the Share Offer — Pricing”.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 29 March 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the Application Lists do not open and close on Wednesday, 29 March 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 6 April 2017 on our Company’s website at www.bcigroup.com.hk and the Stock Exchange’s website at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.bcigroup.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Thursday, 6 April 2017;
- from the designated results of allocations website at www.ewhiteform.com.hk/results with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 6 April 2017 to 12:00 midnight on Wednesday, 12 April 2017;
- by telephone enquiry line by calling (852) 2153 1688 between 9:00 a.m. and 6:00 p.m. from Thursday, 6 April 2017 to Wednesday, 12 April 2017 (excluding Saturday, Sunday and public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 6 April 2017 to Saturday, 8 April 2017 at all the receiving bank’s designated branches listed above in “— 3. Applying for Public Offer Shares”.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in “Structure and Conditions of the Share Offer”.

HOW TO APPLY FOR PUBLIC OFFER SHARES

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Lead Managers and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division does not grant permission to list our Shares either:

- within three weeks from the closing date of the Application Lists; or
- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the Application Lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;

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- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 20,000,000 Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.35 per Offer Share (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer — Conditions of the Share Offer" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 6 April 2017.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 6 April 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Friday, 7 April 2017 provided that the Share Offer has become unconditional and the right of termination described in “Underwriting” has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Branch Share Registrar at 31/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 6 April 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 6 April 2017, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 6 April 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Thursday, 6 April 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

— *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS Participant’s stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

— *If you apply as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants’ applications together with the results of the Public Offer in the manner described in “— 10. Publication of results” above.

HOW TO APPLY FOR PUBLIC OFFER SHARES

You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 6 April 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System.

(iii) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 6 April 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in “— 10. Publication of results” above on Thursday, 6 April 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 6 April 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, 6 April 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 6 April 2017.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our

HOW TO APPLY FOR PUBLIC OFFER SHARES

Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.



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24 March 2017

The Directors
BCI Group Holdings Limited
Lego Corporate Finance Limited

Dear Sirs,

We set out below our report on the financial information regarding BCI Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), including the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 May 2015 and 2016 and the four months ended 30 September 2016 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 May 2015 and 2016 and 30 September 2016 and the statement of financial position of the Company as at 31 May 2016 and 30 September 2016, together with the notes thereto (collectively the "Financial Information"), and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the four months ended 30 September 2015 (the "Comparative Financial Information"), prepared on the basis of presentation and preparation set forth in Notes 2 and 3 of Section II below, for inclusion in the prospectus of the Company dated 24 March 2017 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 19 May 2016 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands.

Pursuant to the group reorganisation as detailed in the subsection headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" of the Prospectus (the "Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group.

The Group is principally engaged in the operation of clubbing and catering business in Hong Kong. The Company and its subsidiaries have adopted 31 May as their financial year end date. Particulars of the subsidiaries now comprising the Group are set out in Note 1 of Section II below. The Company has not carried on any business since the date of its incorporations, saved for the transactions relating to the Reorganisation.

No audited financial statements have been prepared for the Company since its date of incorporation as it is newly incorporated and has not carried on any business, other than the Reorganisation as referred to above. The audited financial statements of the 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 places of incorporation. The details of the statutory auditors of these companies are set out in Note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with the basis of presentation and preparation set out in Notes 2 and 3 of Section II below and the accounting policies set out in Note 5 of Section II below which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the Directors based on the Underlying Financial Statements on the basis of presentation and preparation set out in Notes 2 and 3 of Section II below, with no adjustment made thereon.

Respective Responsibilities of Directors and Reporting Accountant in respect of the Financial Information

The Directors are responsible for the contents of the Prospectus including the preparation of the Financial Information that give a true and fair view in accordance with the basis of presentation and preparation set out in Notes 2 and 3 of Section II below and the accounting policies set out in Note 5 of Section II below, the applicable disclosure provisions of the GEM Listing Rules, 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.

For the purpose of the Financial Information, our responsibility is to form an independent opinion on the Financial Information based on our procedures performed on the Financial Information and to report our opinion to you.

For the purpose of the Comparative Financial Information, our responsibility is to form a review conclusion on the Comparative Financial Information based on our procedures performed on the Comparative Financial Information and to report our review conclusion to you.

Procedures Performed in respect of the Underlying Financial Statements and the Financial Information

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standard on Auditing (“HKSA”) issued by the HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Procedures Performed in respect of the Comparative Financial Information

For the purpose of this report, we have also performed a review of the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

A review consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the Comparative Financial Information. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Opinion in respect of the Financial Information

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis of presentation and preparation set out in Notes 2 and 3 of Section II below and in accordance with the accounting policies set out in Note 5 of Section II below, gives a true and fair view of the financial position of the Company as at 31 May 2016 and 30 September 2016, and the consolidated financial position of the Group as at 31 May 2015 and 2016 and 30 September 2016 and of the consolidated financial performance and the consolidated cash flows of the Group for the Relevant Periods.

Review Conclusion in respect of the Comparative Financial Information

Based on the review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respect, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 May		Four months ended 30 September	
		2015	2016	2015	2016
		HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Revenue	8	67,387	88,870	23,519	30,613
Cost of inventories sold		(13,300)	(18,172)	(4,905)	(5,910)
Other income and gains	8	432	557	144	72
Property rentals and related expenses		(16,066)	(20,919)	(6,274)	(7,748)
Advertising and marketing expenses		(11,278)	(11,709)	(3,363)	(3,684)
Employee benefits expenses		(7,656)	(13,068)	(3,514)	(5,929)
Depreciation		(3,472)	(4,199)	(1,294)	(1,436)
Listing expenses		—	—	—	(8,191)
Other expenses		(7,478)	(10,953)	(3,389)	(4,201)
Profit/(loss) before income tax expense	9	8,569	10,407	924	(6,414)
Income tax expense	10	(1,470)	(2,023)	(293)	(361)
Profit/(loss) and total comprehensive income/ (expense) for the year/period		<u>7,099</u>	<u>8,384</u>	<u>631</u>	<u>(6,775)</u>
Profit/(loss) and total comprehensive income/ (expense) for the year/period attributable to:					
— Owners of the Company		7,099	8,384	631	(6,732)
— Non-controlling interests		—	—	—	(43)
		<u>7,099</u>	<u>8,384</u>	<u>631</u>	<u>(6,775)</u>

Consolidated Statements of Financial Position

	Notes	As at 31 May		As at
		2015	2016	30 September
		HK\$'000	HK\$'000	2016
				HK\$'000
Non-current assets				
Property, plant and equipment	14	10,919	10,151	9,232
Rental deposits	15	1,053	5,203	6,185
Deferred tax asset	16	639	1,440	1,477
Goodwill	17	—	2,209	2,209
		<u>12,611</u>	<u>19,003</u>	<u>19,103</u>
Current assets				
Inventories	18	195	354	507
Trade and other receivables	15	5,919	3,302	6,691
Amounts due from related companies	19	8,846	—	—
Cash and cash equivalents	20	2,443	17,021	8,804
		<u>17,403</u>	<u>20,677</u>	<u>16,002</u>
Current liabilities				
Trade and other payables	21	12,373	13,953	15,265
Amounts due to related parties	19	13,273	9,313	4,114
Current tax liabilities		147	2,253	2,651
		<u>25,793</u>	<u>25,519</u>	<u>22,030</u>
Net current liabilities		<u>(8,390)</u>	<u>(4,842)</u>	<u>(6,028)</u>
Total assets less current liabilities		<u>4,221</u>	<u>14,161</u>	<u>13,075</u>
Non-current liabilities				
Other payables	21	631	2,187	2,151
Net assets		<u>3,590</u>	<u>11,974</u>	<u>10,924</u>
EQUITY				
Share capital	23	—*	—*	—*
Reserves	24	3,590	11,974	11,087
Equity attributable to the owners of the Company		3,590	11,974	11,087
Non-controlling interests		—	—	(163)
Total equity		<u>3,590</u>	<u>11,974</u>	<u>10,924</u>

* The balance represents an amount less than HK\$1,000.

Statement of Financial Position

	Notes	As at 31 May 2016 <i>HK\$'000</i>	As at 30 September 2016 <i>HK\$'000</i>
Non-current assets			
Investment in a subsidiary		—	34
Current assets			
Prepayments		—	2,680
Amount due from a subsidiary	19	—*	617
		—*	3,297
Current liabilities			
Accruals		—	2,042
Amount due to a subsidiary	19	—*	4,350
		—*	6,392
Net current liabilities			
		—*	(3,095)
Net liabilities			
		—*	(3,061)
EQUITY			
Share capital	23	—*	—*
Reserves	24	—*	(3,061)
Total equity			
		—*	(3,061)

* The balance represents an amount less than HK\$1,000.

Consolidated Statements of Changes in Equity

	Attributable to owners of the Company				Non-controlling interests	Total
	Share capital	Share premium	(Accumulated losses)/retained earnings	Total		
	HK\$'000 (Note 23)	HK\$'000 (Note 23)	HK\$'000	HK\$'000		
At 1 June 2014 (unaudited)	—*	—	(3,509)	(3,509)	—	(3,509)
Profit and total comprehensive income for the year	—	—	7,099	7,099	—	7,099
At 31 May 2015 and 1 June 2015	—*	—	3,590	3,590	—	3,590
Profit and total comprehensive income for the year	—	—	8,384	8,384	—	8,384
At 31 May 2016 and 1 June 2016	—*	—	11,974	11,974	—	11,974
Issue of new shares	—*	5,100	—	5,100	—	5,100
Disposed of equity interest to a non-controlling interest	—	—	745	745	(120)	625
Loss and total comprehensive income for the period	—	—	(6,732)	(6,732)	(43)	(6,775)
At 30 September 2016	—*	5,100	5,987	11,087	(163)	10,924
At 31 May 2015 and 1 June 2015	—*	—	3,590	3,590	—	3,590
Profit and total comprehensive income for the period (unaudited)	—	—	631	631	—	631
At 30 September 2015 (unaudited)	—*	—	4,221	4,221	—	4,221

* The balance represents an amount less than HK\$1,000.

