

OVERVIEW

We are the leading *Cha Chaan Teng* (茶餐廳) chain owner and operator in Hong Kong based on revenue and number of seats in 2011, according to the Frost & Sullivan Report. As at the Latest Practicable Date, we own and operate all of our 26 restaurants⁽¹⁾ under our  翠華餐廳 “Tsui Wah (翠華)” brand, including 21 restaurants in Hong Kong, four restaurants in China and one restaurant in Macau. Our restaurants offer customers a distinct, yet authentically Hong Kong-style, cuisine that combines traditional Cantonese fare with Western and Asian elements served in an informal and inviting dining atmosphere, but with attentive service. We strive to provide safe and high quality food at good value for our customers. During our over 23 years of operating history under the control of the Core Shareholders, we believe we have successfully built up our  翠華餐廳 “Tsui Wah (翠華)” brand to represent delicious, quality, safe and fresh *Cha Chaan Teng* cuisine. We have been awarded (i) the “2011–2012 China’s Top Ten Chain Restaurant Brand (2011–2012年度中國十大馳名餐飲連鎖品牌)” by China Hotel Leader Summit Committee (中國飯店業年會組委會) and (ii) the permanent Honourable Gold Award of the “PRC Consumer’s Most Favorable Hong Kong Brands Campaign (全國消費者最喜愛《香港名牌》— 永久性榮譽金獎單位)” in 2009, by China Enterprise Reputation and Credibility Association (Overseas) Limited (中華海外企業信譽協會). Building on our success in Hong Kong, we expanded into the PRC beginning in 2009.

Cha Chaan Teng, or Hong Kong-style restaurant, is an iconic representation of Hong Kong’s dining culture, according to the Frost & Sullivan Report. The existence of *Cha Chaan Teng* is closely tied to the history and development of Hong Kong. After World War II, western dining culture influenced the general public of Hong Kong significantly. While western dishes were popular to the people in Hong Kong, they were not available at prices that the general public could afford. *Bing Sut* (冰室), the predecessors of *Cha Chaan Teng*, served Western-influenced dishes at affordable prices to the general public of Hong Kong. Over the decades, *Bing Sut* evolved into *Cha Chaan Teng* and became a local and authentic dining Hong Kong culture that combines traditional Cantonese fare with both Western and Asian elements.

We believe our  翠華餐廳 “Tsui Wah (翠華)”-brand restaurants are representative of the *Cha Chaan Teng* cuisine. In keeping with the spirit of *Cha Chaan Teng*, our menu continues to evolve as we incorporate other regional flavors and international elements into our menu, develop new menu items and refine existing dishes to meet changing consumer tastes and regional dining preferences, and shifting food and nutrition trends according to feedback from our guests. We believe our ongoing evolution is symbolic of the ever-changing Hong Kong society. Our core mission, however, remains the same — to serve delicious, safe and fresh cuisine of consistently-high quality to our customers. The core value of our brand rests on our persistence in serving quality food. To that end, we search for quality ingredients to prepare our dishes and implement standardized operations and quality-control systems to ensure the consistent quality of our dishes. We believe our commitment to the healthiness, quality and safety of our cuisine and continuing evolution of our menu, together with our offering of a dining experience in an inviting atmosphere with attentive service to our guests, has contributed to the strengthening of our brand, customer loyalty and expansion of our customer base.

We plan to expand into new markets in the PRC based on a hub-and-spoke strategy. Under this strategy, we seek to initially establish flagship restaurants in key economic locations or high-traffic areas in each new city or targeted district to generate brand recognition and establish a customer base. After building up a sufficient customer base and a number of flagship restaurants, we then establish a central kitchen, which serves as the “hub”, to allow for greater economies of scale and consistency of food quality through centralized food preparation, procurement and logistics functions. We leverage these centralized functions to support the flagship restaurants and new restaurants added in neighboring areas, i.e., the “spokes”. We

⁽¹⁾ Includes one restaurant in Hong Kong and one restaurant in Macau owned by our Jointly-Controlled Entities.

believe our hub-and-spoke strategy provides us with a platform for disciplined growth by enabling us to open new restaurants systematically and efficiently while maintaining consistent quality.

With the success of our  翠華餐廳 “Tsui Wah (翠華)” brand, we currently operate a quick service restaurant at the Hong Kong International Airport under the “Tsui Wah EATery” sub-brand through which we gain exposure among travelers. We launched a pilot restaurant in December 2011 in Hong Kong under a new sub-brand “Tsui Wah Concept (翠華 Concept)”, which offers selected dishes from our main menu in a smaller restaurant footprint than our Tsui Wah restaurants. With “Tsui Wah Concept (翠華 Concept)”, we target a younger demographic, and areas where we have not located our larger Tsui Wah restaurants, such as shopping malls and certain residential neighborhoods.

Our revenue⁽¹⁾ increased by 35.9% from HK\$440.0 million for the year ended March 31, 2010 to HK\$598.0 million for the year ended March 31, 2011, and by 27.5% from HK\$598.0 million for the year ended March 31, 2011 to HK\$762.8 million for the year ended March 31, 2012, and by 33.7% from HK\$167.3 million for the three months ended June 30, 2011 to HK\$223.6 million for the three months ended June 30, 2012. Our profit for the year attributable to owners of our Company increased by 20.6% from HK\$53.8 million for the year ended March 31, 2010 to HK\$64.9 million for the year ended March 31, 2011, and by 60.1% from HK\$64.9 million for the year ended March 31, 2011 to HK\$103.9 million for the year ended March 31, 2012, and by 25.2% from HK\$19.1 million for the three months ended June 30, 2011 to HK\$24.0 million for the three months ended June 30, 2012.

COMPETITIVE STRENGTHS

We believe the following key strengths of our Company distinguish us from our competitors and position us for significant growth in the future.

An Iconic and Prestigious Brand

We own and operate an iconic *Cha Chaan Teng* brand, “Tsui Wah (翠華)”. Over our 23 years of operating history under the control of the Core Shareholders, we believe we have become synonymous with *Cha Chaan Teng*. We believe we have successfully built our  翠華餐廳 “Tsui Wah (翠華)” brand to represent delicious, quality, safe and fresh *Cha Chaan Teng* cuisine, targeted at the mid- to high-end segment of the market. We believe our Tsui Wah brand and what it signifies for *Cha Chaan Teng* are key in helping us to differentiate our cuisines and services from our competitors. Our brand is built on our persistence in serving quality food and our ability to constantly introduce new and innovative menu items to deliver the *Cha Chaan Teng* experience our customers have come to expect. We attribute the strength of our brand in part to our scalable and efficient operational infrastructure spanning across a multitude of business functions and processes, such as purchasing of food ingredients, food preparation, product development, ambience and service, quality control and marketing and promotion. As a result of our efforts, we have been awarded (i) the “2011–2012 China’s Top Ten Chain Restaurant Brand (2011–2012年度中國十大馳名餐飲連鎖品牌)” by China Hotel Leader Summit Committee (中國飯店業年會組委會) and (ii) the permanent Honourable Gold Award of the “PRC Consumer’s Most Favorable Hong Kong Brands Campaign (全國消費者最喜愛《香港名牌》 — 永久性榮譽金獎單位)” in 2009, by China Enterprise Reputation and Credibility

⁽¹⁾ Excludes our share of results from two restaurants owned by our Jointly-Controlled Entities.

Association (Overseas) Limited (中華海外企業信譽協會). We believe our strong brand increases our cost efficiency by strengthening our bargaining power with our suppliers, landlords and other service providers.

Leading Market Position in Hong Kong with Great Potential for Expansion

Our leading market position provides us with vast potential to expand in both our existing and new geographic markets.

According to the Frost & Sullivan Report, the sales value of Hong Kong's *Cha Chaan Teng* sector increased from approximately HK\$17.1 billion in 2007 to HK\$22.7 billion in 2011, representing a CAGR of approximately 7.3%, primarily due to factors such as increasing consumer spending power, higher frequency of dining out and increasing numbers of tourists in Hong Kong. Hong Kong's *Cha Chaan Teng* sector is highly fragmented, with approximately 89.0% of the market share held by non-chain restaurants in 2011. As the largest *Cha Chaan Teng* chain in Hong Kong based on revenue and number of seats in 2011, according to the Frost & Sullivan Report, we believe that the overall growth trend and fragmented nature of the Hong Kong market presents opportunities for us to increase market share in Hong Kong.

We believe the *Cha Chaan Teng* sector in China presents huge growth potential for us as the sector is still in the early stages of growth. According to the Frost & Sullivan Report, the sales value of China's *Cha Chaan Teng* sector increased from approximately RMB9.1 billion in 2007 to RMB24.8 billion in 2011, representing a CAGR of approximately 28.6%, primarily due to factors such as increasing consumer spending power, higher frequency of dining out and the increasing urbanization rate in China. Although not as highly fragmented as Hong Kong's *Cha Chaan Teng* sector, China's *Cha Chaan Teng* sector is still dominated by non-chain restaurants, which had approximately 71.4% of the market share in 2011. The China *Cha Chaan Teng* market presents growth opportunities for restaurant chains, according to the Frost & Sullivan Report. In the China market, we do not believe that any competitors have been able to establish a *Cha Chaan Teng* brand as iconic and as representative of *Cha Chaan Teng* cuisine as ours. We believe that our strong, recognized brand, market-leader status in Hong Kong and proven business model positions us to successfully expand into a fast-growing China *Cha Chaan Teng* sector.

High-Quality Cuisine and Innovative Product Development

We believe our success is built on the proposition to our guests of serving delicious, safe and fresh *Cha Chaan Teng* cuisine of consistent high quality. With our central kitchen, we strive to ensure consistency in quality and quantity as well as food safety served in all our restaurants across different locations. In order to ensure the quality of our cuisine, we insist on purchasing quality food ingredients from selected suppliers. For instance, our fish balls are made with various specially-selected types of fish, and we use sea salt to prepare certain of our dishes. We source certain food ingredients, such as frozen meat, from importers who in turn source from overseas countries, such as Europe and the United States, where we believe we find better quality and higher safety standards. As part of the supplier quality-control procedures, our food ingredients must meet certain specified standards. We target the mid- to high-end of the *Cha Chaan Teng* sector where we believe we are able to achieve a better pricing premium. Our high-quality cuisine is represented by our signature dishes, offering our guests an attractive value proposition that combines quality food and broad demographic appeal. We believe our signature dishes help us to differentiate ourselves from our competitors, drive customer visits and increase restaurant sales.

We believe, as an iconic *Cha Chaan Teng* brand in Hong Kong, we are often in a position to set the trends on the newest and most innovative *Cha Chaan Teng* dishes. While our menu offerings primarily include traditional *Cha Chaan Teng* cuisine, we pride ourselves on understanding our customers' constantly evolving tastes and preferences and on our innovative product development capabilities. We are constantly seeking to incorporate other regional flavors and international elements into our menu, develop new menu items, and refine existing dishes. Our mission is to offer our customers a modern and international menu based on our heritage of more than two decades under the control of our Core Shareholders, that also meets the changing tastes of guests, shifting food and nutrition trends and feedback from our customers. Our modern information technology system enables us to collect and analyze information on customer orders, which allows us to respond rapidly to changes in customer tastes and demands. For example, we have developed healthy dishes that use organic food ingredients and we are committed to preserving the natural nutrients and taste of our food by using less cooking oil and seasonings in response to the modern health-conscious dining trend. In order to accommodate local tastes, our restaurants outside of Hong Kong feature a menu that comprises most of the items at our Tsui Wah restaurants in Hong Kong, with the rest of the dishes developed locally to meet local demands and tastes. The success of new menu items reflects the efforts of our rigorous, systematic and increasingly demand-driven product development process.

We believe that our drive and ability to constantly refine and develop new menu offerings differentiates us from other *Cha Chaan Teng* restaurants. By ensuring our menu only includes high-quality and high-value offerings that meet the tastes and demands of our mid- to high-end target market, we believe we are able to stay ahead of our competitors and maintain consistent gross margins.⁽¹⁾

Highly Efficient and Standardized Operations

We believe our highly efficient and standardized operations have enabled us to maximize our profits, achieve economies of scale and establish a scalable business model, as evidenced by our growth to-date. Our efficient and standardized operations primarily consist of the following aspects:

- *Communal seating arrangement.* While we offer our customers a full-service dining experience at our restaurants, our customers share tables with other customers under our communal seating arrangement, which minimizes the number of idle seats at our tables particularly during busy periods of the day.
- *Around-the-clock operations.* Our restaurants serve food all day. We offer breakfast (generally, 7:00 am to 11:00 am), lunch (generally, 11:00 am to 2:30 pm), tea (generally, 2:30 pm to 6:00 pm) and dinner (generally, 6:00 pm to 12:00 am). In addition, eight of our restaurants⁽²⁾ are open 24-hours per day, and offer a late dinner service (12:00 am to 7:00 am). Catering to customers' needs throughout the day allows us to maximize revenues from our restaurants. Across our restaurants⁽³⁾, our

⁽¹⁾ The calculation of gross margin is calculated by dividing gross profit by revenue. Gross profit equals revenue minus cost of inventories sold.

⁽²⁾ Includes one restaurant in Macau owned by one of our Jointly-Controlled Entities.

⁽³⁾ Excludes one restaurant in Hong Kong and one restaurant in Macau owned by our Jointly-Controlled Entities.

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average daily revenue per comparable restaurant is HK\$124,000⁽¹⁾ in the year ended March 31, 2012, and our average number of invoices per table per day per comparable restaurant is approximately 25 in the year ended March 31, 2012.

- *Take-away food and delivery services.* We leverage our cooking facilities and restaurant locations by providing take-away food and delivery services. Take-away food and delivery services have allowed us to increase revenue at existing restaurant operations with minimal additional costs.
- *Central kitchen.* The use of a central kitchen helps us to ensure the consistent quality of food and timeliness of delivery across different locations, to better manage our inventory and facilitate greater efficiency through greater economies of scale, such as task specialization among chefs at our central kitchen, decreased reliance on restaurant-level kitchen staff and increased economic use of food ingredients and other supplies. In addition, our use of a central kitchen increases the dining area in our restaurants which boosts our revenue. We believe we have successfully applied the concept of central kitchens, which are generally associated with fast food restaurants, to operating full-service *Cha Chaan Teng* restaurants.
- *Centralized Purchasing.* All of the purchases of food ingredients, raw materials and other inventories required by our central kitchen and restaurants are made through our centralized purchasing department. We believe our centralized purchasing strengthens our bargaining power with suppliers through bulk purchasing and reduces our costs of inventories.
- *Food preparation process.* We have standardized recipes and preparation processes for our menu items. Our high degree of standardization at every step of the food preparation process enhances food safety and ensures the consistency of our food quality across different locations.
- *Restaurant operating functions.* We have a set of standard operating procedures for our major restaurant operating functions, including staff at various food booths, wait staff, cashiers, floor managers, chefs, restaurant managers and cleaning staff, which have been compiled and updated based on our heritage of more than two decades under the control of our Core Shareholders in the industry. We ensure that these operating procedures are fully implemented by providing formal and systematic training programs to our restaurant personnel.
- *Information technology.* We have implemented a modern information technology system to standardize and centralize restaurant management. Our table staff use personal data assistants to take orders, which reduces errors and saves time, as orders are sent directly by the information technology system to the kitchen for processing and the table staff are not required to re-enter the orders into another system after taking the initial order. The computerized point-of-sale system at our restaurants captures consumer spending data, which are closely monitored and analyzed by our management.

⁽¹⁾ Daily average revenue per comparable restaurant in the year ended March 31, 2012 equals comparable restaurants sales in that year divided by number of comparable restaurants in that year, and then divided by 365 days. We define our comparable restaurant base to be those restaurants that were opened throughout the periods under comparison. For example, the comparable restaurants for the years ended March 31, 2011 and 2012 are restaurants that were open throughout both the year ended March 31, 2011 and the year ended March 31, 2012.

We have allocated significant resources in recent years to develop, implement and refine this business model. As a result of these efforts, we believe that our current management system provides us with a strong platform for future growth by enabling us to systematically and efficiently replicate our business model and open new restaurants in new markets while maintaining consistent quality.

Leadership under an Experienced Restaurateur Complemented by an Energetic Professional Management Team

Mr. Lee, together with Mr. Ho, Mr. YT Cheung, Mr. YP Cheung and Mr. WK Cheung, took over the first Tsui Wah restaurant in 1989. Mr. Lee possesses over 40 years of extensive working experience in restaurant operations at all levels, in particular in *Cha Chaan Teng* operations. Mr. Lee has been persistent in his pursuit of serving delicious and fresh *Cha Chaan Teng* cuisine. Since 1989, we believe we have successfully developed a brand known for evolving with time, and managed through several economic cycles and some of the most difficult times of Hong Kong to become a chain of 26 Tsui Wah restaurants⁽¹⁾ as at the Latest Practicable Date.

We have built a senior management team that is energetic, professional and highly experienced in their respective fields. Our senior management team is headed by our chief executive officer, Mr. Lock Kwok On Anthony, who brings to us ten years of experience in corporate, strategic and business management. Mr. Lock currently holds the position of President at Hong Kong Federation of Restaurants and Related Trades (香港餐飲聯業協會). Ms. Li Tsau Ha, our group general manager responsible for the Group's daily operations, has ten years of experience in business operations and management. Our chief financial officer responsible for the Group's finance, Mr. Yang Dong John, has accumulated over ten years of experience in auditing, consolidated accounting and financial management. Our management team has been instrumental in the development and implementation of a series of initiatives to develop our standardized operation model under modern corporate management principles. In respect of our PRC operations, our management team includes members recruited from the PRC. As such, we benefit from the vision and experience of members of our PRC management team with their extensive experience in the PRC food and beverage industry.

We believe that the vision, industry knowledge and experience, management capability and cohesiveness of our senior management team will continue to help us to deliver sustainable growth in the future.

BUSINESS STRATEGY

Our objective is to become a leading *Cha Chaan Teng* chain owner and operator in Greater China. To this end, we intend to implement the following strategies:

Continue Expansion in the PRC Building on our Hub-and-spoke Strategy

As the leading *Cha Chaan Teng* chain owner and operator in Hong Kong based on our revenue and number of seats in 2011, according to the Frost & Sullivan Report, we intend to continue expanding in certain affluent regions in the PRC using our hub-and-spoke strategy. Our strategy in each new geographic area in the PRC is to initially establish one or more large flagship restaurants in densely-populated and high-traffic locations to increase brand recognition. We then develop a central kitchen to act as the "hub" for all restaurants (i.e., the "spokes") within the area to centralize and consolidate procurement, food preparation and logistics functions once a sufficient customer base is established. Our current plan is to continue to develop and implement this business model in the Yangtze River Delta, Southern China and

⁽¹⁾ Includes one restaurant in Hong Kong and one restaurant in Macau owned by our Jointly-Controlled Entities.

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Central China regions. We plan to open approximately five new Tsui Wah restaurants in China in the year ending March 31, 2013 (including two restaurants already opened during the fiscal year as at the Latest Practicable Date), and approximately eight and 11 new Tsui Wah restaurants in China in each of the two years ending March 31, 2014 and 2015, respectively.

- *Yangtze River Delta (primarily in Shanghai).* As at the Latest Practicable Date, we operate three flagship restaurants, each comprising over 7,000 square feet, in Shanghai. We expect to begin construction of our first central kitchen in Shanghai that will become operational in the year ending March 31, 2014. We anticipate this central kitchen in Shanghai will, at its full capacity, be able to support approximately 40 restaurants within a radius of approximately 200 kilometers or within a transport range of two hours. With this new central kitchen as our strategic hub in Shanghai, we expect to open an additional three restaurants in the year ending March 31, 2013 in the Yangtze River Delta region, and approximately five restaurants in each of the two years ending March 31, 2014 and 2015 in Yangtze River Delta, respectively.
- *Southern China (primarily in Shenzhen and Guangzhou).* We expect to open two and five restaurants in Southern China in each of the two years ending March 31, 2014 and 2015, respectively, primarily in the Shenzhen and Guangzhou areas. We expect to begin construction of our first central kitchen in Southern China that will become operational in the year ending March 31, 2015. It is expected that this central kitchen will be located in or near Shenzhen or Guangzhou. We anticipate this central kitchen in Southern China will, at its full capacity, be able to support approximately 20 restaurants within a radius of approximately 200 kilometers or within a transport range of two hours.
- *Central China (Wuhan).* We opened one flagship restaurant in Wuhan in May 2012. We currently expect to open one additional new restaurant in Central China in each of the two years ending March 31, 2014 and 2015, respectively.

The total planned capital expenditures for our network expansion in China is expected to be HK\$45.0 million, HK\$127.0 million and HK\$159.0 million for each of the three years ending March 31, 2013, 2014 and 2015 respectively. For the three months ended June 30, 2012, our total capital expenditures for our network expansion in China amounted to HK\$3.2 million. From July 1, 2012 to the Latest Practicable Date, the capital expenditures we incurred for our network expansion in China amounted to HK\$14.3 million.