Consolidated Statements of Cash Flows

	For the year ended 31 May		For the four months ended 30 September	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> <i>(unaudited)</i>	2016 <i>HK\$'000</i>
Cash flows from operating activities				
Profit/(loss) before income tax expense	8,569	10,407	924	(6,414)
Adjustments for:				
Depreciation of property, plant and equipment	3,472	4,199	1,294	1,436
Gain on disposal of property, plant and equipment	—	(125)	—	—
	12,041	14,481	2,218	(4,978)
Decrease/(increase) in inventories	3	(75)	(60)	(153)
Decrease/(increase) in trade receivables, deposits and other receivables	661	117	(77)	(4,371)
(Decrease)/increase in trade and other payables	(1,634)	675	(134)	1,901
Cash generated from operations	11,071	15,198	1,947	(7,601)
Income tax refund	66	—	—	—
Net cash generated from/(used in) operating activities	11,137	15,198	1,947	(7,601)
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	—	(1,398)	—	—
(Advances to)/repayments from related parties	(6,678)	6,034	(2,548)	—
Purchases of property, plant and equipment	(1,621)	(2,823)	(1,802)	(517)
Proceeds from disposal of property, plant and equipment	—	125	—	—
Net cash (used in)/generated from investing activities	(8,299)	1,938	(4,350)	(517)
Cash flows from financing activities				
Issuance of new shares	—	—	—	5,100
Advances from/(repayments to) related parties	371	(2,558)	2,020	(5,199)
Repayments of other borrowing	(2,000)	—	—	—
Net cash (used in)/generated from financing activities	(1,629)	(2,558)	2,020	(99)
Net increase/(decrease) in cash and cash equivalents	1,209	14,578	(383)	(8,217)
Cash and cash equivalents at beginning of the year/period	1,234	2,443	2,443	17,021
Cash and cash equivalents at end of the year/period	2,443	17,021	2,060	8,804

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and its principal place of business in Hong Kong is located at Unit B, 24/F Wyndham Place, 44 Wyndham Street, Central, Hong Kong. The Group is principally engaged in the operation of clubbing and catering business in Hong Kong (the "Listing Business").

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as follows:

Name	Country and date of incorporation/ establishment and form of business structure	Issued and paid up share capital	Attributable equity interest		Principal activities and place of operations	Notes
			direct	indirect		
BCI Group Holdings (BVI) Limited (formerly known as Buzz Concepts International Holdings Limited)	British Virgin Islands, 6 February 2013, limited liability company	USD10	100%	—	Investment holding, Hong Kong	(1)
BCI Group Enterprises Limited (formerly known as Buzz Concepts International Limited)	Hong Kong, 28 November 2012, limited liability company	HK\$1	—	100%	Investment holding, Hong Kong	(2)
Group Best Investment Holdings Limited	British Virgin Islands, 26 April 2013, limited liability company	USD10,000	—	100%	Investment holding, Hong Kong	(1)
Legend Vision Limited	Hong Kong, 8 April 2015, limited liability company	HK\$1	—	100%	Investment holding, Hong Kong	(3)
Bannock Holdings Limited	British Virgin Islands, 4 February 2014, limited liability company	HK\$1	—	100%	Investment holding, Hong Kong	(1)
Buzz Concepts Management (H.K.) Limited	Hong Kong, 17 February 2014, limited liability company	HK\$1	—	100%	Provision of public relations services, Hong Kong	(2)
Lively World Limited ("Lively World")	British Virgin Islands, 2 January 2015, limited liability company	USD1	—	100%	Investment holding, Hong Kong	(1)
Group Best Investment Limited	Hong Kong, 9 July 2004, limited liability company	HK\$100,000	—	100%	Operation of club, Hong Kong	(2)
Grand Diamond Limited	Hong Kong, 13 February 2008, limited liability company	HK\$2,030,750	—	100%	Operation of club, Hong Kong	(2)

Name	Country and date of incorporation/ establishment and form of business structure	Issued and paid up share capital	Attributable equity interest		Principal activities and place of operations	Notes
			direct	indirect		
Litton Global Limited	British Virgin Islands, 4 February 2014, limited liability company	USD1	–	100%	Trademark holding, Hong Kong	(1)
Joint Ace Limited	Hong Kong, 18 March 2015, limited liability company	HK\$1	–	100%	Operation of restaurant, Hong Kong	(3)
Crown Grand Limited	Hong Kong, 20 November 2014, limited liability company	HK\$1	–	100%	Operation of restaurant, Hong Kong	(2)
City Silver Limited (“City Silver”)	Hong Kong, 12 October 2013, limited liability company	HK\$625,003	–	60%	Operation of restaurant, Hong Kong	(2), (4)
Ace Gain Limited (“Ace Gain”)	Hong Kong, 5 May 2016, limited liability company	HK\$1	–	100%	Not yet commenced business	(5)

Notes:

- (1) No statutory financial statements have been prepared for these subsidiaries as there is no statutory requirement.
- (2) The statutory financial statements for the years ended 31 May 2015 and 2016 were audited by Solarmark (HK) C.P.A. Co. Ltd., Certified Public Accountants.
- (3) The statutory financial statements for the period from the date of incorporation to 31 May 2016 were audited by Solarmark (HK) C.P.A. Co. Ltd., Certified Public Accountants.
- (4) On 30 August 2016 and 31 August 2016, City Silver allotted 2 shares to Lively World at HK\$2 and 2 shares to Food Lab Concept Limited at HK\$625,000, respectively. Prior to the shares allotments, City Silver was a wholly owned subsidiary of the Company.
- (5) No statutory financial statements have been prepared as at 31 May 2016 for Ace Gain as it was incorporated shortly prior to 31 May 2016. Ace Gain did not commence business since its incorporation and was brought into the Group in September 2016.

2. Reorganisation and basis of presentation

Prior to the incorporation of the Company and the completion of the Reorganisation, the Listing Business was carried on by companies now comprising the Group (hereinafter collectively referred to as the “Operating Companies”).

Pursuant to the Reorganisation as detailed in “History, Reorganisation and Corporate Structure” of the Prospectus, in preparation for the listing of shares of the Company on the GEM of the Stock Exchange (the “Listing”) and for the purpose of rationalising the Group’s structure, the Company became the holding company of the subsidiaries now comprising the Group on 19 July 2016 by way of transfer of equity interests in BCI Group Holdings (BVI) Limited to the Company in consideration of the Company’s allotment and issue of shares to the Companies held by the then shareholders of BCI Group Holdings (BVI) Limited (the “Share Transfer”).

Immediately prior to and after the Reorganisation, the Listing Business is held by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies together with the Listing Business are transferred to and held by the Company. The Share Transfer has no substance and do not form a business combination, and accordingly, the Financial Information of the Company was consolidated with that of the Operating Companies using the predecessor carrying amounts. The Reorganisation is therefore merely a reorganisation of the Listing Business and does not constitute a business combination, as if the group structure under the Reorganisation had been in existence throughout the Relevant Periods or since the respective dates of incorporation of the entities now comprising the Group, whichever is the shorter period.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods have been prepared using the financial information of the entities now comprising the Group, as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation of the relevant entities now comprising the Group where this is a shorter period. The consolidated statements of financial position of the Group as at 31 May 2015 and 2016 have been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence at those dates, as if the current group structure had been in existence as at the respective dates. The net assets and results of the Group were consolidated using the carrying value. All significant intra-group transactions and balances have been eliminated on combination.

The Financial Information are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands, except when otherwise indicated.

3. Basis of Preparation

The Financial Information has been prepared in accordance with the basis of presentation set out in Note 2 of Section II and the accounting policies set out below, which conform to HKFRSs (which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA and applicable disclosure provisions of the GEM Listing Rules throughout the Relevant Periods. In preparing the Financial Information, the Group has adopted all new and revised HKFRSs, which were relevant to the Group and became effective during the Relevant Periods, consistently throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost basis.

As at 31 May 2015 and 2016 and 30 September 2016, the Group had net current liabilities of approximately HK\$8,390,000, HK\$4,842,000 and HK\$6,028,000 respectively. In preparing the Financial Information, the Directors have carefully considered the future liquidity of the Group and concluded that the Group has sufficient working capital to meet in full its financial obligations as when they fall due in the foreseeable future, after taking into account the continuous operating cash inflows generated from the Group's business and the Group's capital expenditure plan for its future development. Accordingly, the Directors are satisfied that the adoption of the going concern basis in preparing the Financial Information is appropriate.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 6.

4. Impact of issued but not yet effective HKFRSs

The Group has not early applied the following new and revised HKFRSs that have been issued, potentially relevant to the Group's operations, but are not yet effective, in the Financial Information.

Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 15	Clarifications to HKFRS 15 "Revenue from Contracts with Customers" ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

None of the above new and revised HKFRSs is expected to have a significant effect on the Financial Information, except as set out below:

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1 : Identify the contract(s) with a customer
- Step 2 : Identify the performance obligations in the contract
- Step 3 : Determine the transaction price
- Step 4 : Allocate the transaction price to each performance obligation
- Step 5 : Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors anticipate that the application of HKFRS 15 in the future may have an impact on the financial statements that more disclosures relating to revenue are required by the new standard.

HKFRS 16 — Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirement of HKAS 16 'Property, Plant and Equipment', while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

Total operating lease commitments of the Group in respect of office premises, clubs and restaurants as at 30 September 2016 amounted to approximately HK\$48,884,000. The directors anticipate the adoption of HKFRS 16 as compared with the current accounting policy may affect the Group's results. The directors anticipate a significant portion of the lease commitments in the above amount of HK\$48,884,000 will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

5. Summary of significant accounting policies

5.1 Business combination

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

5.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee; (2) exposure, or rights, to

variable returns from the investee; and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

5.3 *Goodwill*

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 5.10), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

5.4 *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the Relevant Periods. The principal annual rates are as follows:

Leasehold improvements	20% and the lease term, whichever is the shorter
Furniture, fixtures and equipment	20%
Motor vehicles	20%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

5.5 *Financial instruments*

(i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Loan and receivables are initially recognised at fair value plus directly attributable transaction costs that are directly attributable to the acquisition of the financial asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) *Impairment loss on financial assets*

The Group assesses, at the end of each of the Relevant Periods, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor or the group of debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor or the group of debtors will enter bankruptcy or other financial reorganisation.

For Loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost include trade payables, accruals and other payables and amounts due to related parties. They are recognised initially at their fair value, net of directly attributable transaction costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(vii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

5.6 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

5.7 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

5.8 Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

5.9 Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

5.10 Impairment of assets (other than financial assets)

At the end of each of the Relevant Periods, the Group reviews the carrying amounts of assets (other than inventories and financial assets) to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see note 5.3), 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 or cash generating unit.

5.11 Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) *Termination benefits*

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

5.12 *Foreign currencies*

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

5.13 *Income taxes*

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of reporting period between the carrying amounts of assets and liabilities in the Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary difference, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of each of the Relevant Periods.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

5.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(a) *Sales of food and beverages*

Revenue from sales of food and beverages is recognised at the point of sale to customers.

Prepayments from customers in respect of the membership schemes operated by the Group which are considered to be unearned at the reporting date are shown as receipts in advance in the consolidated statements of financial position. Revenue is recognised in the consolidated statements of comprehensive income based on effective selling price when relevant beverages are sold to customers.

(b) *Revenue from services*

Revenue from services (including tips, entrance fees, cloakroom fees, photobooth and event rental income) is recognised when the services have been provided to the customers.

(c) *Sponsorship income*

Sponsorship income is recognised when:

- the promotion events have been held; or
- the services have been rendered, and it is probable that the sponsorship income will be granted and the amount can be measured reliably.

(d) *Management fee income*

Management fee income is recognised when services are rendered.

(e) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

5.15 Related parties

(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 key management personnel of the Group.
- (b) *An entity is related to the Group if any of the following conditions apply:*
- (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 of 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 the employees of the Group or an entity 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 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.

Close members of the family 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 and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5.16 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except interest income, unallocated finance costs, and unallocated corporate expenses, which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

No asymmetrical allocations have been applied to reportable segments.

6. Critical accounting judgement and key sources of estimation uncertainty

The preparation of the Financial Information of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the

disclosure of contingent liabilities, at the end of each of the Relevant Periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Financial Information were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvement in production, or from a change in the market demand for the products or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in similar way. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment loss for trade and other receivables

The Group estimates impairment losses of trade and other receivables resulting from the inability of the customers and other debtors to make the required payments in accordance with accounting policy stated in Note 5.5(ii). The Group bases the estimates on the ageing of the receivable balances, debtors' creditworthiness and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

Impairment loss for non-financial assets

The Group assesses at the end of each of the Relevant Periods whether non-financial assets suffered any impairment in accordance with accounting policy stated in Note 5.10. The non-financial assets are reviewed for the impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The determination of recoverable amount requires an estimation of future cash flows and the selection of appropriate discount rates. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

Impairment loss for goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Provision for reinstatement costs

Provision for reinstatement costs is estimated at the inception of leasing property with reinstatement clause and reassessed at the end of each reporting periods with reference to the latest available quotation from independent contractors. Estimation based on current market information may vary over time and could differ from the actual reinstatement cost upon closures or relocation of existing premises occupied by the Group.

7. Segment information

The chief operating decision maker is identified as executive Directors. The Group has identified its operating segment based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation and review of performance. For the Relevant Periods, the executive directors have considered the only operating segment of the Group is operation of clubbing and catering business.

Management determines the Group is domiciled in Hong Kong, which is the location where the Group principally operates. All revenue of the Group for the Relevant Periods was derived in Hong Kong. All its non-current assets are located in Hong Kong.

In addition, the customers of the Group, based on the locations at which the services were provided, are all located in Hong Kong. No revenue from transactions with a single customer amounts to 10% or more of the Group's revenue.

8. Revenue and other income and gains

The Group's principal activities are operation of clubs and restaurants.

Revenue represents the amount received or receivable from the sales of food and beverages, entrance fees, sponsorship income and others (including tips, cloakroom fees, photobooth and event rental income).

The Group's customer base is diversified and no individual customer had transactions which exceeded 10% of the Group's revenue during the Relevant Periods.

Revenue from the Group's principal activities during the Relevant Periods is as follows:

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(Unaudited)</i>	
Revenue from:				
Clubs operation				
Sales of beverage	65,341	78,188	20,645	26,031
Less: Sales discounts	(9,654)	(11,568)	(3,389)	(4,382)
	55,687	66,620	17,256	21,649
Entrance fee	4,503	3,220	649	1,124
Sponsorship income	896	1,652	502	1,069
Others	996	1,359	300	398
	62,082	72,851	18,707	24,240
Restaurants operation				
Sales of food and beverage	5,305	16,085	4,852	6,388
Less: Sales discounts	(9)	(81)	(45)	(20)
	5,296	16,004	4,807	6,368
Others	9	15	5	5
	5,305	16,019	4,812	6,373
Total revenue	67,387	88,870	23,519	30,613

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other income and gains:				
Gain on disposal of property, plant and equipment	—	125	—	—
Management fee income	432	432	144	72
	<u>432</u>	<u>557</u>	<u>144</u>	<u>72</u>

9. Profit/(loss) before income tax expense

Profit/(loss) before income tax expense is arrived at after charging:

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories recognised as expense				
— Clubs operation	11,614	13,812	3,448	4,234
— Restaurants operation	1,686	4,360	1,457	1,676
	<u>13,300</u>	<u>18,172</u>	<u>4,905</u>	<u>5,910</u>
Auditor's remuneration	82	107	24	36
Depreciation of property, plant and equipment	3,472	4,199	1,294	1,436
Listing expenses	—	—	—	8,191
Staff costs (including directors' remuneration (<i>Note 11(a)</i>))				
— Wages, salaries and other benefits	7,368	12,513	3,378	5,669
— Contribution to defined contribution pension plans	288	555	136	260
	<u>7,656</u>	<u>13,068</u>	<u>3,514</u>	<u>5,929</u>
Minimum lease payments under operating leases	<u>15,429</u>	<u>19,482</u>	<u>5,855</u>	<u>7,067</u>

10. Income tax expense

The Group is subject to income tax on profits arising in or derived from Hong Kong, being its principal place of business. The income tax expense in the consolidated statements of comprehensive income during the Relevant Periods represents:

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current income tax	147	2,106	362	398
Deferred tax (<i>Note 16</i>)	1,323	(83)	(69)	(37)
Income tax expense	<u>1,470</u>	<u>2,023</u>	<u>293</u>	<u>361</u>

Pursuant to the rules and regulations of Cayman Islands, the Group is not subject to any taxation under the jurisdictions of Cayman Islands.

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Relevant Periods.

A reconciliation of the income tax expense applicable to profit before income tax expense at the statutory tax rate to the income tax expense at the effective tax rate for the Relevant Periods is as follows:

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) before income tax expense	8,569	10,407	924	(6,414)
Tax calculated at the statutory rate of 16.5%	1,414	1,717	153	(1,058)
Tax effect of non-deductible expenses	56	64	57	1,505
Tax effect of deductible temporary differences not recognised	—	208	80	(86)
Others	—	34	3	—
Income tax expense	1,470	2,023	293	361

11. Directors' remuneration and five highest paid individuals

(a) Directors' remuneration

The remuneration of the director for the Relevant Periods is set out below:

	Fees	Salaries and benefits	Contribution to defined contribution pension plans	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 May 2015				
Executive director Mr. Ng Shing Joe Kester ("Kester Ng")	240	—	—	240
Year ended 31 May 2016				
Executive director Mr. Kester Ng	240	—	—	240
Four months ended 30 September 2015 (unaudited)				
Executive director Mr. Kester Ng	80	—	—	80
Four months ended 30 September 2016				
Executive director Mr. Kester Ng	80	—	—	80
Ms. Lau Sze Yuen	—	113	6	119
	80	113	6	199

Mr. Kester Ng was appointed executive director of the Company upon incorporation. On 1 June 2016 and 22 August 2016, Ms. Lau Sze Yuen and Mr. Kan Sze Man were appointed executive and non-executive Directors respectively.

During the Relevant Periods, no remuneration was paid or payable to Ms. Lau Sze Yuen and Mr. Kan Sze Man.

On 14 March 2017, Mr. Wong Sui Chi, Mr. Li Lap Sun and Mr. Ng Kwok Kei Sammy were appointed as the independent non-executive directors. During the Relevant Periods, the independent non-executive directors did not receive any remuneration.

(b) Five highest-paid individuals

The five highest paid individuals of the Group during the Relevant Periods did not include any Director.

The emoluments paid to the remaining individuals during the Relevant Periods are set out below:

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Salaries and allowances	2,090	2,299	654	920
Contribution to defined contribution pension plans	65	71	27	29
	<u>2,155</u>	<u>2,370</u>	<u>681</u>	<u>949</u>

Their remuneration fell within the following band:

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
			(Unaudited)	
Nil to HK\$1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Relevant Periods, no director or any of the highest-paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) The emoluments paid or payable to members of senior management during the Relevant Periods were within the following band:

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
			(Unaudited)	
Nil to HK\$1,000,000	<u>1</u>	<u>2</u>	<u>1</u>	<u>3</u>

12. Dividend

No dividend has been paid or declared by the Company since the date of incorporation, or by any of the companies now comprising the Group during the Relevant Periods.

13. Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Periods as described in Note 2 above.

14. Property, plant and equipment

	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:				
At 1 June 2014	10,422	5,193	408	16,023
Additions	1,261	600	—	1,861
At 31 May 2015	11,683	5,793	408	17,884
Additions	1,581	1,242	—	2,823
Disposal	—	—	(408)	(408)
Acquired through business combination (<i>note 22</i>)	464	144	—	608
At 31 May 2016	13,728	7,179	—	20,907
Additions	176	341	—	517
At 30 September 2016	13,904	7,520	—	21,424
Accumulated depreciation:				
At 1 June 2014	1,891	1,276	326	3,493
Charge for the year	2,380	1,010	82	3,472
At 31 May 2015	4,271	2,286	408	6,965
Charge for the year	2,893	1,306	—	4,199
Disposal	—	—	(408)	(408)
At 31 May 2016	7,164	3,592	—	10,756
Charge for the period	974	462	—	1,436
At 30 September 2016	8,138	4,054	—	12,192
Carrying amount:				
At 31 May 2015	7,412	3,507	—	10,919
At 31 May 2016	6,564	3,587	—	10,151
At 30 September 2016	5,766	3,466	—	9,232

Leasehold improvement included reinstatement provision with carrying amount of HK\$507,000, HK\$382,000 and HK\$313,000 respectively as at 31 May 2015 and 2016 and 30 September 2016.

15. Trade and other receivables

	As at 31 May		As at 30 September
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	1,417	957	1,480
Other receivables	22	375	745
Prepayments	603	1,055	4,015
Deposits	4,930	6,118	6,636
Total	6,972	8,505	12,876
Less: Current portion	(5,919)	(3,302)	(6,691)
Non-current portion	1,053	5,203	6,185

Majority of the Group's revenue is attributable to sales of food and beverages via cash and credit card. There was no credit term granted to the customers.

As at 30 September 2016, prepayment of approximately HK\$83,000 was included in the balances. Details of the amounts were set out in note 19(b).

An ageing analysis of the Group's trade receivables as at the end of each of the Relevant Periods, net of impairment and based on invoice date, is as follows:

	As at 31 May		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
0-30 days	1,051	642	1,193
31-60 days	49	66	108
61-90 days	55	103	111
Over 90 days	262	146	68
	<u>1,417</u>	<u>957</u>	<u>1,480</u>

At the end of each of the Relevant Periods, the Group reviews receivables for evidence of impairment on both an individual and collective basis. Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The ageing of trade receivables which are past due but not impaired is as follows:

	As at 31 May		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
Neither past due nor impaired (<i>note (a)</i>)	—	—	—
Past due but not impaired (<i>noted (b)</i>)			
1-30 days past due	1,051	642	1,193
31-90 days past due	104	169	219
Over 90 days past due	262	146	68
	<u>1,417</u>	<u>957</u>	<u>1,480</u>

Notes:

- (a) The balances that were neither past due nor impaired related to a wide range of customers with no recent history of default.
- (b) Receivables that were past due but not impaired related to a number of 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. The Group does not hold any collateral or other credit enhancements over these balances.

16. Deferred tax assets

The details of the deferred tax assets recognised and movements during each of the Relevant Periods are as follows:

Deferred tax assets/(liabilities)

	(Accelerated)/ decelerated tax depreciation	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 June 2014	(25)	1,987	1,962
Credited/(charged) to profit or loss	315	(1,638)	(1,323)
At 31 May 2015 and at 1 June 2015	290	349	639
Credited to profit or loss	79	4	83
Acquisition of subsidiary (<i>note 22</i>)	–	718	718
At 31 May 2016 and at 1 June 2016	369	1,071	1,440
Credited/(charged) to profit or loss	141	(104)	37
At 30 September 2016	<u>510</u>	<u>967</u>	<u>1,477</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to income tax levied by same taxation authority on the same taxable entity.

As at 31 May 2015 and 2016 and 30 September 2016, the Group has estimated tax losses arising in Hong Kong of HK\$2,115,000, HK\$6,160,000 and HK\$5,864,000 respectively, subject to the agreement of Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

17. Goodwill

	<i>HK\$'000</i>
At 31 May 2015 and 1 June 2015	—
Addition through business combination (<i>note 22</i>)	2,209
At 31 May 2016 and 30 September 2016	<u>2,209</u>

The goodwill was acquired through business combination during the year ended 31 May 2016 (*note 22*) and it is solely allocated to the cash generating unit (“CGU”), namely the Legend Vision Group (as defined in *note 22*).

The recoverable amount of the goodwill has been determined from value-in-use calculation based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-year period are extrapolated using an estimated weighted average growth rate of 0%.

	2016
Discount rate	16.0%
Operating margin*	16.5–16.6%
Growth rate within the five-year period	0.0–5.0%

* defined as profit before income tax expense divided by revenue

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU. The operating margin and growth rate within the five-year period have been based on management expectation and the result of the market research and prediction.

The Directors have considered the impact of the possible changes in the key assumptions (discount rate, operating margin and growth rate) used, and conducted sensitivity analysis on the CGU's carrying value for impairment testing during the Relevant Periods. In the opinion of the Directors, any reasonably possible changes in the key assumptions on which the recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount.

18. Inventories

	As at 31 May		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
Beverage	195	354	507

19. Balances with related parties

The Group

(a) Amounts due from related companies

	Notes	Maximum outstanding balance			As at 31 May		As at
		2015	2016	30 September	2015	2016	30 September
		HK\$'000	HK\$'000	2016	2015	HK\$'000	2016
Buzz Concepts Group Limited	(i) & (iii)	6,609	6,609	—	6,609	—	—
Buzz Concepts Management Limited	(i) & (iii)	402	132	—	132	—	—
Grand Diamond Limited	(i) & (iii)	945	654	—	654	—	—
Lucky Trend International Limited	(i) & (iii)	315	487	—	315	—	—
Billion Best Investment Limited	(i) & (iii)	1,267	976	—	967	—	—
Model Genesis International Management Limited (“Model Genesis”)	(ii), (iii) & (iv)	176	163	—	22	—	—
Hero Icon Limited	(i), (iii) & (iv)	7	7	—	7	—	—
Digital Option Limited and High Supreme Limited	(i) & (iv)	140	140	—	140	—	—
				—	8,846	—	—

Notes:

- (i) The amount due was non-trade in nature, unsecured, interest-free and has no fixed terms of repayment.
- (ii) The amount due was trade in nature, unsecured, interest-free and has no fixed terms of repayment.

- (iii) Mr. Kester Ng, an executive director of the Company, held beneficial interests in the related company.
- (iv) CSI Properties Limited, being one of the ultimate shareholders of the Company, held beneficial interests in the related company.

(b) Prepayments to a related company

As at 30 September 2016, balance of approximately HK\$83,000 was prepaid to Model Genesis in relation to marketing and promotion services.

(c) Amounts due to related parties

	Notes	As at 31 May		As at
		2015	2016	30 September
		HK\$'000	HK\$'000	2016
				HK\$'000
Phoenix Year Limited	(i) & (ii)	3,025	2,778	2,778
Model Genesis	(iii)	—	52	—
Mr. Kester Ng	(i)	10,248	6,483	1,336
		<u>13,273</u>	<u>9,313</u>	<u>4,114</u>

Notes:

- (i) The amount due was non-trade in nature, unsecured, interest-free and has no fixed terms of repayment.
- (ii) CSI Properties Limited, being one of the ultimate shareholders of the Company, held beneficial interests in the related company.
- (iii) The amount due was trade in nature, unsecured, interest-free and has no fixed terms of repayment. Mr. Kester Ng, being an executive director of the Company, held beneficial interests in the related company.

The Company

Amounts due from/(to) subsidiaries

The amounts due were non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

20. Cash and cash equivalents

Cash and cash equivalents represent cash at banks and in hand. Cash at banks earns interest at floating rates based on daily bank deposit rates.

21. Trade and other payables

	As at 31 May		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
Trade payables	2,141	2,969	3,862
Accruals and other payables	7,009	9,318	9,521
Receipts in advance	3,854	3,853	4,033
Total	13,004	16,140	17,416
Less: Current portion	(12,373)	(13,953)	(15,265)
Non-current portion	<u>631</u>	<u>2,187</u>	<u>2,151</u>

An ageing analysis of the Group's trade payables as at the end of each of the Relevant Periods based on invoice date, is as follow:

	As at 31 May		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
0-30 days	2,043	2,834	3,538
31-60 days	98	127	301
Over 60 days	—	8	23
	<u>2,141</u>	<u>2,969</u>	<u>3,862</u>

Accruals and other payables included provision of reinstatement and deferred rental expense.

22. Acquisition of a subsidiary

On 1 November 2015, the Group acquired 100% of the equity interests of Legend Vision Limited and its subsidiary (hereinafter collectively referred as "Legend Vision Group"). The principal activity of Legend Vision Group is the operation of clubbing business in Hong Kong. The acquisition was made with the objective to achieve economies of scale and strategically expand the clubbing business of the Group.

The fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

	HK\$'000	HK\$'000
Property, plant and equipment	608	
Inventories	84	
Deferred tax assets	718	
Trade receivables, deposits and other receivables	1,650	
Amounts due from related parties	320	
Trade and other payables	(2,461)	
Amounts due to related parties	<u>(1,730)</u>	
		(811)
Net cash outflow arising from acquisition:		
Cash and cash equivalents acquired	402	
Consideration paid	<u>(1,800)</u>	
		<u>(1,398)</u>
Goodwill (<i>note 17</i>)		<u><u>(2,209)</u></u>

The fair value and gross amount of trade and other receivables amounted to HK\$1,650,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of HK\$2,209,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

Since the acquisition date, Legend Vision Group has contributed HK\$10,103,000 and HK\$1,163,000 to Group's revenue and profit for the year ended 31 May 2016, respectively. If the acquisition had occurred on 1 June 2015, Group's revenue and profit for the year ended 31 May 2016 would have been HK\$95,614,000 and HK\$8,472,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 June 2015, nor is it intended to be a projection of future performance.

23. Share capital

The Company was incorporated in the Cayman Islands on 19 May 2016 with an authorised share capital of HK\$100,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.01 each. On the same date, one ordinary share of HK\$0.01 was issued to Mr. Kester Ng at par value.

On 19 July 2016 and 20 July 2016, 8,844 and 305 new shares were issued pursuant to the group reorganisation respectively.

On 22 July 2016, 850 new shares were issued at HK\$6,000.00 per share.

For the purpose of this report, the share capital of the Group as at 31 May 2015 and 2016 represented the combined share capital of the entities now comprising the Group at the end of each of the Relevant Periods.

24. Reserves**a) The Group**

Details of the movements of the Group's reserves are as set out in the consolidated statements of changes in equity in Section I.

b) The Company

	<u>Share premium</u>	<u>Capital reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Issue of a share at the date of incorporation	—	—	—	—
Loss and total comprehensive income for the period	—	—	—*	—*
At 31 May 2016 and 1 June 2016	—	—	—*	—*
Loss and total comprehensive income for the period	—	—	(8,195)	(8,195)
Issue of new shares	5,100	—	—	5,100
Arising on reorganisation	—	34	—	34
At 30 September 2016	<u>5,100</u>	<u>34</u>	<u>(8,195)</u>	<u>(3,061)</u>

* The balance represents an amount less than HK\$1,000.