Increase Market Share and Broaden Customer Base in Hong Kong by Diversifying Sales Channels

We intend to increase our market share and broaden our customer base in Hong Kong. We believe that we will be able to extend our customer reach and increase our sales with relatively small incremental investments due to the scalability of our restaurants through the expansion of our Tsui Wah-brand restaurants, and expanding delivery and catering services.

Tsui Wah Restaurants

We expect to open approximately five (including two already opened during the fiscal year as at the Latest Practicable Date), four and four new Tsui Wah restaurants in the three years ending March 31, 2013, 2014 and 2015, respectively, in Hong Kong.

We are planning to open a second central kitchen in Hong Kong that we intend to be able to support up to an additional 50 Tsui Wah restaurants, within a radius of approximately 200 kilometres or within a transport range of two hours. The second central kitchen is expected to be

between 30,000 to 40,000 square feet, will include warehouse space to store food ingredients and finished products, and is expected to become operational in the year ending March 31, 2014.

Delivery

We have identified the market for delivery of *Cha Chaan Teng* cuisine in Hong Kong to be underserved. Currently, we utilize our existing restaurants to serve our delivery customers. Our revenue from delivery and takeaway services increased at a CAGR of 22.8% from the beginning of the Track Record Period to March 31, 2012. We believe that we can broaden our customer base and increase sales by strengthening our delivery services from existing restaurants and establishing a network of delivery centers to reach customers in areas where our existing restaurants are not located. We plan to strengthen delivery services from existing restaurants by hiring dedicated staff and drivers focused on delivery services and procuring a sufficient fleet of delivery vehicles.

Delivery centers are expected to be standalone operations that offer selected items from our main menu geared toward delivery. As with our restaurant operations, a substantial majority of the food served from our delivery centers is expected to be prepared by our central kitchen. We expect each delivery center to be no greater than 1,000 square feet. With the smaller footprint the capital expenditure expected to be required for a delivery center should be much lower than for new restaurants, which we believe will enable us to replicate this business model and expand our geographic penetration relatively quickly. We plan to open one, three and three new delivery centers in Hong Kong in each of the three years ending March 31, 2013, 2014 and 2015, respectively, depending on the suitability of locations.

Catering Services

We believe that we can leverage off the depth of our experience and our recognized ability to provide consistent and quality food to expand into the catering services industry. We commenced this catering service under a new brand, “Supreme Catering”, in October 2012. While we offer signature dishes from our Tsui Wah restaurants in our catering menu, substantially all of the menu items we offer in our catering menu are different from our Tsui Wah restaurants. In addition, our catering service allows customers to personalize their menus and customizes tailor-made dishes upon request. Food is prepared at a new food factory of approximately 1,300 square feet, separate from our central kitchen and Tsui Wah restaurants. Currently, we operate a catering services center under the name “Supreme Concept Kitchen” in Hong Kong, where we provide menu items tasting services for our potential catering services customers. Customers may also rent our catering services center for event organizing. We have retained a specific team of personnel, including a marketing director in respect of our “Supreme Catering” brand, to be responsible for our catering services, which includes certain additional services such as pre-planning assistance, decoration of site or premises of the particular event, waiting staff provisioning and coordination with third party vendors and entertainers.

The total planned capital expenditures for our network expansion in Hong Kong is expected to be HK\$48.5 million, HK\$97.0 million and HK\$47.0 million for each of the three years ending March 31, 2013, 2014 and 2015, respectively. For the three months ended June 30, 2012, our total capital expenditures for our network expansion in Hong Kong amounted to HK\$8.0 million. From July 1, 2012 to the Latest Practicable Date, the capital expenditures we incurred for our network expansion in Hong Kong amounted to HK\$12.3 million.

Continue to Promote Brand Image and Recognition

We will continue promoting our brand to differentiate ourselves from our competitors in part through our marketing and promotional initiatives. In particular, we seek to promote awareness of our brands through a variety of initiatives when we expand into new markets or open new restaurants in existing markets where we have little market presence, including:

- continuing to promote our signature dishes that are distinctive and representative of the *Cha Chaan Teng* culinary style;
- opening restaurants at tourist attractions, landmark locations and high-traffic shopping districts in Hong Kong, such as our quick-service restaurant at the Hong Kong International Airport and our flagship Tsui Wah restaurants at Victoria Peak and in the Lan Kwai Fong, Causeway Bay and Tsim Sha Tsui areas of Hong Kong, to increase our visibility, particularly among tourists from the PRC whom we hope will act as unofficial brand ambassadors for our new Tsui Wah restaurants in China;
- opening flagship restaurants in high-traffic areas in new geographic areas to promote brand awareness, such as our three flagship restaurants in Shanghai and one flagship restaurant in Wuhan;
- targeting various chic and stylish lifestyle and leisure-related conventional media channels to promote our brand, cuisine, ambience and service;
- leveraging new media, including social networking websites and microblogs on the Internet, to enhance interactions with, and raise brand awareness among, our customers;
- strengthening our integrated marketing initiatives in new markets, particularly in China, with a focus on public relation initiatives and interactions with conventional media channels, such as television and magazines, including interviews with our senior management to introduce our brand and cuisine, and contributing information on our cuisine to certain television programmes;
- participating in various road shows in China promoting well-known Hong Kong brands, co-organized by the Hong Kong Tourism Board and the Quality Tourism Services Association;
- given that food safety is an important issue in China, educating our customers in China on the high-quality food ingredients used to prepare our dishes and our stringent quality control used in our food preparation processes; and
- introducing innovative souvenirs and pop-culture merchandise and items to maximize brand awareness for customers and tourists.

Continue to enhance Comparable Restaurant Sales Growth and Profitability

We are committed to continuing to enhance our comparable restaurants sales growth and profitability. Accordingly, we intend to implement a number of initiatives, many of which represent natural extensions and a continuing refinement of our strategy to date. These key initiatives include:

- increasing sales volume by introducing new and innovative dishes;

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- increasing average daily revenue per restaurant of our restaurants in the PRC by educating our customers of our around-the-clock services and the different food types available for different time periods;
- increasing guest traffic by upgrading the decor of existing restaurants to revitalize the ambience of the restaurants and create a welcoming atmosphere;
- improving purchasing and logistics cost control through centralized purchases and use of strategic stock piles of inventories by utilizing third-party central warehouse;
- increasing cost savings and operational efficiency by further consolidating food preparation processes into our central kitchen(s);
- optimizing restaurant-level staffing to maintain our service quality and reduce our labor costs;
- maximizing utilization of food ingredients by promoting cross-utilization of food ingredients among different menu items and streamlining operating procedures at our central kitchens and restaurant kitchens;
- increasing profitability by introducing new and innovative dishes that utilize less-sought-for food ingredients that are available in high quality and at low costs;
- actively reducing wastage of food ingredients; and
- driving economies of scale through network expansion under our hub-and-spoke strategy.

Continue to Strengthen Operational Infrastructure to Deliver Sustainable Growth

We have built a scalable operational infrastructure that has successfully supported the expansion of our restaurant network. We believe that our operational infrastructure allows us to increase profitability and derive cost efficiency. We will continue to enhance our operational infrastructure in the following key aspects with a view to delivering a platform for the sustainable growth of our business:

- *Standardized and centralized operations.* We will continue to standardize and refine our operating procedures for all major functions. We expect to continue providing systematic training for and conducting performance assessments of our employees to ensure and improve the implementation of our standardized operating procedures. We plan to open new central kitchens in Hong Kong and Shanghai. We will strengthen our use of a central warehouse with a centralized logistics function provided by a third party service provider to further streamline our storage and logistics functions.
- *Human resources.* We will continue to seek to attract qualified employees to join our ranks, particularly restaurant staff and talent in operations management.
- *Regional Offices.* We plan to establish various regional offices in areas where we have an established presence in order to further strengthen our relationship with local authorities and our understanding of local markets. Heads of regional offices will report to our head office in Hong Kong. We believe this structure will provide for a systematic platform to sustain our future growth.

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- *Supply chain.* We will continue to seek the highest quality food ingredients that are commercially available. To achieve this objective, we will continue to strengthen our relationships with selected suppliers. In addition, we plan to purchase certain food ingredients from original suppliers, instead of through distributors or importers, which we believe will provide better assurance on the quality of the food ingredients as the source of food can be traced, as well as decrease our costs of food ingredients.
- *Information technology.* We intend to continue investing in information technology to facilitate all aspects of our business operations and provide timely and relevant information to facilitate effective managerial decision making. We plan to implement enterprise resource planning systems to provide for a standardized and centralized platform to manage the supply chain, restaurant operations, human resources, finance and cost control of our entire operation.


Continue to strengthen the quality of our customer services


We are a full-service *Cha Chaan Teng* chain that emphasizes high quality and efficient customer services. We rely on our restaurant chefs, table staff and management for our daily operations. To ensure the quality of our customer services, we have developed a set of formal and systematic training programs for our employees, including waiting staff, cashiers, floor managers, chefs and restaurant managers. We offer our employees certain courses relating to the restaurant industry, which have been accredited by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications. The recognition of such qualifications provides an incentive for our employees to further strengthen their skill set by taking the courses that we offer. We engaged an outside human resources consulting company to develop and conduct comprehensive training programs for our employees. We intend to continue these measures in the future to ensure that all our employees are well trained. In addition, we intend to collaborate with schools in the PRC to provide chef training programs and to develop management trainee programs for students with interests in the hospitality industry in order to ensure a stable supply of future generations of chefs and management personnel.

In an effort to maintain employee loyalty and retention, we have an employee incentive scheme pursuant to which (i) restaurant personnel will receive bonuses if the restaurant at which he or she works achieves certain performance targets, and (ii) office personnel will receive bonuses depending on the number of restaurants that achieve performance targets. This employee incentive scheme has been successful in motivating our employees and we believe it is unique in the *Cha Chaan Teng* industry. In respect of our Hong Kong operations, we provide certain additional subsidies to our employees with children meeting certain needs-based criteria. In addition, in respect of our PRC operations, we provide residential units for certain of our employees that come to work for us from other provinces or regions. To broaden their vision and knowledge, we provide exchange opportunities for our PRC employees to work in Hong Kong or Macau.

We intend to continue to strengthen these measures in order to promote employee loyalty, motivate our employees and strengthen our customer services.

BUSINESS PHILOSOPHY AND CORE VALUES

Our founder, Mr. Lee, has over 40 years of extensive working experience in restaurant operations at all levels, in particular in *Cha Chaan Teng*. Mr. Lee started working at *Bing Sut*, the predecessors of *Cha Chaan Teng*. As *Bing Sut* evolved into *Cha Chaan Teng*, Mr. Lee has been devoted to building our  翠華餐廳 “Tsui Wah (翠華)” brand into an iconic and prestigious brand in Greater China serving *Cha Chaan Teng* cuisine. Our founding philosophy is to provide delicious, safe and fresh *Cha Chaan Teng* cuisine of consistent quality to our customers. With

over 23 years of operating history under the control of the Core Shareholders, we believe we have developed our  “Tsui Wah (翠華)” brand to represent delicious, quality, safe and fresh *Cha Chaan Teng* cuisine. Our core values center on our persistence in serving our customers with consistently quality food. To that end, we search for quality food ingredients to prepare our dishes and implement highly standardized operations and quality control systems to ensure consistent quality and food safety served across different locations. We believe our focus on quality and customer satisfaction creates a sense of pride among our employees and management.

OUR FOOD

Cuisine and menu

We believe our Tsui Wah restaurants are representative of the *Cha Chaan Teng* culinary style and dining experience that combines traditional Hong Kong fare with both Western and Asian elements. The combination makes for a distinct, yet authentically Hong Kong, culinary style and dining experience. Our menu continues to evolve as we incorporate other regional flavors and international elements into our menu, develop new dishes and refine existing dishes to meet changing consumer tastes and geographical taste preferences, and shifting food and nutrition trends according to feedback from our customers. Our menu has evolved to become more modern and international when compared to that of other traditional *Cha Chaan Teng* (茶餐廳) restaurants.

As at the Latest Practicable Date, we offered approximately 170 dishes and drinks in our main menu, which can be classified into the following categories: (i) top ten signature dishes, (ii) vegetarian food, (iii) soups and appetizers, (iv) signature Malaysian-style curries, (v) steak, (vi) traditional Asian fried noodles and rice, (vii) noodle-related products from our noodle booth, (viii) sandwiches, and (ix) drinks from our beverage booth. Some of our Tsui Wah restaurants also have a separate counter offering freshly-baked bread. Our menu is highlighted by the following ten signature dishes that we believe are distinctive and representative of the *Cha Chaan Teng* culinary style:

- Hainanese Chicken Rice
- Swiss Sauce Chicken Wings
- Chiuzhou-style fish balls noodles
- Crispy Bun served with Sweet Condensed Milk
- Hong Kong-style Milk Tea
- Jumbo Hot Dog
- Kagoshima Pork Cartilage with Tossed Instant Noodles
- Malaysian-style Brisket of Beef Curry
- Shredded Pork and Mushroom with Fried Noodles
- Sizzling King Prawns with Fried Noodles

BUSINESS

The following images show five of our signature dishes, namely (from left to right) Hainanese Chicken Rice, Chiuzhou-style fish balls noodles, Hong Kong-style Milk Tea, Crispy Bun served with Sweet Condensed Milk and Malaysian-style Brisket of Beef Curry, respectively.



The menu items at our restaurants are priced to cater the mid- to high-end segment of the *Cha Chaan Teng* market. For the average number of invoices per table per day at our Tsui Wah restaurants, see “Financial Information — Factors Affecting Results of Operations and Financial Condition — Average Number of Invoices Per Table Per Day and Average Spending Per Invoice” in this prospectus.

We track and evaluate feedback from sales staff and customers on our dishes. We review our main menu regularly. Based on our reviews, we continuously refine our dishes and regularly update our menus.

In addition to our main menu, we offer our customers a seasonal menu selected from our database of recipes. For example, we have offered egg white almond tea in the winter and specialty icy drinks in the summer. Dishes on the seasonal menu are selected based on the seasonal availability of key food ingredients as well as the natural properties of the dish which make them more suitable for consumption in a particular season. In addition, some of the newly developed dishes are tested as seasonal menu items before they are being considered for our main menu. We also offer a selection of dishes based on a theme, such as the fresh tomato series, in response to feedback from sales staff and customers and based on the availability of key food ingredients.

To increase our customer base, we allow a slight variation of dish selections in some restaurants within Hong Kong according to locality and the taste of target customers around the region. In order to accommodate local taste, our restaurants outside of Hong Kong feature menus that comprise items offered at our Tsui Wah restaurants in Hong Kong as well as dishes that meet local demand and taste. For example, our restaurants outside of Hong Kong serve rice congee and Cantonese-style barbecue meat, which are not available in our Tsui Wah restaurants in Hong Kong. We include these dishes due to popular local demand in the PRC and Macau.

Ingredients and food preparation

Our business philosophy is to serve delicious, safe and fresh food of consistent quality to our customers. This tenet is reflected in the ingredients we use and in the food preparation processes that we employ. We purchase a diverse range of quality food ingredients from more

than 100 suppliers, primarily including (i) frozen seafood, such as sole fillet, (ii) frozen poultry and meat, (iii) fresh produce, such as vegetables and (iv) dried food. For more details, see “Business — Purchasing — Supplier Management” in this prospectus.

We have implemented a set of standard operating procedures, including a comprehensive set of quality control procedures at each stage of the raw materials supply and food preparation process. We place strict requirements on food safety as well as on the appearance, smell and taste of our food ingredients. Since 2009, we have engaged an independent inspection and testing company to conduct random spot checks of the physicochemical, microbial and other indices of our food ingredients samples, so as to help ensure that our food quality conforms with standards as adopted by the government from time to time. The food ingredient samples are tested at the laboratories of the inspection and testing company in Hong Kong. We currently intend to continue this arrangement to ensure effective quality control over our food ingredients.

Our central kitchen centralizes the production and delivery of semi-processed food and processed food to our restaurants, and prepares the proprietary seasonings and spices used in our dishes. The use of a central kitchen further ensures consistency in food quality across different branches and allows us to benefit from economies of scale. For more details, see “Business — Restaurant Operations and Management — Central Kitchen” of this prospectus.

OUR SERVICE AND DINING ATMOSPHERE

Service

We are committed to delivering superior service to every customer during every visit. We believe that the quality of our restaurant staff helps to differentiate us from our competitors. We recruit employees who conform to a standard of efficiency and friendly service. We provide comprehensive training to all service personnel regarding our standardized service procedures and our menu offerings. We staff each restaurant with an experienced restaurant manager to ensure consistent and attentive customer service. We ensure that our front-line restaurant staff understand the importance of attentive customer interaction. Our restaurant staff also wear standardized uniforms to help create a consistent tone and image.

Speed of service is an important element of our service level. In terms of preparation, the use of a central kitchen enables us to shorten significantly the amount of time needed to prepare most dishes. In relation to our table service, we maintain appropriate waiting staff-to-table ratios and adopt a set of strict table service standards designed to meet the expectations of customers and to enhance the speed of service. We have also implemented a set of modern management information systems to standardize restaurant management. Our table staff uses electronic personal data assistants to take orders, which reduces errors and enhances the speed of service.

Dining Atmosphere

In each of our restaurants, we offer each customer a well-lit, clean and streamlined look and friendly restaurant environment.

Tsui Wah restaurants in Hong Kong

On average, our Tsui Wah restaurants in Hong Kong cover approximately 3,000 square feet per restaurant. Our Tsui Wah restaurants are each designed with a unique theme and generally have between approximately 30 to 67 tables, seating approximately two to four customers each.

BUSINESS

The following is a picture of the interior of our Tsui Wah restaurant at the Victoria Peak in Hong Kong.



The following is a picture of the exterior of our Tsui Wah restaurant at the Victoria Peak in Hong Kong.



Tsui Wah restaurants in the PRC

We currently operate four Tsui Wah restaurants in the PRC. Our Tsui Wah restaurants in the PRC typically occupy more space than our restaurants in Hong Kong, generally covering over 7,000 square feet to over 10,000 square feet per restaurant and having between approximately 65 to 84 tables seating approximately two to four customers each. Each Tsui Wah restaurant in the PRC is uniquely designed by architects and designers, usually in accordance with the design of the building in which the restaurant is situated or the atmosphere of the surrounding area.

The following is a picture of the interior of one of our Tsui Wah restaurants in Shanghai.



The following is a picture of the exterior of one of our Tsui Wah restaurants in Shanghai.



Tsui Wah restaurant in Macau

We currently operate one Tsui Wah restaurant in Macau located in the casino area within the premises of the Galaxy Macau Resort & Hotel under a joint venture arrangement with our joint venture partner.

The following is a picture of the interior of our Tsui Wah restaurant in Macau.



The following is a picture of the exterior of our Tsui Wah restaurant in Macau.



SUB-BRANDS

“Tsui Wah Concept (翠華 Concept)”

We launched a pilot restaurant in December 2011 in Hong Kong under a new sub-brand *“Tsui Wah Concept (翠華 Concept)”*. As at the Latest Practicable Date, we had one *“Tsui Wah Concept (翠華 Concept)”* restaurant in operation. Like our Tsui Wah restaurants, our *“Tsui Wah Concept (翠華 Concept)”* restaurant is a full-service establishment. The decoration of our *“Tsui Wah Concept (翠華 Concept)”* restaurant is more modern when compared to our Tsui Wah restaurants, as the *“Tsui Wah Concept (翠華 Concept)”* sub-brand is targeted towards a younger demographic. Our *“Tsui Wah Concept (翠華 Concept)”* restaurant requires less restaurant space than our Tsui Wah restaurants and is of a size of approximately 1,000 square feet. We offer selected dishes from our main menu, comprising mainly of our signature dishes and popular menu items. We principally offer set meals at our *“Tsui Wah Concept (翠華 Concept)”* restaurant. Our set meals include a main dish, such as fish balls, noodles or curry chicken with rice, and a beverage. Some set meals include a side dish. Since the choices of items in the menu are more limited, *“Tsui Wah Concept (翠華 Concept)”* restaurant requires less kitchen space, allowing us to target areas where we have not located our larger Tsui Wah restaurants, including, for example, shopping malls and certain residential neighborhoods.

“Tsui Wah EATery”

We opened our quick service restaurant at the Hong Kong international airport in September 2010, through which we gain exposure among travelers. Our *“Tsui Wah EATery”*, unlike our other establishments, does not provide table-service.

BUSINESS

RESTAURANT NETWORK

We own and operate all of our restaurants⁽¹⁾ and we lease all of the real properties on which our restaurants operate. For details of our rental arrangements, see “Financial Information — Factors Affecting Results of Operations and Financial Condition — Property Rentals and Related Expenses” in this prospectus.

We owned and operated 14, 18, 22, 25 and 26 restaurants⁽¹⁾ as of March 31, 2010, 2011 and 2012, June 30, 2012 and the Latest Practicable Date, respectively. As at the Latest Practicable Date, one of these restaurants was operated under our “*Tsui Wah Concept* (翠華 Concept)” sub-brand and one of these restaurants was operated under our “*Tsui Wah EATery*” sub-brand. All other restaurants were operated under our core Tsui Wah brand.

As at the Latest Practicable Date, we operated 21 restaurants in Hong Kong⁽²⁾, four restaurants in the PRC, and one restaurant in Macau⁽³⁾. The following table sets forth the respective locations, brands and types of premises of our Tsui Wah restaurants that operated at any time during the Track Record Period or are currently in operation as at the Latest Practicable Date.

Location	Brand	Premises
Hong Kong (22 restaurants⁽⁴⁾)		
Hong Kong Island, The Peak	Tsui Wah	shopping mall
Hong Kong Island, Central	Tsui Wah	store on street-level
Hong Kong Island, Central	Tsui Wah	store on street-level
Hong Kong Island, Causeway Bay	Tsui Wah	store on street-level
Hong Kong Island, Causeway Bay	Tsui Wah	store on street-level
Hong Kong Island, Aberdeen	Tsui Wah	store on street-level
Hong Kong Island, Wanchai	Tsui Wah	store on street-level
Kowloon, Tsim Sha Tsui	Tsui Wah	store on street-level
Kowloon, Jordan	Tsui Wah	store on street-level
Kowloon, Yau Ma Tei	Tsui Wah	store on street-level
Kowloon, Mong Kok	Tsui Wah	store on street-level
Kowloon, San Po Kong	Tsui Wah	store on street-level*
Kowloon, To Kwa Wan	Tsui Wah	store on street-level
Kowloon, Ngau Tau Kok	Tsui Wah	store on street-level
Kowloon, Mong Kok	<i>Tsui Wah Concept</i> (翠華 Concept)	store on street-level
New Territories, Tsuen Wan	Tsui Wah	store on street-level
New Territories, Tsuen Wan	Tsui Wah	store on street-level
New Territories, Tseung Kwan O	Tsui Wah	shopping mall
New Territories, Tuen Mun	Tsui Wah	store on street-level
New Territories, Tsuen Wan	Tsui Wah	store on street-level**
New Territories, Chap Lap Kok	Tsui Wah	Hong Kong International Airport
New Territories, Chap Lap Kok	<i>Tsui Wah EATery</i>	Hong Kong International Airport
PRC (4 restaurants)		
Shanghai	Tsui Wah	store on street-level
Shanghai	Tsui Wah	store on street-level
Shanghai	Tsui Wah	store on street-level
Wuhan	Tsui Wah	store on street-level
Macau (1 restaurant)		
Macau	Tsui Wah	hotel

* We took over this restaurant in 1989.

** Closed in January 2011. This restaurant was consolidated with another restaurant on the same street after we secured a larger premise for the restaurant.

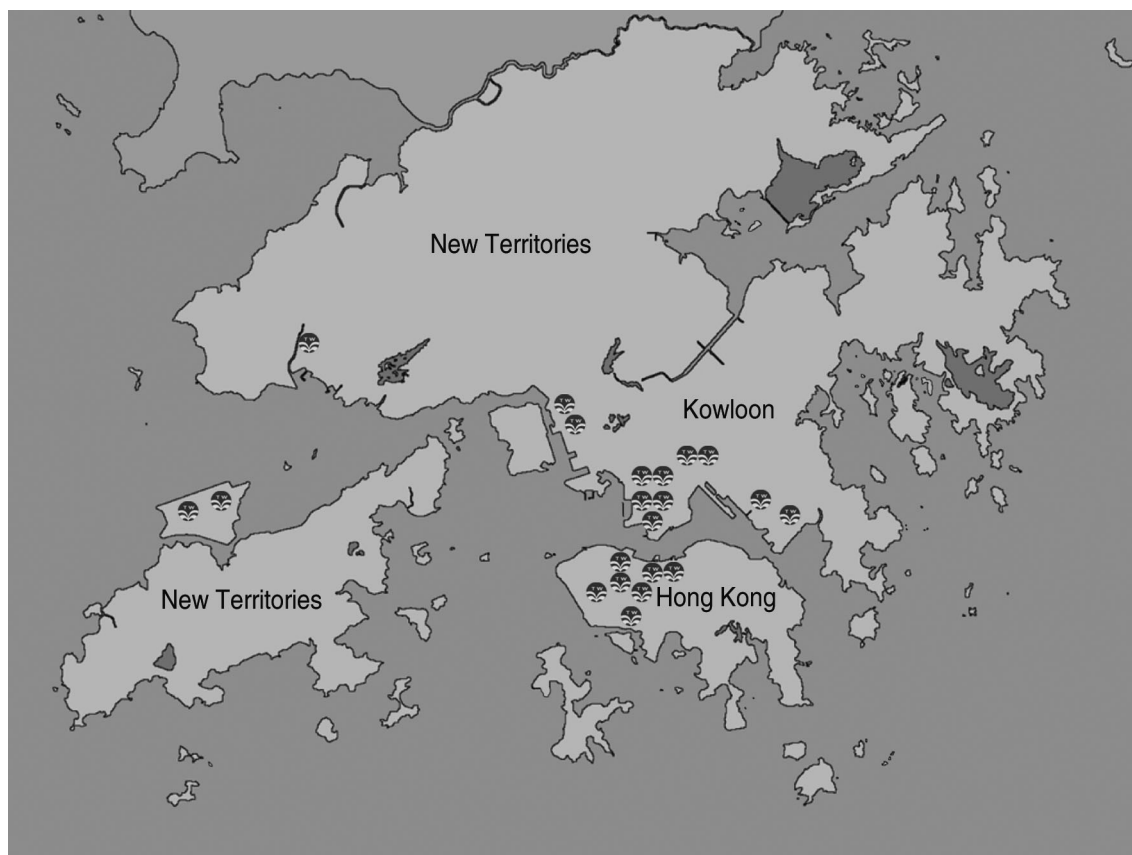
(1) Includes one restaurant in Hong Kong and one restaurant in Macau owned by our Jointly-Controlled Entities.

(2) Includes one restaurant in Hong Kong owned by one of our Jointly-Controlled Entities.

(3) Includes one restaurant in Macau owned by one of our Jointly-Controlled Entities.

(4) Includes one restaurant closed in January 2011 in Hong Kong. This restaurant was consolidated with another restaurant on the same street after we secured a larger premise for the restaurant.

The following map of Hong Kong shows our restaurants by their locations in Hong Kong as at the Latest Practicable Date. See the above table for the brands and type of premises of the respective Tsui Wah restaurants.



Restaurants owned by the Jointly-Controlled Entities

Our Tsui Wah restaurant in the casino area within the premises of the Galaxy Macau Resort & Hotel and our Tsui Wah restaurant in a shopping mall in Tseung Kwan O, New Territories, Hong Kong are owned by our respective Jointly-Controlled Entities.

Our Tsui Wah restaurant in Macau covers approximately 7,200 square feet. As provided under a joint venture agreement with our joint venture partner, the design and layout, menu and operating budgets of the restaurant are jointly determined by our Company and our joint venture partner. We provide the restaurant with the key personnel, necessary know-how, formulae and processes so as to ensure that the quality of food and drinks, service and operations are substantially the same as other Tsui Wah restaurants in Hong Kong. We are responsible for the day-to-day operation and management of this restaurant.

Our Tsui Wah restaurant in the shopping mall of Tseung Kwan O, New Territories, Hong Kong covers approximately 4,000 square feet. As provided under a joint venture agreement with our joint venture partner, the design and decoration of the restaurant was approved by our joint venture partner. Marketing-related activities are determined by both our joint venture partner and our Company. We are responsible for the day-to-day operation and management of this restaurant.

BUSINESS

Since we are responsible for the day-to-day management of our restaurants owned by our Jointly-Controlled Entities, we believe we are able to maintain a consistent standard throughout our restaurants located in various locations.

Sub-Brands

Our “*Tsui Wah Concept* (翠華 Concept)” restaurant and our “*Tsui Wah EATery*” are located in Kowloon and at the Hong Kong international airport, respectively.

EXPANSION PLANS, SITE SELECTION AND DEVELOPMENT

As part of our strategy, we intend to continue expanding our restaurant network to strengthen our presence in Hong Kong and to expand further into the PRC. Our Directors are involved in implementing our expansion plans and new restaurant development.

Recent and Planned Expansion in the PRC

We intend to continue expanding in certain affluent regions in the PRC using our hub-and-spoke strategy. Our strategy in each new geographic area in the PRC is to initially establish one or more large flagship restaurants in densely-populated and high-traffic locations to increase brand recognition. We would then develop a central kitchen to act as the “hub” for all restaurants (i.e. the “spokes”) within the area to centralize and consolidate procurement, food preparation and logistics functions once a sufficient customer base is established. We plan to purchase a factory building for the development of central kitchen. Our current plans are to continue to develop and implement this business model in the Yangtze River Delta, Southern China and Central China regions.

Tsui Wah Restaurants

We operated one, two, two and four restaurants in the PRC as of March 31, 2010, 2011 and 2012 and June 30, 2012, respectively. We intend to open approximately five (including two restaurants already opened during the year ending March 31, 2013 as at the Latest Practicable Date), eight and 11 new Tsui Wah restaurants in the PRC in each of the three years ending March 31, 2013, 2014 and 2015, respectively.

Yangtze River Delta (primarily in Shanghai)

As at the Latest Practicable Date, we operated three flagship restaurants, each comprising over 7,000 square feet, in Shanghai. With our first central kitchen to be opened in Shanghai serving as our strategic hub, we expect to open three additional restaurants in the year ending March 31, 2013, and to open five and five restaurants in each of the two years ending March 31, 2014 and 2015, respectively in the Yangtze River Delta, primarily in Shanghai.

Southern China (primarily in Shenzhen and Guangzhou)

With a focus on Shenzhen and Guangzhou, we expect to open two and five restaurants in Southern China every year in each of the two years ending March 31, 2014 and 2015, respectively.

Central China (Wuhan)

We opened one flagship restaurant in Wuhan in May, 2012. We currently plan to open one additional restaurant in Wuhan in each of the two years ending March 31, 2014 and 2015, respectively.

Our chief operation officer in the PRC is responsible for new restaurant development in the PRC with the assistance of our project team and of our regional office. Our management team in the PRC includes members recruited from the PRC, from whom we benefit from their experience in the PRC food and beverage industry. Day-to-day management of the restaurants is delegated to restaurant managers, who will report to our chief operation officer in the PRC from time to time. We engaged an outside human resources consulting company to develop and conduct comprehensive training programs for our employees, including restaurant level staff, in the PRC.

We have established a list of quality suppliers in Shanghai whom we source our raw materials and food ingredients from for our existing restaurants in Shanghai. We expect to continue our purchases with them as our operations in Shanghai expand. Most of these suppliers also have branches in Southern China such as Guangzhou, whom we will consider to use as our suppliers for our new restaurants to be opened in Shenzhen and Guangzhou.

We currently expect our new Tsui Wah restaurants in the PRC will be of an average size of over 7,000 square feet to over 10,000 square feet and generally having approximately 65 to 84 tables seating approximately two to four customers each. We expect each such new Tsui Wah restaurant in the PRC will require, on average, total capital expenditures of approximately HK\$9.0 million. As we intend to open five, eight and 11 restaurants in the PRC in the three years ending March 31, 2013, 2014 and 2015, respectively, the total planned capital expenditures for our new restaurant openings in the PRC for each of the respective year is expected to be approximately HK\$45.0 million, HK\$72.0 million and HK\$99.0 million. For the three months ended June 30, 2012, our total capital expenditures for our new restaurant openings in the PRC amounted to HK\$3.2 million. From July 1, 2012 to the Latest Practicable Date, the total capital expenditures we incurred for our new restaurant openings in the PRC amounted to HK\$14.3 million.

Central kitchen

We plan to construct our first central kitchen in Shanghai that we expect will become operational in the year ending March 31, 2014. We plan to purchase a factory building for the development of the central kitchen. This central kitchen is expected to cover approximately 30,000 square feet, and will include warehouse space to store food ingredients and finished products. At its full capacity, we intend for it to be able to support up to 40 Tsui Wah restaurants, within a radius of approximately 200 kilometers or within a transport range of two hours.

To support our planned expansion in Southern China, we plan to construct our first central kitchen in Southern China that we expect will become operational in the year ending March 31, 2015. We plan to purchase a factory building for the development of the central kitchen. We intend for this central kitchen to cover approximately 15,000 square feet, and at its full capacity, to support up to 20 Tsui Wah restaurants.

We expect our first central kitchen in Shanghai will require a total capital expenditure of approximately HK\$60.0 million. Approximately HK\$50.0 million of which is expected to be used for the acquisition of the factory building, which is expected to be incurred during the year ending March 31, 2014. The remaining HK\$10.0 million is expected to be used for purchasing equipment and for renovation, half of which is expected to be incurred during the year ending March 31, 2014 and the remaining is expected to be incurred in the year ending March 31, 2015.

We expect our first central kitchen in Southern China will require a total planned capital expenditure of approximately HK\$60.0 million. Approximately HK\$50.0 million of which is expected to be used for acquisition of the factory building, which is expected to be incurred

during the year ending March 31, 2015. The remaining HK\$10.0 million is expected to be used for purchasing equipment and for renovation, half of which is expected to be incurred during the year ending March 31, 2015 and the remaining is expected to be incurred in the year ending March 31, 2016.

Accordingly, the total planned capital expenditure for our new central kitchens in the PRC for each of the three years ending March 31, 2013, 2014 and 2015 is expected to be approximately nil, HK\$55.0 million and HK\$60.0 million, respectively. For the three months ended June 30, 2012 and as at the Latest Practicable Date, we have not incurred any capital expenditure for our planned central kitchens in the PRC.

Recent and Planned Expansion in Hong Kong

While there are significant growth opportunities in new markets for us, such as the PRC, we also believe it is prudent to invest in expanding our market share in Hong Kong through the opening of additional restaurants and the implementation of a diversifying sales channels strategy.

Tsui Wah Restaurants

We operated 13, 16, 19 and 20 restaurants⁽¹⁾ in Hong Kong as of March 31, 2010, 2011 and 2012, and June 30, 2012, respectively. We intend to increase our market penetration in Hong Kong by replicating the success of our Tsui Wah restaurants. We currently plan to open approximately five (including two already opened during the year ending March 31, 2013 as at the Latest Practicable Date), four and four new Tsui Wah restaurants in Hong Kong in each of the three years ending March 31, 2013, 2014 and 2015, respectively. Similar to our existing Tsui Wah restaurants in Hong Kong, we currently expect our new Tsui Wah restaurants in Hong Kong will be of an average size of approximately 3,000 square feet and generally having approximately 30 to 67 tables seating approximately two to four customers each. We expect each such new Tsui Wah restaurant in Hong Kong, will require, on average, total capital expenditures of approximately HK\$9.0 million. As we intend to open five, four and four restaurants in Hong Kong in the three years ending March 31, 2013, 2014 and 2015, respectively, the total planned capital expenditure for our new restaurant openings in Hong Kong for each of the respective year is expected to be approximately HK\$45.0 million, HK\$36.0 million and HK\$36.0 million. For the three months ended June 30, 2012, our total capital expenditures for our new restaurant openings in Hong Kong amounted to HK\$7.4 million. From July 1, 2012 to the Latest Practicable Date, the capital expenditures we incurred for our new restaurant openings in Hong Kong amounted to HK\$12.2 million.

We intend that our new restaurants in Hong Kong will have the same or similar breakeven period, which we consider to be the point at which the restaurant's monthly revenue is at least equal to its monthly expenses, as the new restaurants we opened during the Track Record Period which have achieved breakeven, which is approximately one to two months. We intend that our new restaurants in Hong Kong will have the same or similar investment payback period, which we consider the amount of time it takes for the accumulated net profit from a restaurant to cover the costs of opening and operating the restaurant up to that point, including incurred capital expenditures and ongoing cash and non-cash operating expenses, as the new restaurants we opened during the Track Record Period which have achieved investment payback, which is approximately 12 months. For further details relating to investment payback period of new restaurants, see "Financial Information — Factors Affecting Results of Operations and Financial Condition — Number of Restaurants in Operation" in this prospectus.

⁽¹⁾ Includes one restaurant in Hong Kong owned by one of our Jointly-Controlled Entities.

Central kitchen

To support our growth in Hong Kong, we are developing a second central kitchen in Hong Kong that we expect will become operational in the year ending March 31, 2014. We plan to purchase a factory building for the development of the second central kitchen. This second central kitchen is expected to be between 30,000 square feet to 40,000 square feet, and will include warehouse space to store food ingredients and finished products. We intend for it to be able to support up to 50 new Tsui Wah restaurants within a radius of approximately 200 kilometers or within a transport range of two hours.

Our second central kitchen will be responsible for the mass production of key food and ingredients for all Tsui Wah restaurants including, for example, the processing and cooking of poultry, the preparation of seasonings, the preparation of dishes with popular demand, and bakery services. Our second central kitchen will provide storage facilities for Tsui Wah restaurants, and will also support our delivery services.

We expect our second central kitchen in Hong Kong will require a total planned capital expenditure of HK\$60.0 million. Approximately HK\$50.0 million of which is expected to be used for the acquisition of the factory building, which is expected to be incurred during the year ending March 31, 2014. The remaining HK\$10.0 million is expected to be used for purchasing equipment and for renovation, half of which is expected to be incurred during the year ending March 31, 2014 and the remaining is expected to be incurred in the year ending March 31, 2015. Accordingly, the total capital expenditure for our second central kitchen in Hong Kong for each of the three years ending March 31, 2013, 2014 and 2015 is expected to be approximately nil, HK\$55.0 million, and HK\$5.0 million, respectively. For the three months ended June 30, 2012 and as at the Latest Practicable Date, we have not incurred any capital expenditure for our second central kitchen in Hong Kong.

Central warehouse

We currently use a central warehouse provided by a third-party services provider to store dried products. We request our suppliers to deliver products directly to the central warehouse where our services provider coordinates receipt, inspection, storage and delivery of supplies to our restaurants. We supervise and provide guidelines to our services provider to ensure its level of services and quality control standard meet the requirements of our operations. To maximize economies of scale and to streamline the delivery process of our supplies, we will strengthen our use of the central warehouse provided by the third-party services provider. We believe that centralizing the purchasing, warehousing and delivery of products will help lower our purchasing costs and increase our bargaining power in negotiations with suppliers.

Delivery services

We have identified the market for delivery of *Cha Chaan Teng* cuisine in Hong Kong to be underserved. Currently, we utilize our existing restaurants to service our delivery customers. Our revenue from delivery and takeaway services increased at a CAGR of 22.8% from the beginning of the Track Record Period to March 31, 2012. We believe that we can broaden our customer base and increase sales by strengthening our delivery services from existing restaurants and by establishing a network of delivery centers to reach customers in areas where our existing restaurants are not located. We plan to strengthen delivery services from existing restaurants by hiring dedicated staff and drivers focused on delivery services and by procuring a sufficient number of delivery vehicles.

BUSINESS

Our delivery centers are expected to be standalone operations that offer selected items from our main menu geared toward delivery. As with our restaurant operations, a substantial majority of the food served from our delivery centers is expected to be prepared by our central kitchen. We expect each delivery center to be no greater than 1,000 square feet. Our delivery centers will be equipped with dedicated staff, motor vehicles and delivery drivers. We currently plan to open approximately one, three, and three new delivery centers in Hong Kong in each of the three years ending March 31, 2013, 2014 and 2015, respectively, and to purchase approximately 150 motor vehicles.

To manage and supervise our delivery services, we have retained a marketing and business development manager to be responsible for our new and extended delivery services, whom will be supported by a team of employees with extensive experience in delivery services selected from our existing restaurants.

We expect that each delivery center will require, on average, a total capital expenditure of HK\$1.5 million. As we intend to open one, three, and three new delivery centers in Hong Kong per year for each of the three years ending March 31, 2013, 2014 and 2015, respectively, the total planned capital expenditure for our delivery center openings in Hong Kong for each of the respective year is expected to be approximately HK\$1.5 million, HK\$4.5 million and HK\$4.5 million. For the three months ended June 30, 2012 and as at the Latest Practicable Date, we have not incurred any capital expenditures for our planned delivery center openings in Hong Kong.

The expected breakeven period, which we consider to be the point at which the delivery center's monthly revenue is at least equal to its monthly expenses, is approximately three months. The expected investment payback period, which we consider the amount of time it takes for accumulated net profit from a delivery center to cover the costs of opening and operating the delivery center up to that point, including incurred capital expenditures and ongoing cash and non-cash operating expenses, is approximately 12 months.