25. Non-controlling interests

On 31 August 2016, 2 shares, representing 40% of City Silver's equity interest, were issued to an independent third party at a consideration of HK\$625,000, which was settled by offsetting the same amount due to the independent third party. The non-controlling interests of City Silver are considered to be immaterial.

26. Commitments**Operating lease commitments — Group as lessee**

The Group leased its office premise, clubs and restaurants under operating lease arrangements with third party landlords and related parties. Leases for these properties are negotiated for terms ranging from one to three years.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	As at 31 May		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
Not later than one year	15,783	20,993	21,204
Later than one year and not later than five years	4,927	29,896	27,680
	<u>20,710</u>	<u>50,889</u>	<u>48,884</u>

In addition, the operating leases for two restaurants of the Group are based on the restaurants' respective revenue pursuant to the terms and conditions as set out in the respective agreements. As the future revenue of restaurants could not be reliably determined, the relevant contingent payments have not been included in above table and only the minimum lease commitments have been included.

27. Related party transactions

(a) Related party transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the Relevant Periods:

Related party identity	Type of transactions	Notes	For the year ended 31 May		For the four months ended 30 September	
			2015	2016	2015	2016
			HK\$'000	HK\$'000	HK\$'000	HK\$'000
Digital Option Limited and High Supreme Limited	Rental expenses	(i), (ii)	1,455	1,472	482	488
Capital Delight Limited	Rental expenses	(i), (ii) & (iii)	106	110	33	19
Model Genesis International Limited	Marketing and promotion fee	(i), (ii)	2,158	3,403	744	1,005
Model Genesis International Limited	Management income	(i)	432	432	144	72

Notes:

- (i) 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.
- (ii) The Directors have confirmed that these transactions will continue in the future after the listing of the Company's shares on the GEM of the Stock Exchange.
- (iii) CSI Properties Limited, being one of the ultimate shareholders of the Company, held beneficial interests in the related company.

(b) Compensation of key management personnel

Remuneration for key management personnel of the Group, excluding amounts paid to the Directors as disclosed in Note 11(a), is as follows:

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Salaries, allowances and benefits in kind	624	797	196	435

28. Summary of financial assets and financial liabilities by category

The carrying amounts presented in the consolidated statements of financial position relate to the following categories of financial assets and financial liabilities.

	As at 31 May		As at 30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
Loans and receivables:			
Trade receivables, deposits and other receivables	6,369	7,450	8,861
Amounts due from related companies	8,846	–	–
Cash and cash equivalents	2,443	17,021	8,804
	<u>17,658</u>	<u>24,471</u>	<u>17,665</u>
Financial liabilities			
Measured at amortised cost:			
Trade and other payables	9,150	12,287	13,383
Amounts due to related parties	13,273	9,313	4,114
	<u>22,423</u>	<u>21,600</u>	<u>17,497</u>

29. Financial risk management

The Group's financial assets that derive directly from its operations are trade receivables, deposits and other receivables, amounts due from related companies and cash and cash equivalents. Principal financial liabilities of the Group include trade and other payables, and amounts due to related parties. The main purpose of these financial liabilities is to finance the Group's operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The Group does not enter into or trade financial instruments for speculative purposes.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group is exposed to concentration of credit risk in respect of certain amounts due from related companies as disclosed in Note 19 to the financial statements. The Group's concentration of credit risk by geographical location is in Hong Kong. To monitor the credit risk exposure, the directors of the Group have reviewed the recoverability of these balances periodically and opined there was no significant credit risk.

Cash and bank balances are deposits in banks with sound credit ratings. Given their high credit ratings, the Group does not expect to have high credit risk in this aspect.

In general, there is no requirement for collateral by the Group.

(b) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables, accruals and other payables, and amounts due to related parties, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets to meet its liquidity requirements in the short and longer term.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms.

The liquidity policies have been followed by the Group during the Relevant Periods and are considered to have been effective in managing liquidity risks.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has 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. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the Relevant Periods.

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than one year but less than two years
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 May 2015				
Trade and other payables	9,150	9,150	8,519	631
Amounts due to related parties	13,273	13,273	13,273	–
	<u>22,423</u>	<u>22,423</u>	<u>21,792</u>	<u>631</u>
At 31 May 2016				
Trade and other payables	12,287	12,287	10,100	2,187
Amounts due to related parties	9,313	9,313	9,313	–
	<u>21,600</u>	<u>21,600</u>	<u>19,413</u>	<u>2,187</u>
At 30 September 2016				
Trade and other payables	13,383	13,383	11,232	2,151
Amounts due to related parties	4,114	4,114	4,114	–
	<u>17,497</u>	<u>17,497</u>	<u>15,346</u>	<u>2,151</u>

(c) *Interest rate risk*

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's bank deposits bear floating interest rates. The Group has no cash flow or fair value interest rate risk as there are no borrowings which bear fixed or floating interest rates.

30. Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern and maximising the return to stakeholders. The Group's capital structure is regularly reviewed and managed by the Directors. The Group is not subject to externally imposed capital requirements. To maintain or adjust capital structure, the Group may adjust dividend payment to shareholders or issue new shares. Adjustments will be made to the capital structure in light of changes in economic conditions affecting the Company or its subsidiaries, and the risk characteristics of the Group's underlying assets. During the Relevant Periods, the Group defines "Capital" as including all components of equity.

31. Major non-cash transactions

(a) During the years ended 31 May 2015 and 2016 and the four months ended 30 September 2016, the Group recognised additional provision of reinstatement to the clubs and restaurants of HK\$240,000, nil and nil respectively.

(b) On 31 May 2016, the Group entered into agreements with Mr. Kester Ng and Phoenix Year Limited that amounts due to them of HK\$2,992,000 and HK\$140,000, respectively were settled through transfer of amounts due from certain related companies with an aggregate balance of HK\$3,132,000.

32. Events after the reporting period

On 14 March 2017, written resolutions of the shareholders of the Company were passed to approve the matters set out in the subsection headed "3. Resolutions in writing of the Shareholders passed on 14 March 2017" in the section headed "Statutory and General Information" in Appendix IV to the Prospectus.

Save as disclosed above, there are no other significant events which have taken place subsequent to 30 September 2016.

33. Subsequent financial statements

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 30 September 2016.

Yours faithfully,
BDO Limited
Certified Public Accountants
Chan Wing Fai
Practising Certificate Number P05443
25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

The information set forth in this appendix does not form part of the Accountant's Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out 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 "Financial Information" and the "Accountant's Report" set forth in Appendix I to this prospectus.

The unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules is set forth below to provide the prospective investors with further information on how the Share Offer might have affected the consolidated net tangible assets of the Group attributable to owners of the Company after the completion of the Share Offer.

A. UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of consolidated net tangible assets of our Group, prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the Share Offer on the consolidated net tangible assets of our Group attributable to owners of the Company as if the Share Offer had taken place on 30 September 2016. This unaudited pro forma statement of consolidated 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 consolidated net tangible assets of our Group attributable to owners of the Company had the Share Offer been completed as of 30 September 2016 or at any future dates.

	Audited consolidated net tangible assets attributable to the owners of the Company as at 30 September 2016	Estimated net proceeds from the Share Offer	Unaudited pro forma consolidated net tangible assets attributable to the owners of the Company	Unaudited pro forma consolidated net tangible assets per Share attributable to owners of the Company
	HK\$'000 (note 1)	HK\$'000 (note 2)	HK\$'000	HK\$ (note 3)
Based on the Offer Price of HK\$0.25 per Offer Share	7,401	37,572	44,973	0.06
Based on the Offer Price of HK\$0.35 per Offer Share	7,401	56,432	63,833	0.08

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2016 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company of approximately HK\$11,087,000 as at 30 September 2016 adjusted for intangible assets of approximately HK\$3,686,000 as at 30 September 2016.
- (2) The estimated net proceeds from the Share Offer are based on 200,000,000 New Shares and the indicative Offer Price of New Shares pursuant to the Share Offer of HK\$0.25 and HK\$0.35 per Offer Share, being the lower end to higher end of the stated Offer Price range per Offer Share after deduction of the underwriting fees and other related expenses of approximately of HK\$12,278,000 and HK\$13,358,000, respectively, taking into account the effect of listing expenses of approximately HK\$8,191,000 which have been accounted for prior to 30 September 2016, payable and borne by the Company in connection with the Share Offer.
- (3) The unaudited pro forma consolidated net tangible assets per Share attributable to the owners of the Company is calculated based on 800,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer, including 200,000,000 New Shares issued upon the Share Offer as set out in section headed "Share Capital" of the Prospectus. It does not take into account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchase by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to the Prospectus otherwise.
- (4) No adjustment has been made to the unaudited pro forma consolidated net tangible assets to reflect any trading results or other transactions of the Group enter into subsequent to 30 September 2016.

B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.

24 March 2017

To the directors of BCI Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of BCI Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated net tangible assets of the Company as at 30 September 2016 and related notes as set out in Section A of Appendix II on page II-1 of the prospectus issued by the Company dated 24 March 2017 (the "Prospectus") in connection with the proposed listing and placing and public offer of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Proposed Share Offer"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Section A of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of Proposed Share Offer on the Group's financial position as at 30 September 2016 as if the Proposed Share Offer had taken place at 30 September 2016. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's financial information for the four months ended 30 September 2016, on which an accountant's report set out in Appendix I to the Prospectus has been published.

Directors' responsibility for the unaudited pro forma financial information

The directors of the Company 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 behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" 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 accountant's 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 accountant plans and performs procedures to obtain reasonable assurance about whether the directors of the Company 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 Share Offer at 30 September 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 unaudited 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 accountant’s judgement, having regard to the reporting accountant’s understanding of the nature of the entity, 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 of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 May 2016 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 14 March 2017. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified 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 general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any

of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date 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; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) *Transfer of shares*

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) *Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) *Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors*(i) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things

which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) *Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the 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 among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) *Compensation or payments for loss of office*

Payments to any present 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 the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) 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 the Company or any of its subsidiaries;

- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) *Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. 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.