Catering services

We believe that we can leverage on the depth of our experience and our recognized ability to provide consistently quality food to expand into the catering services industry. We commenced this catering service under a new brand, "Supreme Catering", in October 2012. While we offer signature dishes from our Tsui Wah restaurants in our catering menu, substantially all of the menu items we offer in our catering menu are different from our Tsui Wah restaurants. In addition, our catering service allows customers to personalize their menus and customize tailor-made dishes upon request. Food is prepared at a new food factory of approximately 1,300 square feet, separate from our central kitchen and Tsui Wah restaurants. Currently, we operate a catering services center under the name "Supreme Concept Kitchen" in Hong Kong, where potential customers of our catering services can sample our menu items. Customers may also rent our catering services center for events. We have retained a specific team of personnel, including a marketing director in respect of our "Supreme Catering" brand, to be responsible for our catering services, which includes certain additional services such as pre-event planning assistance, decoration of site or premises of the particular event, providing of waiting staff and coordination with third party vendors and entertainers.

We expect our new catering service will require a total planned capital expenditure of HK\$5.0 million, of which HK\$2.0 million, HK\$1.5 million and HK\$1.5 million for each of the three years ending March 31, 2013, 2014 and 2015, respectively. For the three months ended June 30, 2012, our total capital expenditures for our new catering service amounted to HK\$0.6 million. From July 1, 2012 to the Latest Practicable Date, the total capital expenditures we incurred for our new catering service amounted to HK\$0.1 million.

The expected breakeven period, which we consider to be the point at which our catering service's monthly revenue is at least equal to its monthly expenses, is approximately four months. The expected investment payback period, which we consider the amount of time it takes for the accumulated net profit from our new catering service to cover the costs of launching of the new catering service up to that point, including incurred capital expenditures and ongoing cash and non-cash operating expenses, is approximately 16 months.

Variability, Capital Expenditure and Benefits

Our planned new restaurants are expected to be opened on a rolling basis, with a typical lead time from the commencement of the site selection process to the opening of a restaurant of approximately three to four months. As part of our expansion plan for the year ending March 31, 2013, we have already opened two restaurants in the PRC and two restaurants in Hong Kong since April 1, 2012 and up to the Latest Practicable Date. In addition, we have entered into binding leases for the premises of (i) the remaining three restaurants which we plan to open in Hong Kong during the year ending March 31, 2013 and (ii) two of the remaining three restaurants which we plan to open in the PRC during the year ending March 31, 2013. We are in the process of finalizing the lease agreement of the remaining restaurant which we plan to open in the PRC. Taking into consideration the cash and cash equivalents, anticipated cash flows expected to be generated from our operating activities and proceeds from the Global Offering, the Directors believe that our Company will have sufficient funds to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures for our current expansion plan for at least the next 12 months from the date of this prospectus.

The actual number, location and timing of new restaurant openings and timing for the launch of any additional services in any period will be affected by a number of factors and subject to a number of uncertainties. We may make necessary adjustments to the number, location and timing of planned new restaurant openings and the timing for the launch of any additional services, depending on the then existing market conditions and status of pre-opening development and preparation for the relevant restaurants. See "Risk Factors — Risks Relating to Our Business — Opening new restaurants in existing markets may negatively affect sales at our existing restaurants" and "Risk Factors — Risks Relating to Our Business — The impact of new restaurant openings could result in fluctuations in our financial performance" in this prospectus.

We believe that we will be successful in the execution of our expansion plan to increase penetration of existing markets and expand into new markets because of the key strengths of our Company. We expect that our expansion will provide us with the following benefits:

- *Increasing market share.* According to the Frost & Sullivan Report, (i) the sales value of Hong Kong's *Cha Chaan Teng* sector increased from approximately HK\$17.1 billion in 2007 to HK\$22.7 billion in 2011, representing a CAGR of 7.3%, and (ii) the sales value of China's *Cha Chaan Teng* sector increased from approximately RMB9.1 billion in 2007 to RMB24.8 billion in 2011, representing a CAGR of 28.6%. We believe that our expansion plan will help us to capture more market share in a fragmented but fast-growing market.
- *Broadening customer base.* The additions of delivery centers and catering services are expected to broaden our customer base in Hong Kong.
- *Increasing total sales.* The additions of new restaurants and the establishment of a multi-channel sales strategy are anticipated to increase the total sales of our Company.

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- *Gaining advantage over competitors.* We believe that opening new restaurants in Hong Kong and in China will help us to (i) secure premium locations ahead of our competitors, (ii) expose our brand to new customers before competitors can open new restaurants in our target markets, and (iii) attract more customers away from competitors.
- *Strengthening brand awareness.* An expanding restaurant network will increase our geographical presence and help to reinforce and broaden our brand, which we believe will help us to promote brand awareness among consumers; and
- *Enhancing cost efficiency.* We believe that an expanding restaurant network will increase cost efficiency by (i) strengthening our bargaining power over our suppliers and other contractors, and (ii) increasing our operating leverage due to a flexible allocation of resources.

We believe our operational infrastructure will enable us to successfully and efficiently implement our expansion plan. We will continue to standardize and refine our operating procedures at all levels, seek to attract qualified employees including restaurant staff and operations management personnel, invest in developing an enterprise resources planning system and utilize our central warehouse to strengthen our bargaining power over suppliers. We have also established training programs to ensure sufficient provision of well-trained employees for our newly opened restaurants. For more details, see “Business — Employees — Training Programs” in this prospectus. By planning to open a second central kitchen in Hong Kong and a new central kitchen in China, we believe the centralized functions at our central kitchens will be strengthened to support our expanding restaurant network. For more details, see “Business — Restaurant Operations and Management — Central Kitchen” in this prospectus.

Site Selection Process

We consider identifying a suitable location for our restaurants to be crucial to our success and to maximizing our revenue. Most of our existing restaurants are situated on the ground floor of high-traffic locations and are close to, or form part of, activity centers such as shopping malls, cinemas and shopping areas. The factors that we take into account in selecting a new restaurant site include the accessibility of the potential site to our target customers, spending patterns of our target customers, geographic coverage of the site compared to that of our existing restaurants so as to avoid any reduction of existing customer traffic, proximity to our competitors, size of the premises, engineering and mechanical structure of the premises and restrictions on opening hours of the premises.

Our chief executive officer and our Directors are 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. For risks associated with opening of new restaurants, see “Risk Factors — Risks Relating to Our Business — Opening new restaurants in existing markets may negatively affect sales at our existing restaurants” in this prospectus.

New Restaurant Development Procedures

The typical lead time from the commencement of the site selection process to the opening of a restaurant is approximately three to four months. Key steps in the development process of a new restaurant include the following:

- *Lease negotiation and execution.* Upon approval by our Directors and the chief executive officer of a target site, and after we complete our investigation and feasibility studies on the site from the standpoint of converting it into a restaurant, we commence lease negotiations with the landlord. We generally require our leases to have a term of approximately two to ten years. Some leases may have a rent-free period ranging from one to eight months to allow time for renovation and decoration.
- *Renovation.* Upon signing a lease and taking possession of the premises, we commence the designing of the restaurant. Restaurants are designed with different themes, depending on the location of the premises and based on the ideas of our Directors. The design and renovation generally require two months. Our staff with engineering knowledge is involved to ensure the premises are designed and renovated in a manner suitable for our restaurant operations.
- *Licensing and permits.* Concurrently with the renovation, we engage a third-party consultant to provide consultancy services in applying for various licenses necessary for the operation of the restaurant, which we believe helps us to focus on our restaurant business.
- *Staffing.* Upon completion of renovations and successful application of all required licenses and permits, our human resources department relocates staff from our existing sites and trains new staff in preparation of the launch of the new restaurant.

RESTAURANT OPERATIONS AND MANAGEMENT

Pricing

We generally follow a set of benchmark prices for our menu items in all restaurants and our delivery services.

For our Tsui Wah restaurants in Hong Kong, we allow for limited price adjustments based primarily on the relative affluence and spending power of the area in which the restaurant is located.

Key factors in determining the benchmark prices and pricing adjustments include:

- cost of the menu items;
- cost structure of restaurants and target margins;
- location and profile of the specific restaurant;
- spending patterns of target customers; and
- prices set by competitors.

We generally charge higher prices at our Tsui Wah restaurants in China owing to our ability to charge a premium for our *Cha Chaan Teng* cuisine, as it is regarded as a novelty cuisine imported into China. Where our restaurants are located in prominent locations, such as the Tsui Wah restaurant in the Galaxy casino in Macau and the “Tsui Wah EATery” in the Hong Kong international airport, we are generally able to command higher prices for restaurants.

For our “Tsui Wah Concept (翠華 Concept)” restaurant, since we principally offer set meals which include a main dish, a side dish and a beverage, the prices of our set meals are set at a slightly concessionary rate.

We do not charge a service fee at any of our restaurants, except during the Chinese New Year holiday.

We review our main menu on a half-yearly basis. Based on our review, we adjust our menu prices accordingly. Adjustments to our menu prices are principally in response to increases to our costs of sales, and take into account, amongst other things, our food and beverage costs, the general market trend and prices set by our competitors. As a result, we were able to maintain a relatively stable gross margin during the Track Record Period. We believe our increases in menu prices during the Track Record Period were within a reasonable range and were accepted by our customers, as reflected by the general increase in our average number of invoices per table per day and average spending per invoice for our comparable restaurants during the Track Record Period.

Settlement and Cash Management

To ensure the accuracy of record keeping of customers’ invoices, our table staff use electronic personal data assistants to take orders. We provide continuous employee training on operating procedures. We have implemented guidelines for our point-of-sale system through our settlement and cash management manual which illustrates in detail our point of sale system and the logistics with respect to collection of payment by way of cash. We conduct a reconciliation between the cash receipts as recorded in our systems against the cash kept at the cash register on a daily basis at each of our restaurants. If the cash kept at the cash register is found to be less than the amount recorded in our system, our cashier is liable to reimburse us for the difference. We believe this helps to effectively deter errors in collecting cash payments from customers and petty theft.

To avoid misappropriation and illegal uses of cash, we have adopted a cash management and delivery system in each of our restaurants. Cash received at a restaurant pending delivery to our banks is kept in our safes located in each restaurant. For our restaurants in Hong Kong, we engage a reputable cash transport services provider to deliver cash from our restaurants to our banks every day. For our restaurants in the PRC and Macau, our banks arrange for delivery of cash from our restaurants to the banks every working day, except for certain restaurants where it is not cost effective to do so given the short distances between the restaurants and the banks. In such instances cash is delivered to our banks by our staff. We maintain insurance in respect of cash kept at our restaurants as well as cash in transit to the banks delivered by our staff.

Customers’ invoices at our restaurants are primarily settled by cash or by smart card. A handful of our Tsui Wah restaurants, such as our Tsui Wah restaurant at Victoria Peak in Hong Kong and our “Tsui Wah EATery”, accept credit card payments. For more details, see “Financial Information — Principal Consolidated Income Statement Components — Revenue” in this prospectus.

During the Track Record Period, we did not experience any misappropriation of cash by our employees, customers, or other relevant third parties that had any material adverse impact on our business and results of operations.

Restaurant and Structure

Operations standardization

We have established a scalable business model by developing and implementing standardized operations, which we believe distinguishes us from competing *Cha Chaan Teng* restaurants in Hong Kong and in China. We have implemented a set of standard operating procedures for each of our operating and administrative functions, such as our employees' manual, kitchen operation manual, settlement and cash management manual, beverage booth manual, cleaning staff manual, bakery manual, and noodle booth manual.

Our standardized management system is further extended to our food production. At our restaurants, the duties of our staff are highly specialized. We have implemented a detailed yet efficient organizational structure, allocating our chefs and staff with specific duties and stating their relative rank in the restaurants. For example, chefs of different seniorities are each tasked with specific duties according to their level of experience. In addition to improving work efficiency and ensuring quality consistency of food, this specialization helps us to protect our proprietary recipes and cooking methods, and shorten our training cycles for chefs.

Management structure

Our management structure is designed to promote efficiency in supervising, directing and supporting our operations, quality control systems, recruitment processes and training programs in different geographic regions:

- *Headquarters management.* The overall management of our business and operations is conducted at our headquarters in Hong Kong. Our headquarters is responsible for the corporate business and finance administration of our organization, operational management and supervision, such as financial planning and analysis, management-level recruitment, and sales and marketing of the group as a whole and each of our restaurants.
- *Overseas management.* Our operations outside of Hong Kong are divided into two regions: the PRC and Macau. A regional manager in each region oversees restaurant operations in the particular region and reports to our headquarters.
- *Project team.* Our project team takes charge of our group's overall expansion and strategic development, including how to capture new market opportunities, the expansion of our restaurant network and our other strategic initiatives.
- *Finance team.* Our finance team oversees the accounting system and handles other accounting related matters.
- *Human resources department.* Our human resources department handles administration, staffing and the training of employees.

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- *Corporate communication and marketing department.* Our centralized communication channel provides a consistent response to our customers and to the public, including, for example, designing the layout of our menus, preparing advertising and promotion materials, and handling customer complaints. The marketing division handles advertising and promotional campaigns.
- *New project team.* Our delivery services and catering services are overseen by the new project team.
- *Procurement department.* Our procurement department places and administers the supply requirements of all of our restaurants and places orders with our suppliers.
- *Production team.* Headed by our chief chef, the production team comprises of chefs stationed at each of our restaurants. It supervises the operations of the kitchen, beverage booth, bakery and noodle booth at each restaurant. Our production team is also responsible for product development, including the research and development of new and seasonal dishes. It works closely with our central kitchen in implementing new dishes into our main menu.
- *Operations team.* Our operations team are categorized according to dishes offered, restaurant-level management and facilities maintenance. Additionally, each of our restaurants is operated and managed by its own restaurant management team.
- *Central kitchen.* Our central kitchen produces and distributes semi-processed food and processed food to each of the restaurants. For details, see “Business — Restaurant Operations and Management — Central Kitchen” in this prospectus.

Central Kitchen

As at the Latest Practicable Date, we had established one central kitchen in Hong Kong. We have been able to successfully apply the concept of a central kitchen to support the operation of our restaurants. We set up our central kitchen in Hong Kong in 2008. Our central kitchen centralizes, for our restaurant operations, the production and distribution of semi-processed food and processed food, including fish balls, meats, soups and sauces, and prepares the proprietary seasonings and spices used in our dishes. For the year ended March 31, 2012, approximately 50% of the semi-processed or processed food ingredients used in our Tsui Wah restaurants were prepared at our central kitchen. Our current central kitchen is approximately 9,000 square feet and located in Tsuen Wan, New Territories, Hong Kong.

We believe key benefits from the use of a central kitchen include the ability to ensure quality consistency across various restaurants. By preparing a significant portion of semi-processed or processed food in our central kitchen, our customers can enjoy consistent food quality in any of our restaurants. We also benefit from economies of scale by centralizing our storage function and training our chefs to prepare specialized dishes. In addition, the risk of leakage of our secret recipes is also significantly reduced by centralizing most of the preparatory work to chefs working in the central kitchen.

Organizationally, our central kitchen is generally supervised by a factory manager. The factory manager supervises the delivery, quality control and storage of raw materials and foods. The supervision of the production process is delegated to the production manager who oversees the preparation of dishes and their packaging for delivery to our restaurants. We believe this operational model enables an efficient division of labor while maintaining close co-operation within the central kitchen.

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In terms of space utilization, our central kitchen comprises (i) an inventory storage facility that centralizes the storage and distribution of our food ingredients and other supplies used at our central kitchen and restaurants and (ii) a finished products storage facility that stores semi-processed or processed products prepared by our central kitchen.

We minimize the inventory we need to store and we order raw materials and supplies, to the extent possible, on an “as needed basis”. When requested, our suppliers deliver the ordered goods to our respective inventory storage facilities where our employees inspect the quality of the goods in accordance with our formulated quality standards before acceptance. Our employees at our central kitchen monitor the shelf lives of various inventory and semi-processed or processed food ingredients to avoid spoilage.

Our restaurants issue production requests to our procurement department. Our procurement department coordinates and liaises the requests with the central kitchen. Deliveries are made on a daily basis to ensure freshness of food with additional deliveries on an “as needed” basis in the evening. Deliveries of processed food from our central kitchen to our restaurant locations are made primarily using our delivery vehicles. During the Track Record Period, we did not experience any material vehicle malfunction which hindered the delivery of food.

Currently, we operate two shifts in our current central kitchen, enabling our central kitchen to support up to 25 restaurants. Even though at maximum capacity we can operate three shifts, including an overnight shift, we expect that our inventory storage facility and finished products storage facility at our current central kitchen will reach maximum capacity in the near future. In order to support our planned expansion in Hong Kong, we expect to open a second central kitchen of approximately 30,000 to 40,000 square feet in Hong Kong, which we expect to become operational in the year ending March 31, 2014. We intend for this second central kitchen, at full capacity, to be able to support up to an additional 50 Tsui Wah restaurants, within a radius of approximately 200 kilometres or within a transport range of two hours. To support our planned expansion in Shanghai, we expect to open our first central kitchen of approximately 30,000 square feet in Shanghai, which we expect to become operational in the year ending March 31, 2014. We intend for our first central kitchen in Shanghai, at full capacity, to be able to support up to 40 Tsui Wah restaurants, within a radius of approximately 200 kilometres or within a transport range of two hours. To support our planned expansion in Southern China, we expect to open our first central kitchen of approximately 15,000 square feet in Southern China, which we expect to become operational in the year ending March 31, 2015. We intend for our first central kitchen in Southern China, at its full capacity, to be able to support up to 20 Tsui Wah restaurants, within a radius of approximately 200 kilometres or within a transport range of two hours. We consider our investment in central kitchens as long-term investments and we expect our second central kitchen in Hong Kong, our first central kitchen in Shanghai and our first central kitchen in Southern China will be able to support our expansion of restaurants and delivery centers in their respective areas beyond the coming ten years. For equipment and machineries in our new central kitchens, we plan to install them in stages in accordance with the expansion of our restaurant network in the respective areas. With the additional production capacity of the new central kitchens, we expect more semi-processed or processed food ingredients used in our restaurants will be prepared at our central kitchens. In the near future, we expect that up to 70% of the semi-processed or processed food ingredients used in our restaurants will be prepared at our central kitchens. As at the Latest Practicable Date, we are in the process of identifying suitable locations or premises for our second central kitchen in Hong Kong and our first central kitchen in Shanghai, respectively, and thus have not yet obtained relevant licenses for their operations.

Customer Complaints

During the Track Record Period, we recorded approximately 200 customer suggestions and complaints per year for each of the three years ended March 31, 2010, 2011 and 2012, respectively, and approximately 50 customer suggestions and complaints for the three months ended June 30, 2012, with respect to our restaurant operations in Hong Kong, the PRC and Macau, based on our internal records. These complaints were direct feedback we received from our customers in our restaurants. Other than the three isolated incidents of non-compliance relating to food and health-related matters, we did not receive any other complaints referred to us by other sources. For more details on the three isolated incidents of non-compliance, see “Business — Non-compliance of our Group during the Track Record Period — Food and Health-related Non-compliance Matters” in this prospectus.

The complaints we received from customers directly during the Track Record Period generally concerned the taste and style of a particular dish and the service quality of restaurant staff. We treat customer complaints seriously and view it as a means to consistently improve our service level and food quality. Upon receiving a complaint, we offer remedial proposals to the customer. Generally, if the complaint concerns the taste or quality of a particular dish, we will try to improve the taste of the particular dish to the customer’s satisfaction on the spot, or offer to exchange such unsatisfactory dish for another dish to our customer if necessary. If the complaint concerns the service quality of a particular staff, the complaint will be handled by our restaurant manager who will obtain details of the complaint from our staff and offer a response to the customer. For each complaint received, we will promptly record the complaint in our internal records. We review our internal records of suggestions and complaints on a regular basis and provide suitable employee training based on these records in order to improve our operations.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any complaints from customers that had any material adverse impact on our brand, our business and results of operations. For details of certain isolated incidents of non-compliance relating to food and health-related matter, see “Business — Non-compliance of our Group during the Track Record Period — Food and Health-related Non-compliance Matters” in this prospectus.

Licensing

We require certain licenses in relation to our restaurant operations in Hong Kong, the PRC and Macau. For details, see “Laws and Regulations — Regulatory Framework” in this prospectus.

In respect of our restaurant operations in Hong Kong, all our restaurants are operated under valid restaurant licenses, and in relation to those of our restaurants in Hong Kong that require bakery licenses and/or alcohol licenses, these licenses have also been obtained.

PRODUCT DEVELOPMENT

We seek to develop new seasonal menu items and refine our signature and core dishes to exceed our customers’ expectations and to attract new customers. Our menus are modified based on the changing tastes of customers, shifting food and nutrition trends according to feedback from our customers.

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We have established a product development system under which we continuously develop new dishes. We have built a pool of reserve dishes and secret recipes through our ongoing product development efforts over the years. Each of our product development projects primarily consists of the following key steps:

- *Identification of key raw materials.* To develop a new dish, we seek to secure a stable supply of key raw materials at prices and qualities acceptable to our standards. The development process commences by identifying the raw materials integral to a new dish.
- *Develop new dishes.* The production development department, headed by the chief chef and supported by other experienced chefs, considers new dishes based on evolving trends, the nature and characteristics of the food ingredients, and the sense and knowledge of our chefs of what will be successful in the restaurant industry.
- *Approval by the Directors.* When a potential new dish, together with its standard recipes have been finalized, our Directors will consider and, if deemed fit, approve the dish for launch. A price will be set according to the costs associated with the production process, target profit margins and the positioning and strategy of launching a new dish.
- *Test launch and launch.* Before launching a new dish in all restaurants, we may conduct a test launch in certain selected restaurants. We may adjust the scale of our production plan for the new dish based on the sales volume it generates during the test launch. We continue to track the sales volume and collect feedback from our customers after the test launch, which helps us to assess the level of market acceptance to the newly introduced menu item.
- *Integration into the main menu.* Upon receiving positive feedback from customers after the test launch and securing a stable source of key ingredients for the dish, we include the dish in our main menu and work with the central kitchen for its regular production and delivery to our restaurants.

MARKETING AND PROMOTION

As a restaurant chain, we have a large and diverse customer base. Our revenue derived from our five largest customers accounted for less than 30% of our total revenue for each of the three years ended March 31, 2010, 2011 and 2012 and the three months ended June 30, 2012.

Our marketing and promotional efforts are designed to help us increase sales by attracting new customers, increasing frequency of visits of existing customers, helping newly-opened restaurants achieve target performance and promoting the image and recognition of our brand among our target customers. We believe we have achieved strong brand awareness in the *Cha Chan Teng* industry. During the Track Record Period, we employed various marketing programs and campaigns:

Marketing programs and campaigns in Hong Kong

Flagship Restaurants

We generally select high-traffic locations to open a flagship restaurant, which assists with promoting brand awareness. In addition, we have opened restaurants in locations frequently visited by tourists in Hong Kong, such as our “*Tsui Wah EATery*” at the Hong Kong international

airport and our Tsui Wah restaurant at the Victoria Peak, in part to increase our visibility, particularly among tourists from the PRC whom we hope to attract to our new Tsui Wah restaurants in China.

Innovative Souvenirs

During the Track Record Period, we introduced innovative souvenirs and pop-culture merchandise and items to maximize brand awareness for customers and tourists.

Traditional Promotional Campaigns

Other promotional activities are primarily accomplished through traditional and print-based media. We generally focus on promoting newly opened restaurants and newly introduced dishes. We take into account factors such as seasonality, nature of the premises, spending patterns and consumer preferences of different regions to tailor each campaign to the requirements of our restaurants.

Marketing programs and campaigns in Macau

Cooperation with casino

During the Track Record Period, our Tsui Wah restaurant in Macau entered into a cooperation arrangement with the Galaxy casino in which we participated in promotional activities organized by the Galaxy Macau Resort & Hotel from time to time. For example, players in the Galaxy casino may use the “points” they earned playing in the casino on their Galaxy membership cards as cash in our Macau restaurant, and customers who purchased movie tickets may be eligible for cash discounts in our Macau restaurant.

Marketing programs and campaigns in China

Flagship Restaurants

We have opened flagship restaurants in high-traffic areas in China to promote brand awareness, such as our three flagship restaurants in Shanghai and one flagship restaurant in Wuhan.

Collaboration with tourism boards

We envisage great growth opportunities in China as we continue to strengthen our presence in the market. As a new brand in China, we recognize the need to be proactive in our marketing activities. The Hong Kong Tourism Board recognizes us as a quality restaurant, which enhances our visibility and confidence among China visitors in Hong Kong. In 2011, we also participated in the Quality Tourism Services Scheme organized by the Hong Kong Tourism Board to conduct promotional activities in Shanghai.

Focus on public relation initiatives and interaction with conventional media channels

Our senior management appears on television and magazines to introduce our brand and cuisine and to contribute information on our cuisine.

Going forward, we may engage outside marketing and public relations consulting firms to assist our marketing campaigns in China.

PURCHASING

Our ability to maintain consistent quality throughout our restaurants depends in part upon the ability to procure quality food ingredients. We have adopted procurement strategies for our food and supplies, including contingency plans for key products, ingredients and supplies which are feasible due to the flexibility of our menu. During the Track Record Period, we did not experience any interruption in the supply of food ingredients, early termination of supply agreements or failure to secure sufficient quantities of irreplaceable food ingredients that had any material adverse impact on our business and results of operations.

Supplier Management

We purchase food and supplies from more than 100 suppliers. We generally work with a relatively small number of suppliers at a particular time, however, so as to ensure proper accountability. We prefer to work with larger suppliers with whom we have developed long-standing relationships. On average, we have over three years of business dealings with our major suppliers.

During the Track Record Period, our five largest suppliers were principally engaged in the business of supplying food and ingredients that we respectively purchased from them, including the sale of (i) frozen food, (ii) vegetables, (iii) coffee and related products, (iv) lemon and egg, and (v) rice, canned food and groceries. In each financial year during the Track Record Period, we have purchased food and supplies for over three years from four of our five largest suppliers and have purchased food for over 20 years from one of our five largest suppliers.

Our Executive Directors and our chief executive officer conduct quality reviews of purchases from each potential supplier when considering to include a supplier into our supplier list from time to time. We consider the timeliness, completeness, reliability and responsiveness to contingency of its delivery of the food ingredients ordered by us. We have been following a set of standardized supplier management procedures comprising, among other things, a review of samples provided by suppliers to our Executive Directors and our chief executive officer. The participants examine and discuss, among other things, the price, quality, stability and delivery of the food samples provided. The price and quality of the food ingredients are assessed on a blind-test basis, without disclosing the identity of the suppliers, which we believe enables us to select suppliers objectively. Any decision in relation to selection or replacement of a key supplier requires approval by the Executive Directors and the chief executive officer. We select our suppliers fairly, in accordance with applicable laws and based on objective criteria, such as quality of supplies.

Our procurement team comprises of six staff including, and is lead by, our procurement manager. Our procurement manager has over ten years of experience in the catering and purchasing industry. Other staff in our procurement team generally have around two to ten years of experience in the catering purchasing industry. Our procurement team is required to make purchases only to those suppliers which are included in our suppliers' list. The procurement team reviews the quality of suppliers on a regular basis and provides monthly reports to the Executive Directors and the chief executive officer. Each of the members of the procurement team confirms to us that they are independent from the suppliers and do not receive any kickback from them and our suppliers also confirm to us they are independent from and do not pay any kickbacks to members of our procurement team.

We believe our adherence to these standards effectively prevent us from entering into kickback arrangements or bribery schemes with our suppliers.

Suppliers, Sources and Price of Raw Materials

Representatives from our procurement team communicate with our suppliers to ensure the food and supplies delivered meet the specified standards. Additionally, we place great emphasis on sourcing food ingredients from reliable suppliers to help ensure the quality of the ingredients. We manage our suppliers and procurement strategy based on the categories of food and supply, which include the following major food ingredients:

- *Rice.* We source our rice principally from Thailand, a major exporter of rice. During the Track Record Period, the purchase price of rice was relatively stable, except in the year ended March 31, 2012 when we procured rice of a better quality which resulted in an increase in purchase price of approximately HK\$2 per kg.
- *Chinese cabbage.* We source fresh Chinese cabbage principally from China. There are a number of vegetable suppliers in the market, and we believe we are able to identify quality suppliers of Chinese cabbage through our continuous review. During the Track Record Period, the purchase price of Chinese cabbage was relatively stable.
- *Frozen pork chop, chicken leg and beef.* We source these food products through a limited number of large distributors rather than from a diverse range of producers, which we believe allow us to better control quality and consistency. We principally source frozen pork chop and frozen beef from Brazil and frozen chicken leg from China. During the Track Record Period, the purchase prices of frozen chicken leg and frozen beef generally increased. The purchase price of frozen chicken leg increased by approximately HK\$5 per kg, and the purchase price of frozen beef increased by approximately HK\$8 per kg. The purchase price of frozen pork chop increased by approximately HK\$1 per kg, principally due to fluctuations in the market price.
- *Frozen sole fillet.* We source frozen sole fillet principally from New Zealand, which we believe are of better quality. During the Track Record Period, the purchase price of frozen sole fillet generally increased by approximately HK\$30 per kg.

We believe the increases in prices of our major food ingredients during the Track Record Period were reasonable and did not have a material adverse effect on our results of operations and financial condition.

Rice, frozen pork chop, chicken leg and beef and frozen sole fillet each has a shelf life of 12 to 24 months and Chinese cabbage has a shelf life of approximately three days. Notwithstanding the shelf lives of our major food ingredients, the inventory turnover days are much lower than the shelf lives, which we believe helps ensure the quality and freshness of the dishes. For inventory turnover days of our food ingredients generally, see “Financial Information — Discussion of certain statements of financial position items — Inventories” in this prospectus.

For the three years ended March 31, 2010, 2011 and 2012 and the three months ended June 30, 2012, purchases from our largest supplier accounted for 9.0%, 8.1%, 5.7% and 4.7% of our total purchases of the relevant period, respectively, and purchases from our five largest suppliers accounted for 30.2%, 27.0%, 23.9% and 21.8% of our total purchases, respectively. None of our Directors, their respective associates or any of our Shareholders holding more than 5% of our issued share capital had any interest in any of our five largest suppliers in the three years ended March 31, 2010, 2011 and 2012 and the three months ended June 30, 2012. We normally have payment terms of 45 days.

Purchase Cost Control

We do not enter into framework agreements with our suppliers. The purchase prices with suppliers for our food ingredients and raw materials are typically set at a fixed price by way of purchase orders. We also seek to achieve purchase cost control by bulk purchases. Most of our suppliers allow us to buy in large quantities available for our use over a few months, with deliveries in batches. This arrangement enables us to lock-in prices for the quantities purchased.

Being in the *Cha Chaan Teng* industry, we offer a wide range of dishes with substitutable ingredients. In the event there is any significant price increase in any particular ingredient, we are able to react quickly by offering comparable dishes composed of alternative ingredients. This reduces our sensitivity to increases in the price of our food ingredients and raw materials and allows us to be more cost efficient. Other measures to mitigate the adverse impact of increases in food ingredients and raw materials adopted by us include screening additional suppliers for food ingredients with similar quality but at lower price, streamlining our food production process to increase efficiency and reduce waste as well as adjusting our menu prices on a regular basis to reflect any increases in our cost of sales, including our food and beverage costs. For more details on our pricing policy, see “Business — Restaurant Operations and Management — Pricing” in this prospectus.

Food and beverage costs, as represented by our cost of inventories sold, accounted for 30.4%, 30.6%, 31.0% and 30.9% of our revenue for the three years ended March 31, 2010, 2011 and 2012 and the three months ended June 30, 2012, respectively. We currently do not engage in futures contracts or other financial risk management strategies against potential price fluctuations in food costs. We may not be able to anticipate and react to changes in food costs in a timely manner or at all, including through our purchasing practices and menu price adjustments in the future. See “Risk Factors — Risks Relating to Our Business — Our operations are susceptible to increases in purchase costs for a variety of food ingredients, which could adversely affect our margins and results of operations” in this prospectus.

Purchasing Procedures and Management

We have established centralized purchase procedures for all purchase orders. We have established internal review and approval procedures for all purchase orders, including the centralized purchases made through our procurement department.

Our purchase management team consists of, among others, certain of our executive Directors. Approval from our purchase management team is required for material matters, such as purchase orders of substantial value, purchases from new suppliers and termination of any key supplier. Our employee handbook sets forth strict guidelines against engaging in bribery and creating circumstances which may create a conflict of interest between our Company and our employees.

Our restaurants place purchase orders with our procurement department. To keep the food ingredients and supplies fresh, our restaurants are usually required to maintain an inventory level of not more than two days. The central kitchen then works with our procurement department to place orders for an appropriate quantity with our suppliers. We receive food ingredients and supplies from our suppliers, to the extent possible, on an “as needed” basis and in accordance with our estimated production volume under which we seek to minimize the amount of food that we must store. Under this system, we purchase a certain quantity of food ingredients and supplies from which we draw down over a given period. If we do not draw down the complete amount by the end of the period, we pay the suppliers to store the remainder until we do.

Upon delivery of the food ingredients and supplies, our designated quality inspection personnel conduct quality inspections before acceptance. We have separated the various supply chain functions, including supplier selection, price determination, issuance of purchase order and inspection and acceptance, to different departments and personnel, which we believe helps to secure our effective control over supply chain.

QUALITY CONTROL

We strive to maintain quality and consistency in our restaurants through training and supervision of personnel and through the establishment of standards relating to food preparation, maintenance of facilities and conduct of personnel. We have well-established quality control procedures covering all levels of operations including (i) supply chain, (ii) central kitchen, (iii) logistics and (iv) each restaurant. During the Track Record Period and as at the Latest Practicable Date, we were not subject to any investigation regarding the hygiene of our food or restaurants by any governmental authorities.

Supply Chain Quality Control

All of our suppliers are required to comply with quality standards imposed by regulatory authorities with respect to their food ingredients and other supplies. We conduct regular reviews of the quality and amount of purchases from each supplier.

We have a team of designated quality inspection personnel, comprising of the executive Directors and representatives from our procurement team, responsible for selecting suppliers. For the procedures we adopt in selecting supplies, see “Business — Purchasing — Supplier Management” in this prospectus.

Central Kitchen Quality Control

A significant portion of food ingredients and supplies are delivered to the central kitchen. Our central kitchen serves as a gate-keeper for quality food ingredients and supplies. We adopt the Hazard Analysis Critical Control Point, known as HACCP, a comprehensive quality control standard. The HACCP stipulates principles and procedures on food safety. We have adopted specific food preparation, packaging, storage and delivery standards with respect to our semi-processed and processed food, in accordance with HACCP.

In terms of quality control of food ingredients, our central kitchen has a specialized quality inspection team. As at the Latest Practicable Date, the quality inspection team at our central kitchen in Hong Kong comprised of the production manager and three members, all of whom are responsible for inspecting our food ingredients and supplies. The production manager has over seven years of experience in food business, including experience in food quality control and has completed HACCP training courses related to quality assurance and inspection. Our production manager also attended occupational and food safety courses organized by the Hospitality Industry Training and Development Centre and the Occupational Safety and Health Council. The other three members have one to five years of experience in quality control and have also completed HACCP or food safety training courses. Two of them have also obtained vocational training in Food Science and Technology organized by the Vocational Training Council. The quality inspection team is equipped with the knowledge and skills to inspect the quality of all food ingredients and other supplies delivered to the central kitchen. We intend to set up similar quality inspection teams at all the new central kitchens.

In terms of quality control at each stage of the food processing, it is supervised by our chief chef and prepared in accordance with our formulated food processing procedures and the HACCP requirements. Any in-progress foods that are not in compliance are removed.

Externally, we engage an independent inspection and testing company, SGS Limited (“SGS”), to conduct checks against our food samples and other related samples. We engaged SGS due to its over 50 years of experience in Hong Kong and reputation for providing high-level expertise in testing, verification, technical consultancy and inspection of products from various industries including, among other things, laboratory testing services of food. SGS has around 1,200 multi-discipline professionals in Hong Kong. It provides one-stop services for supply chain in various industries including, among others, food industry. SGS tests the quality, safety and performance of our products such as our raw materials, semi-manufactured food and final products against relevant health, safety and regulatory standards. We believe certification by SGS enables us to demonstrate that our products are in compliant with applicable standards. Our agreement with SGS is automatically renewed on an annual basis unless terminated by either party after a notice period of not less than 30 days prior to the next contract date. As at the Latest Practicable Date, our agreement with SGS was valid and subsisting.

The food samples submitted to SGS for testing include cooked food, sources, seasoning, soup and water and ice used in various stages of our food production. In addition, certain raw materials and food ingredients are also submitted for testing. SGS primarily conducts microbiological tests on samples submitted. Testing is generally conducted on a monthly basis. SGS charges a fee for each sample tested. On average, we have paid SGS approximately HK\$46,000 per year during the Track Record Period.

Test reports issued by SGS usually show that the microbiological limit of our samples is at a satisfactory level or an acceptable level. According to the guideline issued by the Centre for Food Safety, Food & Environmental Hygiene Department of Hong Kong, this means the microbiological status of our samples is either at a satisfactory level or an acceptable level for consumption. Since our samples are of satisfactory or acceptable quality, no recommendation for improvement is received from SGS. We believe our collaboration with SGS helps ensure our food quality conforms with standards as adopted by the government from time to time.

During the Track Record Period, there were no deficiencies on our food samples identified during the reviews and inspections.

Organizationally, we have adopted a hygiene standard with respect to the overall cleanliness of our central kitchen.

Logistics Quality Control

We operate the vehicles used to transport the processed foods from our central kitchen to our restaurants in Hong Kong, including, among others, a 10-ton and a 9-ton refrigerated truck. Our quality inspection personnel responsible for supply chain quality control are also responsible for our logistics quality control. For more details about our quality inspection personnel for supply chain quality control, see “Business — Quality Control — Supply Chain Quality Control” in this prospectus. We have formulated strict requirements with respect to the hygiene and temperature of the vehicle storage space we use for transportation. We inspect and record the temperatures of the vehicle storage space upon loading and delivery, to ensure the food in transit is in a controlled environment. Upon delivery of the food to the restaurants, our restaurant staff stores the food at an appropriate temperature and in a suitable storage condition.

We outsource transportation of non-food supplies, such as chopsticks, to a logistics company.

Restaurant Quality Control

We adopt the same quality control standards as that in the central kitchen with respect to (i) inspection of food ingredients and supplies delivered directly from the suppliers or the central warehouse to our restaurants and (ii) food preparation at our restaurants. In terms of inspection of food ingredients and supplies, our restaurant-level staff reports to the procurement department on any deviation or irregularity in the quality of food ingredients and rejects any food ingredients and supplies which do not meet our standard. The procurement department also issues a report on a monthly basis for the Directors' consideration.

In terms of food preparation, we have developed separate manuals laying out operating procedures and quality standards to regulate different aspects of food preparation done at our restaurants, including our kitchen, bakery, beverage booth, noodle booth and hygiene divisions. We require our restaurant staff to strictly adhere to the procedures and standards stipulated in the manuals to ensure the flavor, presentation, quality and hygiene standards of our dishes meet our standards. We implement detailed recipe and cooking procedures for our dishes that may not be altered without proper approval. As a result, our customers can enjoy the same dishes with consistent quality and taste at any of our restaurants. We believe this consistency helps us to retain existing customers and attract new customers by generating customer confidence in our quality control system.

Our restaurants' quality control policies and procedures also include the following:

- *Continuous training programs.* We continuously provide training programs to our restaurant staff on operating procedures and quality standards. Post-training tests are conducted to ensure the effectiveness of the training.
- *Strict adherence to inventory level.* Our restaurants are generally allowed to keep food and supplies inventories for a maximum of two days, which we believe helps ensure the quality and freshness of the dishes.
- *Food safety and hygiene.* We have implemented a hygiene manual for the overall cleanliness of our restaurants. We appoint trained personnel to monitor strict compliance of the manual by our restaurant staff.
- *Dish tasting.* Our dishes are checked by our restaurant-level kitchen staff on a daily basis in terms of appearance, smell, taste, color, viscosity, temperature and portion of the dishes.
- *Spot-check by secret customers.* We have engaged an outside consulting company to set up a team to conduct spot-checks of our restaurants to identify and rectify potential issues with respect to service quality and areas of improvements of our restaurant-level employees.
- *Collection of customer feedback.* We collect customer feedback on the quality of dishes and service level and convey customer opinions to the restaurant. We also record our customer feedback for further improvement.
- *Cooperation of restaurant staff.* Our food quality depends heavily on the conduct of our restaurant staff. Positive feedback from spot-checks and customers are factored into a staff's bonus payment consideration so as to give our staff an incentive to adhere to the highest standards.

INFORMATION TECHNOLOGY

We seek to distinguish ourselves in the restaurant industry in implementing advanced information technology to support our development. To this end, we own a set of management information systems. Our management information systems include the following:

- *Point-of-sale system.* All of our restaurants use a computerized point-of-sale system controlled by our headquarters, which are designed to improve operating efficiency, provide management centralized control over menu items and pricing, collect financial data and reduce restaurant and administrative time and expense. Our table staff use electronic personal data assistants to take orders. The system records each order and forwards the food requests to the restaurant kitchen directly for food preparation. The system reduces errors and enhances time efficiency. The collected data includes date and time of order of meals, location of a customer's seat, quantities of each menu item sold, and cash, smart card and credit card receipts. The collected data is transmitted to our headquarters automatically every night, enabling management to continually monitor operating results and consumer spending patterns at each restaurant. Variances from expectations are analyzed and addressed at regular management meetings. The collected data also enables management to analyze the popularity of our dishes and assists us to react efficiently to changes in consumer preferences.
- *Human resources system.* This system monitors our payroll and calculates all salaries and other associated payments payable to our employees.
- *Accounting system.* This system generates the management accounts of the Group on a monthly basis, including compiling information relating to the profit and loss accounts and the balance sheet.

Notwithstanding our advanced information technology system, we have implemented an emergency operating procedure in the unlikely event of a power breakdown or malfunctioning of any part of the computerized point-of-sale system.

We intend to upgrade our current management information systems by implementing an overall enterprise resource planning system in year ending March 31, 2014.