(c) **Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) **Meetings of member**

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are 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.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is 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. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the 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 in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the 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.

(iii) *Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) *Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 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 must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) 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 holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *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, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which

he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members 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 the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. 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.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are 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 in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 19 May 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also 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 amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the 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, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, 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.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

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 member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, 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 issued shares of the company other than shares held as treasury shares. In addition, 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.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court 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 the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, 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.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

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.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of 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 for the Company is for a period of 20 years from 7 June 2016.

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 the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right 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.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in 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. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are 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 member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) 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 that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the 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 members.

(s) 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, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to "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 is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Information of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 19 May 2016. Its registered address is at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant law of the Cayman Islands and our constitution which comprises the Memorandum of Association and Articles of Association. A summary of the relevant aspects of the Cayman Islands Companies Law and certain provisions of our constitution are set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) On 19 May 2016, our Company was incorporated under the laws of the Cayman Islands with limited liability, with an authorised capital of HK\$100,000,000 divided into 10,000,000,000 Shares. On 19 May 2016, one subscriber's Share, credited as fully paid, was allotted and issued at par value to the subscriber Reid Services Limited, an Independent Third Party, which was immediately transferred to Mr. Kester Ng at the consideration of HK\$0.01 on the same day. As a result, our Company is owned as to 100% by Mr. Kester Ng.
- (b) On 15 July 2016, Aplus as purchaser acquired from Mr. Kester Ng as vendor all of his one Share, representing 100% of all the issued Share, for a cash consideration of HK\$1.00. Following this transfer, our Company becomes a wholly-owned subsidiary of Aplus.
- (c) On 19 July 2016, our Company acquired from Aplus and Phoenix Year all of the seven shares and three shares owned by them respectively in BCI Group (BVI) representing in aggregate 100% of all the issued shares in BCI Group (BVI), in consideration of and exchange for which our Company allotted and issued 6,191 and 2,653 new Shares at par value, credited as fully paid, to Aplus and Phoenix Year respectively. Our Company is as a result owned as to approximately 70% (6,192 Shares) by Aplus and as to approximately 30% (2,653 Shares) by Phoenix Year.
- (d) On 20 July 2016, our Company directed its nominee BCI Group (HK) to acquire from Etchers Entertainment and Jet Top all of the 600 shares (300 Class A ordinary shares and 300 Class B non-voting shares) and 780 shares (390 Class A ordinary shares and 390 Class B non-voting shares) owned by them respectively in Group Best (BVI) representing in aggregate 13.8% of all the issued shares in Group Best (BVI), in consideration of and exchange for which our Company allotted and issued 133 and 172 Shares at par value, credited as fully paid, to Etchers Entertainment and Jet Top respectively. Our Company is as a result owned as to approximately 67.67% (6,192 Shares) by Aplus, approximately 29% (2,653 Shares) by Phoenix Year, approximately 1.45% (133 Shares) by Etchers Entertainment and approximately 1.88% (172 Shares) by Jet Top.
- (e) On 22 July 2016, Perfect King and Jubilee Success subscribed for 250 and 600 new Shares representing 2.5% and 6% of the enlarged issued share capital of our Company at the subscription price of HK\$1,500,000 and HK\$3,600,000 respectively. Following completion of these pre-IPO investments, our Company is owned as to 61.92% (6,192 Shares) by Aplus, 26.53% (2,653 Shares) by Phoenix Year, 1.33% (133 Shares) by Etchers Entertainment, 1.72% (172 Shares) by Jet Top, 2.5% (250 Shares) by Perfect King and 6% (600 Shares) by Jubilee Success.
- (f) Immediately prior to completion of the Share Offer, a total of 599,990,000 Shares will be allotted and issued to Aplus, Phoenix Year, Etchers Entertainment, Jet Top, Perfect King and Jubilee Success under the Capitalisation Issue, details of which are also set out in paragraph 3(b)(iii) below.
- (g) Immediately following completion of the Capitalisation Issue and the Share Offer, 800,000,000 Shares will be issued fully paid or credited as fully paid. Our Directors do not have any present

intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs 3 and 4 below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of the Shareholders passed on 14 March 2017

On 14 March 2017, pursuant to resolutions in writing passed by all the Shareholders:

- (a) the Memorandum of Association was adopted with immediate effect;
- (b) the Articles of Association were conditionally adopted with effect from Listing;
- (c) conditional on the Stock Exchange granting the listing of, and permission to deal in, the Offer Shares in issue and to be issued as mentioned in this prospectus on GEM and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to approve the allotment and issue of the new Offer Shares;
 - (ii) the rules of the Share Option Scheme were approved and adopted and the Directors or any such committee thereof were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for the Shares thereunder, to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;
 - (iii) conditional on the share premium account being credited as a result of the Share Offer, our Directors were authorised to capitalise HK\$5,999,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,990,000 Shares for allotment and issue to Shareholder(s) whose name(s) appear(s) on the register of members of our Company at the close of business on 14 March 2017 (or as it/they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares (other than the right to participate in the Capitalisation Issue) and our Directors be and they are thereby authorised to give effect to such capitalisation;
 - (iv) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Capitalisation Issue or the Share Offer, Shares with an aggregate number of not exceeding the sum of (aa) 20% of the aggregate number of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme, and (bb) the aggregate number of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in subparagraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Companies Law or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first (the “**Applicable Period**”);

- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase Shares with an aggregate number of not exceeding 10% of the aggregate number of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme until expiry of the Applicable Period; and
- (vi) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares which may be purchased or repurchased pursuant to subparagraph (v) above.

4. Corporate reorganisation

Our Group underwent the Reorganisation to rationalise our Group’s structure in preparation for the Listing and our Company becomes the holding company of our Group. For further details, see “History, Reorganisation and Corporate Structure”.

5. Particulars of our subsidiaries

Our Group comprises our Company and 14 subsidiaries. For a summary of the corporate information of these companies, see “History, Reorganisation and Corporate Structure” and the Accountant’s Report.

6. Changes in share capital of the subsidiaries of our Company

Save as disclosed in “History, Reorganisation and Corporate Structure”, there has been no alteration in the share capital of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

7. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Shareholders’ approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange 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.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles, the GEM Listing Rules and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Under the laws of the Cayman Islands, any repurchases by our Company may be made either (1) out of profits of our Company; (2) out of the share premium account of our Company; (3) out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase; or (4) out of capital, if so authorised by the Articles and subject to the provisions of the Companies Law; and in the case of any premium payable on the repurchase, (1) out of the profits of our Company; (2) from sums standing to the credit of the share premium account of our Company; or (3) out of capital, if so authorised by the Articles and subject to the provisions of the Companies Law.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the Listing, would result in up to 80,000,000 Shares being repurchased by us during the period in which the Repurchase Mandate remains in force.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have 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 the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

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 and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No core connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

8. Registration under the Companies Ordinance

Our Company is a registered non-Hong Kong company as defined under Part 16 of the Companies Ordinance with a principal place of business in Hong Kong at Unit B, 24th Floor, Wyndham Place, 44 Wyndham Street, Central, Hong Kong. Mr. Kester Ng, the executive Director of our Company, who resides at 11/F InterOcean Court, 26 Peak Road, The Peak, Hong Kong, has been appointed as the authorised representative of our Company for the acceptance of service of process on behalf of our Company in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

9. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) share swap deed dated 19 July 2016 entered into between Aplus and Phoenix Year as vendors and our Company as purchaser, pursuant to which our Company acquired from Aplus and Phoenix Year all of the seven shares and three shares owned by them respectively in BCI Group (BVI) representing in aggregate 100% of all the issued shares in BCI Group (BVI), in consideration of and exchange for which our Company allotted and issued 6,191 and 2,653 new Shares at par value, credited as fully paid, to Aplus and Phoenix Year respectively;
- (b) share swap deed dated 20 July 2016 entered into between Etchers Entertainment and Jet Top as vendors and our Company as purchaser, pursuant to which BCI Group (HK) (as our Company's nominee) acquired from Etchers Entertainment and Jet Top all of the 600 shares (300 Class A ordinary shares and 300 Class B non-voting shares) and 780 shares (390 Class A ordinary shares and 390 Class B non-voting shares) owned by them respectively in Group Best (BVI) representing in aggregate 13.8% of all the issued shares in Group Best (BVI), in consideration of and exchange for which our Company allotted and issued 133 and 172 new Shares at par value, credited as fully paid, to Etchers Entertainment and Jet Top respectively;
- (c) Subscription Agreement (Perfect King);
- (d) Subscription Agreement (Jubilee Success);
- (e) agreement dated 4 June 2014 (the "**Collaboration Agreement**") entered into between Food Lab Concept Limited ("**FLC**"), Mr. Satoru Mukogawa, BCI Group (HK) and City Silver (the "**Parties**"), pursuant to which the Parties have agreed amongst other things to collaborate in relation to opening of restaurants;
- (f) settlement deed dated 31 August 2016 entered into between the Parties, pursuant to which, (i) the Collaboration Agreement shall be terminated with immediate effect; (ii) City Silver shall procure that two new shares in City Silver be allotted and issued to FLC in consideration of the sum of HK\$625,000 paid by Mr. Satoru Mukogawa on behalf of FLC to City Silver; and (iii) FLC and Mr. Satoru Mukogawa shall continue to provide strategic advice to our Group in connection with the continuous development of the "Tiger Curry" brand;
- (g) the Deed of Non-competition;
- (h) the Deed of Indemnity; and
- (i) the Public Offer Underwriting Agreement.

10. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks which are material to our business:

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Expiry date
1.		Litton Global	Hong Kong	41, 43 ^(1 and 2)	302902284	20 February 2024
2.		Litton Global	Hong Kong	41, 43 ^(1 and 2)	302902275	20 February 2024
						
3.		Litton Global	Hong Kong	41, 43 ^(5 and 6)	303738718	10 April 2026
4.		City Silver	Hong Kong	41, 43 ^(3 and 4)	302992906	11 May 2024
						
						
5.		City Silver	Hong Kong	43 ⁽⁷⁾	303788155	25 May 2026
						
6.		City Silver	Hong Kong	43 ⁽⁷⁾	303788164	25 May 2026
						
7.		City Silver	Macau	41 ⁽³⁾	N/093221	12 May 2022
8.		City Silver	Macau	43 ⁽⁴⁾	N/093222	12 May 2022
9.		City Silver	Macau	41 ⁽³⁾	N/093223	12 May 2022
10.		City Silver	Macau	43 ⁽⁴⁾	N/093224	12 May 2022

Notes:

1. The services cover club entertainment services, entertainment club services, night club services (entertainment), provision of club services, social club services for entertainment purposes, cabarets and discotheques, club (discotheque) services, discotheque services, discotheques, entertainment services provided at discotheques, operating of a discotheque, entertainment services provided at nightclubs, night-club services, night club services, night club services (entertainment), night clubs and nightclub services.
2. The services cover bar services, bars, provision of information relating to bars, restaurant services incorporating licensed bar facilities, wine bar services, wine bars, catering (food and drink), catering for the provision of food and beverages, catering for the provision of food and drink; catering of food and drinks, catering services, catering services for the provision of food, catering services for the provision of food and drink; food and drink catering, cafe services, cafes, cafeteria services, cafeterias, catering in fast-food cafeterias, self-service cafeteria services, delicatessens (restaurants), fast food restaurant services, fast-food restaurant services, fast-food restaurants, provision of food and drink in restaurants; restaurant services, restaurant services for the provision of fast food, restaurant service incorporating licensed bar facilities, restaurants, restaurants (self-services), self-services restaurant services, self service restaurants, self-services restaurants and night club services (provision of food).
3. The services cover entertainment, entertainer services, club services (entertainment), nightclubs.
4. The services cover services for providing food and drink, food and drink catering, cafes, cafeterias, canteens, restaurants, self-service restaurants, snack-bars and bar services.
5. The services cover club services (entertainment), disc jockey services, discotheque services, entertainer services, night clubs, party planning (entertainment), presentation of live performances.
6. The services cover bar services, food and drink catering, restaurants, self-service restaurants, snack bars.
7. The service cover bar services, cafes, cafeterias, restaurants, self-service restaurants, services for providing food and drink, snack bars.

Domain names

As at the Latest Practicable Date, our Group was the registrant of the following domain names:

No.	Domain name	Registrant	Registration date	Expiry date
1.	bcigroup.com.hk	BCI Group (HK)	4 May 2016	4 May 2017
2.	bcigroup.asia	BCI Group (HK)	4 May 2016	4 May 2017
3.	bci-group.com	BCI Group (HK)	9 July 2015	9 July 2017
4.	volar.com.hk	Group Best (HK)	4 August 2004	7 August 2019
5.	clubfly.com.hk	Grand Diamond	22 November 2010	22 November 2017
6.	tigercurry.net	City Silver	9 April 2014	9 April 2018
7.	tigercurry.org	City Silver	9 April 2014	9 April 2018
8.	tigercurry.hk	City Silver	7 May 2014	7 May 2017
9.	tigercurry.com.hk	City Silver	7 May 2014	8 May 2017
10.	tigercurry.cc	City Silver	8 April 2014	9 April 2018
11.	tigercurry.com	City Silver	9 April 2014	9 April 2021

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF AND EXPERTS

11. Directors

(a) Disclosure of interests

- (i) Our executive Directors are interested in the Reorganisation. See “History, Reorganisation and Corporate Structure” in this prospectus.
- (ii) Save as disclosed in this prospectus, none of our Directors or their associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of service contracts and letters of appointment

Each of our executive Directors has entered into a service contract with our Company pursuant to which each of them agreed to act as an executive Director for an initial term of three years commencing from the Listing Date.

Each of our executive Directors is entitled to a basic salary subject to an annual review by the remuneration committee of the Board during the term. In addition, each of our executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all our executive Directors for any financial year of our Company may not exceed 5% of the audited consolidated audited net profit of our Group (after taxation and minority interests but before extraordinary and exceptional items) in respect of that financial year. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The annual salaries of our executive Directors provided under the service contracts are as follows:

<u>Name</u>	<u>Annual salary</u> (HK\$)
Mr. Kester Ng	576,000
Ms. Lau Sze Yuen	444,000

Each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company for an initial term of three years commencing from the Listing Date with the following annual salaries:

<u>Name</u>	<u>Annual salary</u> (HK\$)
<i>Non-executive Director</i>	
Mr. Kan Sze Man	240,000
<i>Independent non-executive Director</i>	
Mr. Wong Sui Chi	120,000
Mr. Li Lap Sun	120,000
Mr. Ng Kwok Kei Sammy	120,000

Save for directors’ fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract or letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

- (i) During the year ended 31 May 2016, the aggregate remuneration paid by our Group to our Directors was approximately HK\$240,000.
- (ii) Under the arrangements currently in force, the aggregate remuneration (excluding any discretionary bonuses) payable by our Group to our Directors for the year ending 31 May 2017 is estimated to be approximately HK\$859,000.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money during the Track Record Period as (i) an inducement to join or upon joining our Company; or (ii) for 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.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any remuneration during the Track Record Period.

(d) Interests and short positions of Directors and chief executive in the shares, underlying shares or debentures of our Company and our associated corporations

Immediately following the completion of the Capitalisation Issue and the Share Offer (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which 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 interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

<u>Name</u>	<u>Nature of interest</u>	<u>Number of Shares ⁽¹⁾</u>	<u>Percentage of shareholding in our Company</u>
Mr. Kester Ng	Interest in a controlled corporation ⁽²⁾	371,520,000 ^(L)	46.44%

Notes:

1. The letter "L" denotes the long position in the Shares.
2. Mr. Kester Ng beneficially owns 100% of the issued share capital of Aplus. By virtue of the SFO, Mr. Kester Ng is deemed to be interested in 371,520,000 Shares held by Aplus.

12. Interest discloseable under the SFO and substantial shareholders

So far as is known to our Directors and chief executive of our Company, immediately following the completion of the Capitalisation Issue and the Share Offer (but without taking account any Shares which may be taken up under the Share Offer and any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), the following persons (other than our Directors or chief executive officer of our Company) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be expected, directly or indirectly, to be interested in 10% or more of the voting power in all circumstances at general meetings of any member of our Group.

Name	Nature of interest	Number of Shares ⁽⁶⁾	Percentage of shareholding in our Company
Aplus	Beneficial owner ⁽¹⁾	371,520,000 ^(L)	46.44%
Ms. Louey Andrea Alice	Interest of spouse ⁽²⁾	371,520,000 ^(L)	46.44%
Phoenix Year	Beneficial owner ⁽³⁾	159,180,000 ^(L)	19.90%
CSI Properties	Interest in a controlled corporation ⁽⁴⁾	159,180,000 ^(L)	19.90%
Mr. Chung Cho Yee Mico	Interest of controlled corporation ⁽⁵⁾	159,180,000 ^(L)	19.90%
Digisino Assets Limited	Interest of controlled corporation ⁽⁵⁾	159,180,000 ^(L)	19.90%
Earnest Equity Limited	Interest of controlled corporation ⁽⁵⁾	159,180,000 ^(L)	19.90%

Notes:

- The entire issued share capital of Aplus is wholly-owned by Mr. Kester Ng.
- Ms. Louey Andrea Alice is the spouse of Mr. Kester Ng. By virtue of the SFO, Ms. Louey Andrea Alice is deemed to be interested in the same number of Shares in which Mr. Kester Ng is deemed to be interested under the SFO.
- The entire issued share capital of Phoenix Year is wholly-owned by CSI Properties.
- CSI Properties is deemed to be interested in the same number of Shares held by Phoenix Year under the SFO.
- Mr. Chung Cho Yee Mico (“**Mr. Chung**”) owns the entire interest of Digisino Assets Limited (“**Digisino**”) which in turn owns the entire interest in Earnest Equity Limited (“**Earnest Equity**”). Earnest Equity and Mr. Chung own approximately 45.91% and 0.03% of the entire issued shares capital of CSI Properties respectively. Therefore, Mr. Chung, Digisino and Earnest Equity are deemed to be interested in the same number of Shares held by CSI Properties under SFO.
- The letter “L” denotes the long position in the Shares.

13. Related party transactions

Save as disclosed in note 27 of the Accountant’s Report, during the two years immediately preceding the date of this prospectus, our Group has not engaged in any other material related party transactions.

14. Disclaimers

- Taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued pursuant to the exercise of options granted or which may be

granted under the Share Option Scheme, our Directors are not aware of any person who, save as disclosed in paragraph 12 in this appendix, will, immediately following the completion of the Capitalisation Issue and the Share Offer, have an interest or a short position in Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the voting power in all circumstances at general meetings of our Company or any other member of our Group.

- (b) Save as disclosed in paragraph 11(d) in this appendix, none of our Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under such provisions of the SFO, any interests or short position in the Shares or underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, once the Shares are listed on GEM.
- (c) None of our Directors nor the experts named in paragraph 21 of this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to or by, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to or by any member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee.
- (d) Save in connection with the material contracts referred to in paragraph 9 of this appendix and the service contracts and letters of appointments referred to in paragraph 11(b) of this appendix, none of our Directors nor the experts named in paragraph 21 of 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 the experts named in paragraph 21 in this appendix has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group.

OTHER INFORMATION

15. Share option scheme

(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 our Shareholders on 14 March 2017:

(i) *Purpose 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.