COMPETITION

The restaurant industry is intensely competitive with respect to food quality and consistency, price-value relationships, ambiance, service, location, supply of quality food ingredients and availability of trained employees. Many restaurants of our competitors compete with us near our locations. Key competitive factors in the industry include type of cuisine, food choice, food quality and consistency, quality of service, price, dining experience, restaurant location and ambiance of the facilities.

According to the Frost & Sullivan Report, the total sales value of the *Cha Chaan Teng* sector in Hong Kong amounted to approximately HK\$22.7 billion in 2011. It is expected that chain *Cha Chaan Teng* restaurants in Hong Kong will continue to experience robust growth at a CAGR of 8.5% in terms of sales value from 2012 to 2016. According to the Frost & Sullivan Report, there are only a limited number of branded *Cha Chaan Teng* restaurant chains in Hong Kong. They include, for example, our restaurants, Tai Hing Roast Restaurant, Macau Restaurant and Ngan Lung Restaurant.

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According to the Frost & Sullivan Report, the total sales value of the *Cha Chaan Teng* sector in China amounted to approximately RMB24.8 billion in 2011. It is expected that chain *Cha Chaan Teng* restaurants in China will continue to experience robust growth at a CAGR of 30.7% in terms of sales value from 2012 to 2016. There are also branded *Cha Chaan Teng* restaurant chains in China. They include, for example, our restaurants, Tai Hing Roast Restaurant, Charme Restaurant and Xinwang Restaurant. For details, see “Industry Overview” in this prospectus.

We believe we are competitively positioned based on our operating history of more than 23 years under the control of the Core shareholders, our brand, our standardized operation model under modern corporate management principles and our time-tested signature dishes with wide customer appeal. For the competition we face, see “Risk Factors — Risks Relating to Our Industry — Intense competition in the restaurant industry could prevent us from increasing or sustaining our revenues and profitability” in this prospectus.

EMPLOYEES

We had a total of 1,222, 1,397, 1,739 and 2,181 employees as of March 31, 2010, 2011 and 2012 and June 30, 2012, respectively. The following table sets forth a breakdown of the number of our employees during the Track Record Period:

	As of March 31,			As of June 30,
	2010	2011	2012	2012
Executive Directors	5	5	5	5
Headquarters staff	24	61	83	88
Restaurant and central kitchen staff	1,193	1,331	1,651	2,088
Total	1,222	1,397	1,739	2,181

Restaurant operations are highly service-oriented. Therefore our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees, including restaurant managers and staff. We believe high-quality customer services is a key attribute of the success of our restaurants. Employee attrition levels tend to be higher in the food services industry than in other industries. We offer competitive wages and other benefits to our restaurant employees to manage employee attrition. Our staff costs include all salaries and benefits payable to all our employees and staff, including our executive Directors, headquarters staff and central kitchen staff. Our staff costs remained relatively stable during the Track Record Period and represented 27.7%, 27.2%, 25.9% and 28.4% of our revenue in the three years ended March 31, 2010, 2011 and 2012 and the three months ended June 30, 2012, respectively. Due to changes in local labor laws and the general upward market trend, the salary level of employees in the restaurant industry in Hong Kong has been generally increasing in recent years. We expect our staff costs to continue to increase as inflationary pressures in Hong Kong continue to drive up wages. We believe the resulting upward pressure on our total labor costs as a percentage of total revenue could be mitigated by (i) increasing operating leverage by increasing the use of central kitchens as our restaurant network expands; (ii) our efforts to control the staff costs at our newly-opened restaurants by managing employee headcount levels before a restaurant achieves target performance level and by prioritizing internal transfers and re-allocations of employees from existing restaurants; (iii) our efforts to increase productivity of our staff by providing various training programs; and (iv) minimizing attrition levels by continuing to implement our various employee retention initiatives in the future to promote employee loyalty and motivate our employees.

In respect of our restaurants in the PRC, we have made the required contributions to the social security funds for our PRC employees.

During the Track Record Period, we have not received or experienced material labor disputes with our employees.

During the Track Record Period, we recorded approximately 100 work injuries of our employees per year for the three years ended March 31, 2010, 2011 and 2012, respectively, and approximately 30 work injuries of our employees for the three months ended June 30, 2012, based on our internal records. Given our size of operation and number of staff employed during the Track Record Period, we believe the number of work injuries recorded is reasonable. In addition, most of these work injuries were minor injuries relating to, for example, cutting of fingers and twisting of ankle during the course of employment.

We strive to provide a safe working environment to our employees. We have implemented work safety guidelines for all our employees which sets out our work safety policies and promotes safety on work sites. In addition, our kitchen operation manual provides clear guidance on various occupational and restaurant safety matters which our restaurant-level staff are required to follow. Our technicians are required to follow a separate set of work safety guidelines to ensure work safety at every step of any maintenance work. We provide our technicians with safety equipment which they are required to wear to perform any maintenance work. Furthermore, senior technicians must possess the relevant qualifications for the electricity maintenance or installation work performed. Non-compliance with our work safety procedures adversely factored into the staff's bonus payment so as to give our staff an incentive to adhere to safe working procedures. We believe these measures help reduce the number and seriousness of work injuries of our employees and are adequate and effective to prevent serious work injuries.

Training Programs

We have established a human resources department to oversee our employee training. In 2012, we were accredited as a "Manpower Developer" under the Manpower Developer Award Scheme launched by the Employees Retraining Board in Hong Kong. In addition, our training programs have been accredited by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications. The accreditations recognize our accomplishments in manpower development and the standard of training offered to employees.

Our human resources department, in conjunction with an outside human resources consulting company, develops and conducts comprehensive training programs at both the restaurant and senior personnel management levels. At the restaurant management level, there are a series of formulated and staged training modules tailor made for our Company. The consultant also conducts continuous spot checks on an anonymous basis of our employees' service levels at each of our restaurants and provides training and reviews for our operational and restaurant-level managers. We believe our training offerings for more senior employees help us to systematically train our front-line restaurant staff and standardize our operating procedures. At the senior personnel management level, the consultant explores and discusses with senior management the development plans and policies of our Company. We believe this allows senior management to have an objective and professional view of the strategic and overall development of our Company.

To ensure the quality of our employees at all levels and to secure a stable supply of future generations of management personnel, we have launched a comprehensive training program for our employees. The goal of the training programs is to train our employees and to identify talent, with the aim of providing upward mobility within our Company, fostering employee loyalty and incorporating customized mentoring, coaching and training. We continuously provide tailored trainings and career guidance to our current employees in order to identify promising candidates as future managers.

We believe our training programs also help to promote internal upward mobility, which not only increases employee retention rates, but also produces the type and quality of management personnel needed for our rapidly expanding restaurant network. For example, some of our restaurant waiting staff have risen through the ranks to become restaurant managers through personal diligence and improved capability which we believed have been fostered by our training programs.

Another fundamental objective of our training programs is to provide a sufficient number of well-trained employees for newly opened restaurants. The restaurant manager utilizes his or her skills and know-how to train new restaurant staff. Our human resources department personnel introduces our standards and culture to the new team members.

In China, we intend to establish chef training programs to train our local chefs in preparing dishes so as to maintain food quality and consistency throughout various locations.

Recruiting

Recruiting in the restaurant industry is highly competitive, especially with respect to recruiting of restaurant staff, including waiting staff, cashier and kitchen staff. We believe we are hiring the best available employees in the market by offering competitive wages and benefits, discretionary bonuses, focused training and internal promotion opportunities. We have adopted a variety of initiatives to facilitate recruitment of our staff, such as participating in job fairs, communicating with local employment placement agencies periodically, offering summer jobs to secondary schools and university graduates, and setting up recruiting booths. We believe our continuous efforts will help us attract suitable personnel. For details, see “Risk Factors — Risks Relating to Our Business — Our business could be adversely affected by difficulties in employee recruiting and retention” in this prospectus.

Employee Retention

In an effort to maintain employee loyalty and retention, we have an employee incentive scheme pursuant to which (i) restaurant personnel receive bonuses if the restaurant at which he or she works achieves certain performance targets and (ii) office personnel receive bonuses, the amount of which depends on the number of restaurants achieving performance targets. We implemented this performance based incentive scheme in Hong Kong for all of our Hong Kong staff starting from May 2011 and in the PRC for all of our restaurant staff starting from July 2010. We intend to implement this incentive scheme in the PRC for the rest of our PRC staff in the year ending March 31, 2013. We also provide certain further subsidies to our employees with children meeting certain needs-based criteria. With respect to our PRC operations, we provide residential units for our senior employees in Shanghai who are originally from other provinces or regions. To broaden the vision and knowledge of our PRC employees, we provide exchange opportunities for them to work in Hong Kong or Macau.

In addition to perquisites and benefits, we believe continuous training and open communication to be vital in retaining our employees. To achieve this, we have implemented a number of initiatives, including establishing a new employee orientation program to instill our

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corporate values and culture in the new employees, conducting employee training programs to improve their job skills and help with their career advancement, providing management training programs on employee retention, encouraging internal communication by conducting annual employee surveys, promoting open-door policy within our organization, organizing periodic employee focus groups at each restaurant by bringing together a small group of employees to discuss issues and concerns in the work place and conducting exit interviews to obtain candid feedback about the concerns, dissatisfactions and suggestions for improvement of our organization. For details, see “Risk Factors — Risks Relating to Our Business — Our business could be adversely affected by difficulties in employee recruiting and retention” in this prospectus.

In addition, we have adopted the Pre-IPO Share Option Scheme and conditionally adopted the Share Option Scheme. The purpose of the Pre-IPO Share Option Scheme and Share Option Scheme is to enable us to grant options to the participants in recognition of their contributions made or to be made to the Group. For more details, see “E. Share option schemes — Pre-IPO Share Option Scheme” and “Share Option Scheme” in Appendix IV to this prospectus.

HONORS AND AWARDS

Our achievements over the years have been recognized by numerous awards, including the following:

Award	Year(s)	Issuer of Award
King of Catering Award (飲食天王微博聯頒大獎)	2012	King of Catering (飲食天王)
China Hotel Golden Horse Award Most Satisfying China Catering Restaurant (中國飯店金馬獎最佳消費者滿意中國餐飲名店) . .	2012	China Hotel Leader Summit Committee (中國飯店業年會組織委員會)
China's Top Ten Chain Restaurant Brand (中國十大馳名餐飲連鎖品牌)	2012	China Hotel Leader Summit Committee (中國飯店業年會組織委員會)
Shanghai Special Dishes (in respect of the Hong Kong style milk tea and crispy bun served with sweet condensed milk) (上海名特菜點)	2012	Shanghai Catering Industry Association (上海市餐飲烹飪行業協會)
Best Restaurant Award — Cha Chaan Teng sector (最優秀開飯港式茶餐廳得獎熱店)	2012	Openrice (開飯)
China Hotel Golden Horse Award Best China Store Catering Brand (中國飯店金馬獎中國最佳餐飲連鎖品牌).	2010	China Hotel Leader Summit Committee (中國飯店業年會組織委員會)
International Tourist's Most Popular China Catering Brand (國際遊客最喜愛的中國餐飲品牌)	2009	China Hotel Leader Summit Committee (中國飯店業年會組織委員會)










BUSINESS

Award	Year(s)	Issuer of Award
Permanent Honourable Gold Award of the “PRC Consumer’s Most Favorable Hong Kong Brands Campaign” (全國消費者最喜愛《香港名牌》— 永久性榮譽金獎單位)	2009	China Enterprise Reputation and Credibility Association (Overseas) Limited (中華海外企業信譽協會)
Favourite Food Award — My Most Favorable Cha Chaan Teng (我最喜愛食肆 — 茶餐廳).	2009–2012	U Magazine
China Famous Restaurant Platinum Prize (中國餐飲名店白金獎)	2008	China Hotel Leader Summit Committee (中國飯店業年會組織委員會)
Recognised as one of the “Top Ten Guangdong, Hong Kong and Macau Restaurant Brands” (粵港澳十佳餐飲品牌)	2006	China Hotel Association (中國飯店協會)



Eight of our restaurants in Hong Kong were certified by the Hong Kong 5-S Association (香港五常法協會) for achieving a set of field management standards in safety, hygiene, quality, proficiency and image in 2012.

INTELLECTUAL PROPERTY




We currently operate our restaurants under our core brand, Tsui Wah, and our sub-brands “Tsui Wah Concept (翠華 Concept)” and “Tsui Wah EATery”. We intend to operate our new catering service under a new brand, “Supreme Catering”. We have registered, and have applied for registration of, a variety of Tsui Wah-related trademarks, including, among others, trademarks incorporating “Tsui Wah” or “翠華” in various jurisdictions, including without limitation, Hong Kong and the PRC. We take active steps to protect our trademarks and other intellectual property rights. Our chief financial officer and our chief operation officer is responsible for the management and control of our intellectual property rights in Hong Kong and the PRC, respectively. We have also engaged a legal advisor to advise on our intellectual property rights registration and renewal matters. In regions where we have a presence or we are considering expanding into, we will conduct studies to ascertain whether there are any infringing acts in those areas. When we identify any infringing acts, we will consider appropriate actions. Our Directors are of the view that our existing policy and procedures are adequate to protect our intellectual property rights.

Our Tsui Wah restaurants have been using the logo “ 翠華餐廳” in Hong Kong and China, while our “Tsui Wah EATery” operates under the “ ” logo. We intend to use the logo “ ” for our catering service and the logo “ ” in connection with certain food products of our Group. We have applied for the trademark registration of our “ ” in both Hong Kong and the PRC and our 翠華, 翠华 and  and an additional class for the “ 翠華餐廳” logo in the PRC. The registration process is currently expected to be completed after the Listing. Given that (i) we are the registered owner of the “ 翠華餐廳” logo; and (ii) our “ ” is only used for one of our restaurants and in connection with certain food products, our Directors are of the view that any failure in the registration of the same is not likely to have significant impact on our business operations. As at the Latest Practicable Date, all relevant marks with respect to our business operations in Hong Kong, Macau and the PRC had been duly registered or applied for registration.

Our other intellectual property consists primarily of intellectual property rights with respect to the management information systems, proprietary know-how and secret recipes. We have implemented a set of internal intellectual property management rules in our employees' manual. The use of our central kitchen also enables us to preserve our secret recipes by disclosing it to a minimum number of staff on a "need-to-know" basis. Our employment contracts with employees and the employees' manual also contain confidentiality provisions with respect to handling of our confidential information.

During the Track Record Period, no material claims or disputes were brought against us in relation to any infringement of trademarks, patents or other intellectual property. Acts that we believe infringe our intellectual property rights occur from time to time. For example, we are aware that there are certain restaurants operating under the "Tsui Wah (翠華)" brand in certain regions in the PRC. We are advised by our PRC legal advisers that our  翠華餐廳 and  翠華集團 logos which have been duly registered as trademarks with the SAIC in the PRC since August 2004 and February 2011, respectively, provide sufficient protection to all uses in relation to our current business operations in the PRC and our Group has not encountered any deficiencies in the registration of our intellectual property rights. During the respective validity period of our registered trademarks, our Group is entitled to the exclusive use of our registered trademarks and no third party is allowed to provide identical or similar services as our Group under the same or similar trademarks. As advised by our PRC legal advisers, we may obtain and enforce administrative orders requiring infringing parties to cease their unauthorized use by instituting litigation, arbitration or other proceedings to enforce our intellectual property rights. We are evaluating our options and optimum strategies. When making decisions on whether or not to carry out enforcement actions, our Directors will take into account factors such as our strategic business plan, relevant costs and benefits of such actions. Negative publicity or customer disputes and complaints regarding any infringing parties' unauthorized use of our or similar trademark, brand and logo could dilute or tarnish our restaurants' brand appeal, which could materially reduce our sales, profitability and prospects even if we are able to successfully enforce our rights. See "Risk Factors — Risks Relating to Our Business — We may not be able to adequately protect our intellectual property, which, in turn, could harm the value of our brands and adversely affect our business" of this prospectus.

We are further advised by our PRC legal advisers that any non-enforcement in the PRC would not constrain any future action to enforce our intellectual property rights. According to the "Interpretation of the Supreme People's Court on Certain Issues Concerning the Application of Law in the Trial of Civil Cases Involving Trademark Disputes", the time for filing a lawsuit against infringement of the exclusive right to use a registered trademark shall either be two years, commencing from the date on which the registrant of the trademark or an interested right owner becomes aware of or should be aware of the infringement, or if the time when the trademark registrant or the interested right owner files such a lawsuit is beyond the said two-year period, and the infringement continues to exist at the time when the lawsuit is filed, the PRC court shall, within the validity term of the exclusive right to use that registered trademark, order the infringing party to cease the infringement, in which case the commencement year for calculating the compensation sum for the damage caused by the infringement shall be two years prior to the filing of the lawsuit by the right owner with the PRC court.

In order to strengthen the protection on our intellectual property rights in the PRC, we have also applied for the registration of the trademarks , 翠華, 翠华 and  and an additional class for the  翠華餐廳 logo in the PRC, and our Directors currently expect that the registration process will be completed after the Listing. Our Directors confirm that, throughout the operating history of our Group, we have not encountered any occasion of failure to register any trademark in the PRC.

For further details of our intellectual property rights, see Appendix IV to this prospectus.

PROPERTIES**Overview of property interests**

Other than a small warehouse in Hong Kong, we do not own any properties and we lease all of our restaurant sites, central kitchen and office premises from third parties. We believe this leasing strategy reduces our capital investment requirements significantly. The small warehouse we own in Hong Kong is approximately 350 square feet. It is located between two nearby restaurants in Hong Kong and is used to store dried inventories for those two restaurants. Currently, we do not intend to acquire any properties for our restaurant sites in the future. Our property rentals and related expenses in relation to the properties leased for our restaurants, central kitchen and office premises were HK\$45.7 million, HK\$75.0 million, HK\$96.2 million and HK\$30.5 million for the three years ended March 31, 2012 and the three months ended June 30, 2012, respectively.

Our leases typically have a term of two to ten years and a rent-free period ranging from one to eight months at the beginning of the lease term. Most of our current restaurant leases have expiration dates ranging from 2013 to 2016. Five of our leases, all of which relate to our restaurants in Hong Kong, have expiry dates in 2012. As at the Latest Practicable Date, we have successfully renewed all of our leases.

Properties Leased in Hong Kong

As at the Latest Practicable Date, we leased 36 properties in Hong Kong, 21 of which were for restaurants which were in operation. The aggregate gross floor area of these restaurant sites was approximately 70,000 square feet.

Properties Leased in the PRC

As at the Latest Practicable Date, we leased 11 properties in the PRC with an aggregate gross floor area of approximately 70,790 square feet, in which the total gross floor area of the premises for restaurants amounted to approximately 61,890 square feet. Certain of our lease agreements have not been duly registered with the relevant PRC authorities. See “Risk Factors — Risks Relating to Our Business — Our leased premises in the PRC are subject to certain specific risks” in this prospectus.

Our PRC legal adviser has advised us that we may be subject to a maximum penalty of RMB10,000 for each failure to register a relevant lease agreement with the relevant land and real estate administration bureau. As at the Latest Practicable Date, the operation of our restaurants located at the aforesaid properties had not been disrupted due to the failure of the registration of the relevant lease agreement. Given the relatively insignificant amount of such penalties, our Directors believe that it would not have any material adverse effect on our Group’s financial condition and results of operations.

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We have in place the following control measures to identify appropriate properties to lease and ensure that the relevant legal formalities and registrations are complied with prior to taking up such leases in the PRC:

Matters	Control measures
Overseeing the process	We have designated our chief operation officer, Mr. LAW Cho Yan, to monitor the compliance status of our new restaurants. See “Directors and Senior Management — Senior Management” for his biographical details. Mr. Law reports to Mr. Lock, our chief executive officer, on a periodic basis. We have established the project management department comprising of three members, who is responsible for handling and monitoring the whole process of developing a new restaurant in the PRC. Our project management department reports to Mr. Law on a regular basis.
Selection of restaurants’ premises	Our Directors and senior management are responsible for conducting site visits and making commercial negotiations and decisions in relation to the selection of the premises of our restaurants in the PRC.
Land use of our target restaurant premises	We will apply to the PRC Institute of Food Safety Control and Inspection for an inspection on our target restaurant premises. Inspectors will provide a confirmation on whether the target restaurant premises is suitable for restaurant operations.
Water and electrical-related safety matters	Upon receipt of the confirmation from the PRC Institute of Food Safety Control and Inspection, our project management department will conduct preliminary check on water and electrical-related safety matters on the target restaurant premises. We will also engage independent PRC qualified engineers to supervise all water and electrical-related safety matters to ensure compliance with the relevant laws and regulations.
Structural safety of our target restaurant premises	We will engage independent contractors and engineers to ensure that the building or structural works located at our targeted premises are in compliance with the relevant laws and regulations.
Title and ownership of our target restaurant premises	Our project management department will check the title ownership certificate, land use right certificate and other documents evidencing right to lease the relevant property. We will also engage external PRC legal advisers to perform due diligence in relation to the title and ownership of our target restaurant premises to ensure that there is no material title defects or encumbrances on our target restaurant premises.

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Matters	Control measures
Application for all necessary licenses, permits and approvals	Our external PRC legal advisers will be responsible for the application for all necessary licenses, permits and approvals for the business operations of our restaurant.
Registration of the lease agreement	Our project management department will be responsible for liaising with the relevant lessor for the due registration of the lease agreement.
Lease agreement	We will endeavor to require our lessors to warrant in the lease agreement that they possess the legal right to lease the premises and undertake to register the lease agreements with the relevant authorities. We will look for alternative properties with comparable commercial value if a potential lessor refuses to give such warranty and undertaking in the relevant lease agreement.

INSURANCE

Our Directors consider our insurance coverage to be customary for businesses of our size and type and in line with the standard commercial practice in the jurisdictions where we have operations.

In Hong Kong, we primarily maintain (i) insurance for employee's compensation for injuries or death in the course of employment, (ii) money insurance for loss of cash in transit or our business premises and (iii) public liability insurance to cover ourselves against, among other things, claims of food and drink poisoning by our customers, claims in respect of bodily injury by any person or loss of or damage to property by us, and claims in respect of fire or other damages to the restaurant sites leased by us.

In the PRC, we maintain (i) public liability insurance to cover liability for damages arising out of our business operations for all of our restaurants in the PRC including, among other things, claims of food and drink poisoning by our customers, (ii) money insurance for loss of cash in transit or at our business premises, (iii) property insurance covering all risks for our restaurants to protect our business from natural disasters and other unfortunate events, and (iv) machinery insurance covering loss caused by damage of machineries and equipments used in our PRC restaurants. We believe that we are covered by adequate property and liability policies with coverage features and insured limits that we believe are customary for similar companies in the PRC. However, our insurance coverage may not be adequate to cover all losses that may occur. See "Risk Factors — Risks Relating to Our Business — Our insurance policies may not provide adequate coverage for all claims associated with our business operations" of this prospectus.

In Macau, we maintain public liability insurance to cover ourselves against, among other things, claims of food and drink poisoning by our customers and claims in respect of bodily injury by any person or loss of or damage to property.

LEGAL AND REGULATORY COMPLIANCE

As at the Latest Practicable Date, save as disclosed below in the paragraphs headed “Non-compliance of our Group during the Track Record Period”, we have been in compliance in all material aspects with the applicable laws and regulations in all jurisdictions where we operate business and have obtained all necessary approvals, permits license, approvals and certificates that are material to our business operations from the relevant government authorities.

Hong Kong Regulatory Compliance

Overview

Certain licenses are required to be obtained and maintained for the operation of our restaurants and central kitchen located in Hong Kong, which include (i) food business license, including the general restaurant license, food factory license and bakery license, issued by the Food and Environmental Hygiene Department, (ii) water pollution control license issued by the Environmental Protection Department and (iii) liquor license issued by the Liquor Licencing Board. Food business licenses are generally granted for a term of one year and are subject to annual renewal. A water pollution control license is generally granted for a period of not less than two years and is renewable. A liquor license is usually granted for a valid period of one year or less and is subject to renewal.

As of the Latest Practicable Date, we owned and operated 21 restaurants in Hong Kong. Save as disclosed below in the paragraphs headed “Non-compliance of our Group during the Track Record Period”, we have obtained (i) the food business licenses and water pollution control licenses required for all of our restaurants in Hong Kong (*Note 1*); and (ii) liquor license in respect of each of our restaurants on whose premises we sell alcoholic beverages.

Licenses for our Group’s operations in Hong Kong

We are required to obtain food business licenses for our operations located in Hong Kong, which primarily includes a restaurant license for our restaurant operations, a food factory license for our central kitchen and a bakery license for our bakery operation, all of which are issued by the Food and Environmental Hygiene Department (“FEHD”) and a water pollution control license issued by the Environmental Protection Department. We also need to obtain liquor licenses for our restaurants where alcoholic beverages are sold. The food business licenses, the water pollution control licenses and the liquor licenses are all location specific. Save as disclosed below in the paragraphs headed “Non-compliance of our Group during the Track Record Period”, as at the Latest Practicable Date, we had obtained the restaurant licenses, food factory license, bakery license and water pollution control licenses of all of our operations in Hong Kong. We have also obtained liquor licenses for all of our restaurants where alcoholic

Note 1: Of the restaurant licenses and bakery licenses issued in respect of our restaurants in Hong Kong, six restaurant licenses and two bakery licenses were issued to and are held by individuals, being our Controlling Shareholders, executive Directors and employees, instead of members of our Group.

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beverages are served. The following table sets forth the remaining validity period of the material licenses for our operating restaurants in Hong Kong as of the Latest Practicable Date. We will apply to renew the relevant licenses in due course.

Types of license	Remaining validity period of the license	
	Within one year	More than one year
	(number)	
Restaurant license (<i>Note 1</i>)	21	Nil
Food factory license (<i>Note 2</i>)	3	Nil
Bakery license (<i>Note 3</i>)	3	Nil
Water pollution control license (<i>Note 4</i>)	3	18
Liquor license (<i>Note 5</i>)	8	Nil

Notes:

1. Of the restaurant licenses issued in respect of our restaurants in Hong Kong, six restaurant licenses were issued to and are held by individuals, being our Controlling Shareholders, executive Directors and employees, instead of members of our Group. The restaurant licenses are issued in respect of our 20 restaurants and our catering services center, under the brand "Supreme Catering". A restaurant license is not required for our restaurant at the Hong Kong International Airport, which is operated under the "Tsui Wah EATery" sub-brand.
2. Of the three food factory licenses, one license is issued to our current central kitchen, one license is issued to our restaurant at the Hong Kong International Airport, which is operated under the "Tsui Wah EATery" sub-brand, where such license is needed as the consumption of food mainly takes place outside the designated premises of our restaurant and one license is issued to our food factory serving our catering services center.
3. Of the bakery licenses issued in respect of our restaurants in Hong Kong, two bakery licenses were issued to and are held by individuals, being our Controlling Shareholders, executive Directors and employees, instead of members of our Group.
4. Water pollution control license is required for the central kitchen, our catering services center and all of our restaurants, except for our restaurants at the Hong Kong International Airport.
5. Liquor license is only required for our restaurants where alcoholic beverages are served.

To ensure that we would be able to timely obtain all necessary licenses for our operations in Hong Kong, we have assigned a member of our management to keep track of the expiry dates of all relevant licenses and apply for timely renewal. We will carry out our activities only when the relevant licenses and/or permits have been obtained or renewed.

Restaurant and/or bakery license(s) of six of our restaurants

Each of our restaurants in Hong Kong requires the relevant food business license(s) (including restaurant and bakery licenses) from the FEHD to operate. For details, see "Laws and Regulations — Regulatory Framework" in this prospectus.

Background

Historically before mid-2005, in respect of six of our earliest restaurants (the "Six Food Business License-related Restaurants"), we requested certain individuals, whom the Group trusted as reliable and long-serving personnel, to apply for the relevant food business licenses on behalf of our Group. The relevant licenses of three of these Six Food Business License-related Restaurants are held by three of our founders who are currently our Controlling Shareholders and executive Directors. The relevant licenses of the other three of these Six Food Business License-related Restaurants are held by (i) a former owner of one of our Tsui Wah restaurants who has been our employee for 22 years; (ii) a former minority shareholder of two of our Group subsidiaries who has been our employee for 16 years and (iii) an employee who has been working for our Group for 14 years. For details, see "Risk Factors — Restaurant and bakery licenses of some of our restaurants in Hong Kong are held by our Controlling Shareholders, Directors and employees" in this prospectus.

Our Directors utilized such arrangements for administrative convenience. If the applicant was a corporation, the FEHD would require the filing of a number of corporate documents, including certificate of incorporation, annual returns, business registration certificate and relevant board resolutions. If the applicant was an individual, the submission of such corporate documents to the FEHD would not be required. Based on the extensive experience of our Directors in the restaurant industry and our verbal consultation with the FEHD, our Directors confirmed that such arrangements are common industry practice and acceptable to the FEHD.

In addition, we have successfully renewed the relevant food business licenses every year since the relevant individuals first obtained such licenses and have not experienced any license-related disputes arising from such arrangement in the past. As the relevant license holders are our Controlling Shareholder, executive Directors or long-serving employees of our Group, our Directors believe that it is very unlikely for these license holders to leave our Group in the foreseeable future. These individuals have been holding the relevant licences for nil consideration on behalf of our Group and no costs have been incurred related thereto during the Track Record Period. Our Hong Kong legal advisers have also confirmed that the current arrangements of these Six Restaurants were acceptable arrangements to the FEHD.

License agreements

In addition, our Group has entered into license agreements for nil consideration with each of the relevant license holders which provide that, among other things, the license holder (i) will use his best endeavour to maintain the food business license(s); (ii) will refrain from doing anything which may result in the revocation of the food business license(s); (iii) acknowledges that our relevant operational Group subsidiary is the sole operation operator of the relevant restaurant; (iv) waives any right to claim any profit or asset in the relevant restaurant; (v) undertakes to transfer the relevant food business license(s) upon request by our Group; and (vi) acknowledges our Group shall be responsible for any liability incurred during the operation of the relevant restaurant. Under the license agreements, our Group is entitled to use or transfer the relevant license(s) and the license holders do not have the option to refuse such use or transfer. Any refusal for such use or transfer will amount to a breach of the license agreement. We currently intend to transfer the relevant food business license to our Group. See “Business — Transfer of food business license of the six restaurants” in this prospectus for further details.

Deed of Indemnity

Our Group has also established an administration team to monitor the renewal of the food business licenses of our restaurants before its/their expiration. Further, our Controlling Shareholders, collectively as indemnifiers, have entered into the Deed of Indemnity in favour of our Company, whereby they jointly and severally covenant and undertake with our Company to indemnify our Group from and against losses, liabilities, damages, costs, claims and expenses incurred by our Group in relation to any non-compliance with the requirements to obtain all relevant licences, approvals, permits and certificates for conducting a business which arise at any time prior to the Listing Date. Further details of the Deed of Indemnity are set out in “G. Other Information — 2. Indemnities” given by the Controlling Shareholders in Appendix IV to this prospectus.

Transfer of food business licenses of the six restaurants

Our Directors confirm that the current arrangements are acceptable arrangements to the FEHD as well as agreed commercial arrangements between the relevant licensees and our Group. Nevertheless, in order to minimize our Group's business risk where the relevant licensees become unable to hold the relevant food business licenses, our Directors have

decided to commence the transfer process of the relevant licenses from these individuals to our Group. We became aware that the 2006 Policies, which is applicable to the transfer process, during the course of preparing for our Listing.

The 2006 Policies apply to (i) new applications for food business licenses received on or after April 18, 2006; (ii) change of license applications on or after April 18, 2006 for existing license applications received before April 18, 2006; and (iii) transfer of food business licenses on or after April 18, 2006.

The 2006 Policies introduced the following three new licensing policies:

- (a) premises where food is being prepared, stored or served such as restaurants, factory canteens, cold stores, food factories, fresh provision shops and bakeries are to be free from unauthorized building works as defined under section 14 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong);
- (b) premises on which a proposed food business such as restaurants, factory canteens, cold stores, food factories, bakeries, frozen confection factories, fresh provision shops, siu mei and lo mei shops and milk factories be in compliance with all government lease conditions; and
- (c) the proposed food business is in compliance with the zoning restrictions in the statutory plan (i.e. plans prepared and published by the Town Planning Board under the Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong)) in respect of all food business licenses including restaurant, factory canteen, cold store, food factory, bakery, frozen confection factory, fresh provision shop, siu mei and lo mei shop and milk factory licenses.

The documents required for the transfer of food business licenses include (i) a formal application form; (ii) a declaration that the operation of the food business at the relevant premises is in compliance with government lease conditions; (iii) relevant corporate documents of the proposed transferee if it is a corporation; and (iv) a certification that the concerned premises is free of unauthorized building works as described under section 14 of the Buildings Ordinance. As at the Latest Practicable Date, the first three documents have already been submitted to the FEHD regarding five of the Six Food Business License-related Restaurants. We have engaged professional consultants to assist and review the transfer process, including, among others, inspection of the relevant premises for the purpose of issuance of the certification as described in (iv) above. If any unauthorized building work has been identified in the inspection process by the professional consultants, our Group will use its best endeavour to carry out the required rectification works in a controlled pace to minimize disruptions to the restaurants operation. Depending on the complexity of the required rectification works, our Directors currently expect that the completion time for such rectification works in each of the Six Food Business License-related Restaurants will range from four to six months starting from the commencement of such rectification works. Upon such rectification works being completed to the satisfaction of our professional consultants, the relevant certification will be submitted to the FEHD and the FEHD will then arrange the relevant regulatory bodies to conduct inspections on the relevant premises.

Our Hong Kong legal advisers have advised us that assuming there is no change on the 2006 Policies, there is no legal impediment for such transfer subject to the conditions that the premises of these Six Food Business License-related Restaurants are (i) free from unauthorized building works as defined under section 14 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong); (ii) in compliance with government lease conditions and (iii) in compliance with the zoning restrictions under the statutory plans. Upon consulting our professional consultants,

our Directors understand that the transfer of food business licenses will usually be effected in approximately two months' time after the date of the submission of the relevant certifications that the concerned premises are free of unauthorized building works.

In respect of one of these Six Food Business License-related Restaurants, we have received a summons alleging that our business operations in the expanded restaurant (the "Expanded Restaurant") has been conducted without the proper restaurant license, in contravention of section 34C of the Food Business Regulations (Chapter 132X of the Laws of Hong Kong).

Originally, the Expanded Restaurant commenced business in February 2006, and a proper restaurant licence was granted by the FEHD and has been successfully renewed annually. In early 2011, our Directors decided to merge the original premises of the Expanded Restaurant with the adjacent premises. We applied to the FEHD for an amendment of our existing license to cover both our original premises and the expanded area of the Expanded Restaurant and have not received any objection notice, letter or document from the FEHD since submitting our application. We proceeded with the business operation on the basis that no objection or concern had been raised by the FEHD.

On August 25, 2012, the Hong Kong Magistrates Court issued a summons to the license holder of the Expanded Restaurant, alleging that the business operations of the expanded area in this restaurant may have not been properly licensed under the Food Business Regulations (Chapter 132X of the Laws of Hong Kong). Subsequent to our receipt of the summons, we received a notice from the FEHD dated September 21, 2012, stating the same allegations as prescribed in the summons. A court hearing at the magistrate level was held on September 27, 2012, at which we disputed the allegations raised in the summons. The court has not reached any conclusion and this matter pending the next hearing, which is currently scheduled on January 29, 2013. As at the Latest Practicable Date, no decision or order of any court had been made against the licence holder in relation to the summons. However, according to the notice from the FEHD, if we are found to be guilty of the offense, we may be subject to a deduction of up to an aggregate of 60 points in the demerit points system and therefore potentially a suspension for seven days. For details of the demerit points system, see "Laws and Regulations — Demerit points system" in this prospectus.

Our Directors confirm that the plan to transfer the food business licence of the Expanded Restaurant from the individual license holder to the relevant member of our Group will continue and such application will cover both the original premises and expanded area. The relevant application has already been submitted in July, 2012 and the application is still in process. In the event a court decision or order were made against our Group and a 60-point deduction was imposed before the completion of the transfer of the relevant restaurant license, the operation of the Expanded Restaurant may be temporarily suspended for seven days. The revenue and profit attributable to the Expanded Restaurant for the three years ended March 31, 2010, 2011 and 2012 and for the three months ended June 30, 2012 as compared with our Group's total revenue and profit after tax during the same periods was 6%, 5%, 4% and 3% and 9%, 2%, 2% and 2%, respectively. Our Directors are of the view that any temporary suspension of the restaurant license of the Expanded Restaurant would not have a material impact to our Group's results of operations. We will update our Shareholders on the progress of the transfer of relevant food business license in our annual and interim reports upon the Listing.

Non-compliance of our Group during the Track Record Period

Some of our subsidiaries incorporated in Hong Kong have on various occasions not complied with certain statutory requirements as described below. Upon identification of instances of non-compliance, we have taken corresponding steps to remedy the non-compliance.

Food and Health-related Non-compliance Matters

During the Track Record Period, due to unintended and inadvertent omission of certain procedures in the food preparation process, there were three isolated incidents of non-compliance with the Food Business Regulation (Chapter 132X of the Laws of Hong Kong) where our food was contaminated by small foreign substances, such as paint debris and insects, for which we were fined for an aggregate amount of approximately HK\$6,000. Those three incidents did not cause any personal injury, and thus no compensation has been claimed or paid. As the amount of the fines were insignificant, our Directors believe that the financial impact of such non-compliance matters is immaterial to our Group.

The relevant dishes in the isolated incidents were immediately replaced to the satisfaction of the relevant customers. Further, the Company has also implemented the “5-S” management system to enhance the standards of the entire operational process, including sourcing and processing of food ingredients and maintaining hygiene standards in an effort to minimize the chances that such incidents will occur again.

We have established a food safety committee to supervise our quality control system with respect to food safety issues across our restaurants. Our food safety committee is primarily responsible for, among other things, (i) formulating internal policies and guidelines for food safety issues and (ii) supervising and coordinating the food safety controls across our supply chain, central kitchens, logistics and restaurants. For details, see “— Internal Control Measures” in this section below.

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Building Orders-related Non-compliance Matters

As at the Latest Practicable Date, there were eight unreleased building orders issued by the Building Authority against our Group pursuant to section 24 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) (“Buildings Ordinance”) in relation to signboards erected on our restaurant premises (the “Building Orders”). According to the Building Orders, these signboards, each showing information relating to our restaurants such as our names and logo, were erected without having first obtained from the Building Authority the approval of building plans and commencement of such building works as required by section 14 of the Buildings Ordinance. Our Group was required to carry out rectification works in relation to these eight signboards in accordance with the plans approved by the Building Authority (the “Rectifying Works”). The table below summarizes the eight Building Orders which were issued to our Group:

Relevant Group company	Relevant restaurant	Date of issue	Deadline for completion of rectification work	Commencement date of the Rectifying Works	Completion date of the Rectifying Works	Date of applications for release of the relevant Building Order
Famous China . . .	Central Tsui Wah restaurant	February 22, 2006	April 23, 2006	August 2012	October 2012	October 2012
Senfield	Central Tsui Wah restaurant	March 24, 2011	May 22, 2011	August 2012	August 2012	August 2012
Sky Oasis	Pak Hoi Street Tsui Wah restaurant	April 1, 2008	May 31, 2008	August 2012	September 2012	October 2012
TW Restaurant Holding	Causeway Bay (Jaffe Road) Tsui Wah restaurant	August 20, 2008	September 19, 2008	August 2012	September 2012	October 2012
Royal Gold	Aberdeen Tsui Wah restaurant	January 27, 2011	February 26, 2011	August 2012	October 2012	October 2012
Win Idea	San Po Kong Tsui Wah restaurant	April 16, 2010	May 16, 2010	August 2012	September 2012	October 2012
Tsui Wah Restaurant (Note 1). . . .	Tsim Sha Tsui Tsui Wah restaurant	August 22, 2011	October 21, 2011	August 2012	September 2012	October 2012
Happy Oasis (Note 2). . . .	Tsuen Wan Shiu Wo Street Tsui Wah Restaurant	September 14, 2012	November 12, 2012	September 2012	October 2012	October 2012

Note 1: This Building Order was issued to “Tsui Wah Restaurant (翠華餐廳)” and it did not specify with particularity which Group company the Building Order was issued against.

Note 2: This Building Order was issued to us on September 14, 2012. The required rectification works have been completed in October 2012 prior to the deadline for completion of the same as specified in this Building Order and an application has been submitted for the release thereof. Accordingly, we are not liable for any penalty for this Building Order under the Buildings Ordinance.

As at the Latest Practicable Date, all Rectifying Works undertaken by our Group had been completed and applications had been submitted for the release of all Building Orders. We have carried out the necessary steps to rectify the situation and to comply with the relevant Building Orders. There was a time lapse between the date of issue of the Building Orders and the commencement of the Rectifying Works as we sought professional advice from an Authorized Person who had previously assisted our Group in minor construction works, such as water and electricity construction works, prior to 2006 and represented our Group in liaising with, and appealing to, the Building Authority in relation to the Building Orders upon the receipt of the first Building Order in February 2006. Subsequently, in preparation of our Listing, our Directors decided to further appoint a consultancy firm in April 2012 to advise us on the appropriate actions to be taken in order to speed up the process of obtaining a clearance from the Building Authority. Demolition work for the relevant signboards commenced soon after such appointment.