(ii) *Who may join*

Our Directors (which expression shall, for the purpose of this paragraph 15, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of

the following classes of participants (“**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 and independent non-executive director) of our Company, any of our subsidiaries (“**Subsidiaries**”) or any entity (“**Invested Entity**”) in which our Group holds an equity interest (“**Eligible Employee**”);
- (bb) any non-executive director (including independent non-executive director) of our Company, any Subsidiary 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,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more Eligible Participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless our Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the Eligible Participants to the grant of options shall be determined by our Directors from time to time on the basis of our Directors’ opinion 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 exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group shall not exceed 30% of the Shares in issue from time to time.
- (bb) The total number of Shares which may be allotted and 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% of the Shares in issue on the day on which dealings in the

Shares first commence on the Stock Exchange (i.e. not exceeding 80,000,000 Shares) (the “**General Scheme Limit**”), provided that:

- (aaa) Subject to paragraph (aa) above and without prejudice to paragraph (bbb) 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 allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% 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.
- (bbb) Subject to paragraph (aa) above and without prejudice to paragraph (aaa) 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 paragraph (aaa) 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 generic 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 paragraph (v)(bb) below, the total number of Shares issued and 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% of the Shares in issue from time to time (“**Individual Limit**”). Where any further grant of options to a grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. Our Company must send a circular to the Shareholders and the circular must disclose the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), 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. 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 paragraph (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 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 option).

(bb) Without prejudice to paragraph (aa) above, where any grant of options to a substantial shareholder or an independent non-executive Director of our Company 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 each grant, in excess of HK\$5 million;

such further grant of options must be approved by the Shareholders in general meeting. Our Company must send a circular to the Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour 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 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 the date on which the offer for the grant of option is made but shall end in any event not later than 10 years from the date on which the offer for the grant of option is made 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 shall be determined at the absolute discretion of our Directors, provided that it 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 on which the offer for the grant of option is made, 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 on which the offer for the grant of option is made; and (iii) the nominal value of the Shares.

A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

(ix) *Ranking of Shares*

- (aa) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and will entitle the holders thereof to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration 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 sub-division, 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*

Our Company may not make any offer for grant of options after inside information has come to our knowledge until our Company has announced the information. In particular, our Company may not make any offer during the period commencing one month immediately before the earlier of (aa) the date of the meeting of the Board (as such date is first notified to the Stock Exchange under the GEM Listing Rules) for approving 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 announce our 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 results announcement.

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 sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) shall lapse on the date of cessation 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, which will be taken to be the last actual working day of 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 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 and 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 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 close associates (or his associates if the grantee is a connected person) has committed any breach of any contract entered into between the grantee or his close 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 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, the Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, a grantee shall 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 at any time thereafter and up to 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 a notice is given by our Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering, and if thought fit, approving a resolution for the voluntary winding-up of our Company during the option period, our Company shall forthwith give notice thereof to the grantee and 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 prior to the proposed Shareholders' meeting, 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 prior to the proposed Shareholders' meeting 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 meeting. 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 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 rights issue, subdivision or consolidation of Shares or reduction of the share capital of our Company or otherwise howsoever but shall not in any event exceed the limits imposed by the GEM Listing Rules whilst an option remains exercisable or the Share Option Scheme remains in effect, 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 to which the Share Option Scheme or any option relates, the subscription price of any option, and/or (unless the relevant grantee elects to waive such adjustment) the number of Shares consisted in an option or which remains consisted in an option, provided that (i) any adjustment shall give a grantee the same proportion of the issued Share for which he would have been entitled subscribe had he exercised the options held by him immediately prior to such adjustment; (ii) no 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 shall not be regarded as a circumstance requiring any adjustment; and (iv) any adjustment shall be in compliance with, among others, the GEM Listing Rules. 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 provisions 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.

(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) (aaa) and (bbb) 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 and 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 options

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period referred to in paragraph (vi);
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvii) and (xviii);
- (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) above by the grantee in respect of that or any other options; and
- (dd) the date of the commencement of winding-up of our Company.

(xxiv) Alternation to the Share Option Scheme and others

- (aa) The Share Option Scheme is conditional, among others, on the Stock Exchange granting the listing of and permission to deal in, such number of Shares to be allotted and issued by our Company 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 shall be approved by the Shareholders 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 must be approved by the Shareholders 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, among others, the Stock Exchange granting approval (whether subject to conditions or not) of the Share Option Scheme and any options which may be granted thereunder, and the listing of, and permission to deal in, such number of Shares to be allotted and 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*

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares to be allotted and 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.

16. Estate duty, tax and other indemnities

Aplus and Mr. Kester Ng (collectively the “**Indemnifiers**”) have executed the Deed of Indemnity in favour of our Company (for ourselves and as trustee for our subsidiaries).

Pursuant to the Deed of Indemnity, the Indemnifiers have agreed to jointly and severally indemnify each of the members of our Group against the following:

- (a) any liability for Hong Kong estate duty which might be incurred by us by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to us on or before the date on which the Share Offer becomes unconditional (the “**Effective Date**”);
- (b) taxation which might fall on us in respect of any income, profits or gains earned, accrued or received (or deemed to be so earned, accrual or received) on or before the Effective Date, subject to certain exceptions set out below; and
- (c) any liability which might be suffered by us in connection with all the incidents referred to in “**Business — Litigation and compliance.**”

The Indemnifiers will, however, not be liable in respect of any taxation referred to in paragraph (b) above:

- (1) to the extent that provision or reserve has been made for such taxation in the audited consolidated accounts of our Group for the Track Record Period; or

- (2) to the extent that a claim or liability for such taxation falls on us in respect of the accounting period commencing on or after 1 October 2016 unless such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by the Indemnifiers or us otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, before the Effective Date; or
- (3) to the extent that a claim or liability for such taxation would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by us after the date of the Deed of Indemnity; or
- (4) to the extent that a claim or liability for such taxation arises as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by any relevant authority coming into force after the date of the Deed of Indemnity or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or
- (5) to the extent of any provision or reserve made for taxation in the audited consolidated accounts of our Group up to 30 September 2016 and which is finally established to be an over-provision or an excessive reserve.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands, the BVI and Hong Kong, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

17. Litigation

Save as disclosed in “Business — Litigation and Compliance”, neither our Company nor any of its subsidiaries is engaged in any litigation, arbitration or claim 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 of its subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Group.

18. Sponsor

The Sponsor has made an application for and on behalf of our Company to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). The Sponsor is independent of our Company in accordance with Rule 6A.07 of the GEM Listing Rules.

The Sponsor will be paid by our Company a total fee of HK\$4.4 million (excluding disbursement) to act as the sponsor to our Company in connection with the Listing.

19. Preliminary expenses

The estimated preliminary expenses of our Company are approximately HK\$100,000 and are payable by our Company.

20. Promoters

Our Company has no promoter for the purpose of the GEM Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoters of our Company in connection with the Share Offer or the related transactions described in this prospectus.

21. Qualification of experts

The qualifications of the experts who have given opinions or advice in this prospectus are as follows:

Name	Qualifications
Lego Corporate Finance Limited	Licensed corporation under the SFO licensed to carry out type 6 (advising on corporate finance) regulated activity
BDO Limited	Certified Public Accountants
Appleby	Legal adviser of our Company as to Cayman Islands law
Frost & Sullivan Limited	Independent industry consultant
International Valuation Limited	Independent valuer
Leung, Richard W.K.	Barrister-at-law in Hong Kong

22. Consents of experts

Each of the experts named in paragraph 21 above has given and has not withdrawn its written consents to the issue of this prospectus with the inclusion of its report, letter, valuation, opinion or summaries of opinion (as the case may be) and the references to its names included herein in the form and context in which they respectively appear.

None of the experts named in paragraph 21 above has any shareholding interests in any member of our Group and the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

23. 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.

24. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

Potential holders of Shares are recommended 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 Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept 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.

25. Share registers

The principal register of members of our Company is maintained in the Cayman Islands by Esera Trust (Cayman) Limited and the branch register of members of our Company is maintained in Hong Kong by Boardroom Share Registrars (HK) Limited. Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the branch registrar in Hong Kong and may not be lodged in the principal registrar in the Cayman Islands.

26. Miscellaneous

- (i) Save as disclosed in “History, Reorganisation and Corporate Structure” and “Structure and Conditions of the Share Offer” in this prospectus and paragraph 2 in this appendix, within two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or of 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 in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Share in our Company or any of our subsidiaries.
- (ii) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (iii) Save as disclosed in “Summary” and “Financial Information” in this prospectus, there has been no material adverse change in the financial position or prospects of our Group since 30 September 2016 (being the date to which the latest audited consolidated financial statements of our Group were made up).
- (iv) There has not been any interruption in the business of our Group which may have or has had a material adverse effect on the financial position of our Group.
- (v) There is no arrangement under which future dividends of our Company are waived or agreed to be waived.
- (vi) There are no founder, management or deferred shares in our Company or any of its subsidiaries.
- (vii) Our Group does not have any outstanding convertible debt securities or debentures.
- (viii) No securities of our Group are listed, and no listing of any such securities is proposed to be sought, on any other stock exchange.
- (ix) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.
- (x) None of the debt and equity securities of the companies comprising our Group is presently listed on any stock exchange or traded on any trading system.

27. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under 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

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration include:

- (a) a copy of each of the **WHITE** and **YELLOW** Application Forms;
- (b) the written consents referred to “Other information — 22. Consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to “Further information about the business of our Group — 9. 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 Locke Lord at 21/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles;
- (b) the Accountant’s Report from BDO Limited, in respect of the historical financial information for the two years ended 31 May 2016 and the four months ended 30 September 2016, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Company for the two years ended 31 May 2015 and 2016 and the four months ended 30 September 2016;
- (d) the report on the unaudited pro forma financial information of our Group from BDO Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the letter of advice prepared by Appleby, summarising the constitution of our Company and certain aspects of the Cayman Islands Companies Law, as referred to in Appendix III to this prospectus;
- (f) the legal opinion issued by Mr. Leung, Richard W.K.;
- (g) the industry report prepared by Frost & Sullivan Limited referred to in “Industry Overview”;
- (h) the rental appraisal report relating to the properties leased from our connected persons prepared by International Valuation Limited;
- (i) the written consents referred to “Other information — 22. Consents of experts” in Appendix IV to this prospectus;
- (j) the service contracts and letters of appointment referred to “Further information about Directors, management and staff and experts — 11. Directors — (b) Particulars of service contracts and letters of appointment” in Appendix IV to this prospectus;
- (k) the material contracts referred to in “Further information about the business of our Group — 9. Summary of material contracts” in Appendix IV to this prospectus;
- (l) the rules of the Share Option Scheme; and
- (m) the Companies Law.

BCI Group Holdings Limited
高門集團有限公司