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As at the Latest Practicable Date, Rectifying Works for all signboards against which Building Orders had been issued have been carried out. As the carrying out of such Rectifying Works of the relevant signboards did not involve any full or partial closure of our restaurant operations, our Directors consider that the actual or possible impact on our Group's business is immaterial. Our Group has applied to the Building Authority for the release of the relevant building orders and our Directors understand that if the Building Authority accepts the Rectifying Works in its inspection to be carried out, such Building Orders will be released. As of September 2012, all appeals against the Building Orders had been withdrawn by our Group as a means to expedite the process of carrying out the Rectifying Works and having the Building Orders released. Our Hong Kong legal advisers have confirmed that upon completion of the Rectifying Works, there is no legal impediment for the release of the relevant Building Orders.

As at the Latest Practicable Date, our Directors confirm that all Rectifying Works have been completed and we have been advised by our Hong Kong legal advisers that, upon the issuance of the releases to the respective building orders by the Building Authority, the non-compliance matters with the Buildings Ordinance will be rectified.

Pursuant to section 40(1BA) of the Buildings Ordinance, any person that, without reasonable excuse, fails to comply with a building order served on him under section 24(1) of the Buildings Ordinance is liable to a maximum fixed fine of HK\$200,000, a maximum daily fine of HK\$20,000 per day and imprisonment for one year in maximum. To ascertain the likelihood of such maximum penalty being imposed on our Group, we have:

- (i) made verbal enquiries with the Buildings Department, on the basis of which our Directors have concluded that the likelihood of the maximum penalty to be imposed retrospectively after the Rectifying Works have been completed and the Building Orders have been lifted is low; and
- (ii) engaged a barrister (the "Counsel") with sufficient standing and substantial experience in handling land-related cases as a special counsel to our Company, who is of the opinion that:
 - (a) the required Rectifying Works for the Building Order served against Happy Oasis on September 14, 2012 have been completed before the deadline for complying with the said Building Order. As such, there is no criminal liability arising from it under the Buildings Ordinance;
 - (b) as a matter of practice, criminal sanctions are not ordinarily levied by the Buildings Department against a building owner who is in the course of removing the signboards. Given our Group has removed all relevant signboards as at the Latest Practicable Date, the chance of the Buildings Department levying charges against the Group is very remote;
 - (c) there are no reported cases wherein the Buildings Department charged owners under the Buildings Ordinance after the relevant building order has been complied with, albeit out of time; and
 - (d) in the unlikely scenario that charges are levied against our Group for the Building Orders, the penalty for each charge based on reported cases is likely to be a fixed fine of not more than HK\$10,000 and a daily fine of not more than HK\$100 per day. Based on the Counsel's opinion, our Directors are of the view that the potential penalties, if levied on our Group, with respect to the Building Orders would not exceed approximately HK\$860,000.

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Our Directors therefore are of the view that the likelihood of the maximum penalty under the Buildings Ordinance being imposed on the Group retrospectively after the Rectifying Works have been completed and the Building Orders have been lifted is low. Our Directors believe that the penalty, if any, will not be substantial and the financial impact to our Group is considered immaterial.

Pursuant to section 40(6) of the Buildings Ordinance, if our Group is found guilty and liable on conviction, the directors, managers or other officers (the “Officers”) of the relevant subsidiaries concerned in their management who are in actual control of their operations at the relevant time may also be held liable. The Counsel has considered the applicability of this provision and is of the view that any fines imposed for the Building Orders should be split among and shared by our Group and the Officers. We have been advised that in any event, any fines which might be imposed on the Officers will not be additional to those imposed on our Group. The Counsel is also of the view that the chance of imprisonment of the Officers is very remote.

Our Directors are aware that there are 12 building orders issued under section 24 of the Buildings Ordinance against the relevant landlord(s) of the premises where six of our restaurants are located (the “Six Building Order-related Restaurants”). These 12 building orders were issued against the relevant landlord(s) and therefore, our Group was not in possession of all the material information regarding these building orders. To the best of our Directors’ knowledge, six of these 12 building orders concerned building structures which were erected by our Group in relation to three of the Six Building Order-related Restaurants, and the remaining six building orders concerned building structures which were not erected by our Group in relation to the other three of the Six Building Order-related Restaurants.

With regard to the six building orders concerning building structures which were erected by our Group, we have already engaged professional consultants to conduct the required inspections at the relevant premises and if any unauthorized building works has been identified, our Group will arrive at a mutual understanding with the relevant landlords and will carry out the required rectification works in a controlled pace. Depending on the complexity of the required rectification works, our Directors currently expect that the completion time for such rectification works in each of these three restaurants will range from four to six months starting from the commencement of such rectification works.

In respect of the other six building orders concerning building structures which were not erected by our Group, to the best of our Directors’ knowledge, any unauthorized building structures concerned under the relevant building orders and/or notices issued against the landlords should not be related to any action of the Group and such building orders and/or notices will not have significant impact on the business operation of these restaurants.

To the best knowledge and information of our Directors and based on the Group’s Counsel’s opinion, the estimated monetary exposure to our Group in relation to these 12 building orders and/or notices against the landlord(s), if any, will be around HK\$910,000.

In respect of the above eight Building Orders and building orders and/or notices served on our landlords which may concern building structures erected by us, the Controlling Shareholders, collectively as the indemnifiers, have entered into the Deed of Indemnity in favour of our Company, under which the indemnifiers jointly and severally covenant and undertake with our Group to indemnify our Group from and against losses, liabilities, damages, costs, claims and expenses incurred by our Group in relation to the signboards previously used by our Group (including but not limiting to the above mentioned signboards) and any other unauthorized building works which have been erected by our Group at any time prior to the Listing Date. More details of the Deed of Indemnity are set out in “G. Other Information — 2. Indemnities given by the Controlling Shareholders” in Appendix IV to this prospectus. In order to prevent similar incidents in the future, we have implemented a set of new internal compliance manual to monitor all relevant compliance matters in relation to the Buildings Ordinance. See “— Internal Control Measures” in this section below.

Water pollution control license-related non-compliance matters

Pursuant to sections 9(1) and 9(2) of the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) (“WPCO”), a water pollution control license from the Environmental Protection Department (“EPD”) is required prior to any discharge of trade effluents.

As at the Latest Practicable Date, all of our restaurants in Hong Kong have obtained valid water pollution control licenses from the EPD. During the Track Record Period, eight of our restaurants did not obtain the relevant water pollution control licenses prior to commencement of their business operations. We omitted to apply for the water pollution control licenses for those restaurants before the commencement of their business operations due to the rapid expansion and growth of our restaurants in the past in Hong Kong, which led to inadvertent oversight of our management. Despite our omission and oversight, our Directors confirm that the relevant restaurants have complied with all requirements and standards under the WPCO during the Track Record Period. Upon identification of such non-compliance during the preparation for the Listing, we have filed applications for all outstanding water pollution control licenses and all outstanding licenses have been issued as at the Latest Practicable Date.

Pursuant to section 9(1), 9(2) and 11 of the WPCO, if we are found to be in breach of the WPCO for discharging trade effluent without the water pollution control license, the maximum penalty is a fine of HK\$200,000 in the case of a first offense and HK\$400,000 in the case of a subsequent offense, together with an additional daily fine of HK\$10,000 for continuing offense. Pursuant to section 10A of the WPCO, any director, manager or other officer (the “Responsible Officers”) of the relevant subsidiaries concerned in their management who is in actual control of their operations at the relevant time commits the offense may also be held liable and imprisoned for six months. We have made verbal consultation with the EPD on the likelihood of the maximum penalty to be imposed in such circumstances. Based on the reply of the EPD, our Directors are of the view that the penalty, if any, will not be substantial and the financial impact to our Group is considered immaterial. Further, our Controlling Shareholders have undertaken to indemnify us for any liability to pay fines that may be imposed in connection with the water pollution control license to non-compliances in the past. See “Statutory and General Information — Other Information — Indemnities” in Appendix IV to this prospectus for further details.

We have been advised by the Counsel that:

- (i) given that we have already taken positive steps in applying for the outstanding water pollution control licenses, it is highly unlikely that the EPD will initiate any criminal proceedings against our Group or the Responsible Officers;

- (ii) in the unlikely event that they are charged, the likely penalties, based on reported cases, would not exceed a fixed fine of HK\$10,000 and a daily fine of HK\$50 per day. Based on the Counsel's opinion, our Directors are of the view that the potential penalties, if levied on our Group, with respect to the outstanding water pollution control licenses would not exceed approximately HK\$360,000;
- (iii) if any fine is imposed by the court on the Group and the Responsible Officers under section 10A of the WPCO, the fines would be split between the responsible officers and our Group. In other words, the fines imposed on the Responsible Officers will not be in addition to those imposed to the Group; and
- (iv) the chance of imprisonment for the Responsible Officers is very remote.

Fire Services-related Non-compliance Matters

Pursuant to section 14(1) of the Fire Services (Fire Hazard Abatement) Regulations (Chapter 95F of the Laws of Hong Kong), any person in charge of premises shall not permit any article to obstruct the means of escape from such premises.

In May 2012, one of our subsidiaries in Hong Kong was found to be non-compliant with the requirement. We have rectified the non-compliant incident and were subject to a monetary penalty. As the monetary penalty which our Group was subject to was insubstantial, our Directors considered the financial impact on our Group as immaterial.

As at the Latest Practicable Date, all of our subsidiaries are in compliance with the material aspects of the Fire Services (Fire Hazard Abatement) Regulations.

Accounts-related Non-compliance Matters

Pursuant to section 129C of the Companies Ordinance, the directors of a company incorporated in Hong Kong must cause relevant auditors' report to be attached to a balance sheet before the balance sheet is issued, circulated or published. Section 129C of the Companies Ordinance further provides that if any copy of a balance sheet is issued, circulated or published without having annexed thereto a copy of the profit and loss account or any group accounts required by the section to be so annexed, or without having attached thereto a copy of the auditors' report, the relevant company and every officer of the company who is in default may be liable to a fine of up to HK\$150,000.

During the period from year 2004 to 2011, due to unintended and inadvertent omission of the relevant officer who had been responsible for company secretarial and corporate administrative matters to arrange for audits of the relevant Group members in the manner prescribed under the Companies Ordinance, some of our subsidiaries incorporated in Hong Kong have, on a total of around 50 occasions, failed to comply with this requirement as the relevant auditors' report were still in the process of being prepared at the time of the relevant annual general meeting and was not available. A maximum fine of HK\$150,000 may be imposed on each occasion. As at the Latest Practicable Date, we have submitted the requisite audited accounts for the relevant Group companies to their respective shareholders for adoption.

In light of the above, we have made a voluntary submission to the Companies Registry in June 2012, disclosing such accounts-related non-compliance matters. The Companies Registry reserved its rights against us in its reply, and in the event that our Group and/or Directors of the relevant subsidiaries at the relevant time in default is found guilty of such non-compliance, our Group and Directors who were in default may be liable to a fine. The Companies Registry has not yet levied any penalty up to the Latest Practicable Date.

In this regard, our Controlling Shareholders, collectively as the indemnifiers, have entered into the Deed of Indemnity in favour of our Company, under which the indemnifiers jointly and severally covenant and undertake with our Company to indemnify our Group against losses, liabilities, damages, costs, claims and expenses incurred by our Group in relation to these accounts-related non-compliance matters at any time prior to the Listing Date. More details of the Deed of Indemnity are set out in “G. Other Information — 2. Indemnities given by the Controlling Shareholders” in Appendix IV to this prospectus.

General Non-compliance Matters

Under the Companies Ordinance, a Hong Kong company must file a notice with the Registrar of Companies in Hong Kong upon certain changes in its corporate particulars within a prescribed timeframe specified in the Companies Ordinance. Some of our subsidiaries incorporated in Hong Kong have failed to file the required notices within the prescribed timeframe due to absence of timely and professional advice to the relevant subsidiaries on this matter and may be subject to fines for such previous non-compliance, which our Directors consider would not be substantial.

As of the Latest Practicable Date, the relevant Group members have filed with the Hong Kong Companies Registry all relevant and necessary prescribed forms and notices.

Our Directors confirm that our Group will obtain all necessary licenses, approvals, permits and certificates from the relevant government authorities before any new restaurant comes into operations.

PRC regulatory compliance

Overview

According to our PRC legal adviser, we need to obtain a series of licenses, permits and approvals before a planned new restaurant located in the PRC may commence business operations, which primarily include a business license, food service license, liquor retail license environmental protection assessment and inspection approval, fire safety design approval and fire prevention inspection approval, or/and public assembly venue hygiene license. We have obtained the necessary licenses and permits required for operation of all our restaurants in the PRC. The expiration dates of the licenses and permits for our four existing restaurants in the PRC range from March 29, 2013 to June 10, 2015. We will apply to renew the relevant licenses in due course and as advised by our PRC legal adviser, there is no legal impediment for us to obtain the relevant licenses.

Non-compliance of our Group during the Track Record Period

Fire Services-related Non-compliance Matter

In 2011, one of our subsidiaries in the PRC was involved in an occasion of non-compliance with a fire-safety requirement by occupying evacuation routes in breach of the Article 60 of the PRC Fire Prevention Law (《中國人民共和國消防法》). As a result, we were subject to an insignificant penalty. Our Group had paid the penalty and our Directors believe that the financial impact of such non-compliance matter is immaterial to our Group. As at the Latest Practicable Date, the situation leading to such incident has been rectified.

Tax-related Non-compliance Matter

In 2011, one of our subsidiaries in the PRC was involved in certain tax-related non-compliance incidents for making tax filings with incorrect deductions and for omitting to withhold personal salary tax, in breach of the requirements in Articles 2 and 3 of the PRC Personal Gain Tax Law (《中國人民共和國個人所得稅法》) and Article 69 of PRC Tax Collection Management Law (《中國人民共和國稅收徵收管理法》). Our Group was fined and had paid an insubstantial amount, in which our Directors believe that the financial impact on our Group is immaterial. As at the Latest Practicable Date, the situation leading to such incident has been rectified.

Food Safety-related Non-compliance Matter

In 2011, one of our subsidiaries in the PRC has been found to be in breach of Article 7 of Public Places Hygiene Management Regulations (《公共場所衛生管理條例》) by employing staff who has not obtained a Satisfactory Health Certificate (健康合格證), for which we were subject to an insignificant penalty. Our Group had paid the penalty and our Directors believe that the financial impact of such non-compliance matter is immaterial to our Group. As at the Latest Practicable Date, the situation leading to such incident has been rectified.

In addition, one of our subsidiaries in the PRC was found to be in breach of the requirements under Articles 27, 28, 34, 39 and 66 the PRC Food Safety Law (《中華人民共和國食品安全法》), Article 24 of the Regulations on the Implementation of the PRC Food Safety Law (《中華人民共和國食品安全法實施條例》) and Articles 10, 12, 14 and 16 of the Catering Services Food Safety Supervision Management Methods (《餐飲服務食品安全監督管理辦法》), which prohibits, among other things, the using of food with improper labels, for which we received a warning and were subject to an insignificant penalty. Our Group had paid the penalty and our Directors believe that the financial impact of such non-compliance matter is immaterial to our Group. As at the Latest Practicable Date, the situation leading to such incident has been rectified.

Macau regulatory compliance

We confirm that, as at the Latest Practicable Date, there were no material breaches or violations of laws and regulations in Macau applicable to us that would have a material adverse effect on our business or financial condition taken as a whole. As at the Latest Practicable Date, we had obtained all licenses and permits necessary for our operations in Macau.

Internal Control Measures

We have adopted the following measures to ensure on-going compliances with all applicable laws and regulations after Listing and to strengthen our control environment at the monitoring level:

- (i) Since June 1, 2012, we have been implementing the following internal control measures to ensure compliance with the Listing Rules and the relevant Hong Kong, PRC and Macau laws and regulations:

*Building Orders, food
business license and
water pollution control
license related matters*

Reasons

Our Building Orders-related matters were a result of changes in the relevant legal requirements which rendered previously acceptable construction works and internal decors unacceptable, as well as inadvertent and sub-standard works carried out by contractors engaged by our Group. Our water pollution control license related matters were a result of administrative oversight. We also have to renew our food business licenses annually and apply for food business licenses for our new restaurants and for restaurant expansion.

Measures to ensure compliance

The following internal control measures have been adopted by our Group:

(a) Internal committee

We have established an internal control committee comprising of three members, namely Ms. LI Tsau Ha (our general manager), Mr. YANG Dong John (our chief financial officer) and our business development officer. The primary duties of our internal committee are the oversight of all compliance-related issues of our Group, including human resources, financial report and restaurants operations. Our internal committee supervises our administration team (which oversees the compliance matters of our existing restaurants) and our asset management department (which oversees the compliance matters of our new restaurants).

Our business development manager is a chartered financial analyst, a certified management accountant and is a member of The American Institute of Certified Public Accountants. He has over 15 years of working experiences in corporate finance, accounting, and financial advisory services. He will apply his high degree of professionalism and his experiences to oversee our compliance-related matters as a member of our internal committee.

(b) Administration team

We have established an administration team under the human resources department, comprising Ms. LI Tsau Ha (our general manager) as the head of department, one manager and one administrative officer.

Our administration and human resources manager has eight years of relevant experiences in the restaurant and service industry during which she had been handling the license and permit matters of our Group and other institutions. She has obtained the ISO 22000 Food Safety Management System training 2008. Our administration and human resources assistant officer has approximately three years of experiences assisting Ms. Li and our administration and human resources manager in handling the license and permit matters of our Group. See “Directors and Senior Management — Senior Management” for biographical details of Ms. Li.

Our administration team supervises the renewal of all required licenses, permits and approvals by monitoring the pending expiration dates of all licenses, permits and approvals and coordinating the timely preparation and submission of relevant licenses renewal applications.

Our administration team reports to Mr. Lock, our chief executive officer on a periodic basis.

(c) Asset management department and project management department

We have established the asset management department comprising of three members. The asset management department monitors all compliance matters relating to new restaurants in Hong Kong.

Our asset management team is led by our general affairs manager and comprises of two officers. Our general affairs manager joined our Group in November 2011 and has over 16 years of extensive experiences in restaurant and service industry in Hong Kong. He is able to apply his extensive experiences in overseeing project development to monitor our new restaurant operations. The other two members have approximately one to four years of experiences within our Group during which they have obtained practical experience in new restaurant development.

Before a new restaurant commences operations, a project manager is assigned to handle the entire development process. This project manager will assist our asset management department to obtain relevant licenses and report to internal committee on all compliance matters such as compliance with various buildings and structural requirements. Our asset management department will coordinate with the relevant third party consultants and advisers where appropriate to ensure compliance with all applicable laws and regulations. All expansion plans, which detail the steps to be taken to ensure compliance, must be reported to the internal committee on a weekly basis and new restaurants will come into operation only with the approval of the internal committee.

We have a dedicated chief operation officer, Mr. LAW Cho Yan, to monitor the compliance status of our new restaurants in the PRC. See “Directors and Senior Management — Senior Management” for his biographical details. Mr. Law reports to Mr. Lock, our chief executive officer on a periodic basis. We have established the project management department comprising of three members to handle and monitor the whole process of developing a new restaurant in the PRC. Our project management department reports to Mr. Law on a regular basis.

(d) Chief operation officer

We have a dedicated chief operation officer, Mr. LAW Cho Yan, to monitor compliance status of our PRC operations. See “Directors and Senior Management — Senior Management” for his biographical details. Mr. Law is a member of the Hong Kong Institute of Certified Public Accountants. He is able to apply his high level of professionalism and dedication as an experienced manager and account in his oversight of our PRC compliance status. Mr. Law reports to Mr. Lock, our chief executive officer on a periodic basis.

(e) Engagement of professional advisers

We will engage external professional advisers, including Authorized Persons, registered architects, contractors, consultancy firms, auditors and external legal advisers to ensure that any building or structural works conducted at the premises of our restaurants or structures of any new restaurants of our Group comply with the relevant laws and regulations.

*Food safety related
non-compliance matters*

Reasons

Our food safety related non-compliance matters were isolated incidents to which we believe is not uncommon in our industry. These matters were a result of unintended and inadvertent omission of certain employee in the process of food preparation. Given our scale of operations, our Directors believe that these incidents are immaterial to our overall quality control.

Measures to ensure compliance

The following internal control measures have been adopted by our Group:

- (a) we have established a food safety committee to supervise our quality control system with respect to food safety issues across our restaurants.
- (b) the food safety committee currently comprises of eight members, including Mr. WK Cheung, Mr. YP Cheung (both executive Directors), Ms. LI Tsau Ha (our general manager) and other mid-level management officers.

- (c) each of Mr. WK Cheung, Mr. YP Cheung and Ms. Li has extensive experience in the restaurant industry and is familiar with the food preparation process and food safety regulations. See “Directors and Senior Management” for their biographical details.
- (d) Some of the members of the food safety committee have obtained a diploma in food science and technology and have approximately one to five years of relevant working experience in food safety matters.

Accounts-related and general non-compliance matters

Reasons

Our accounts-related and general non-compliance matters were a result of unintended and inadvertent omission of a relevant officer who had been responsible for company secretarial and corporate administrative matters.

Measures to ensure compliance

The following internal control measures have been adopted by our Group:

- (a) We have appointed Mr. YANG Dong John as our company secretary to oversee our secretarial and accounting matters.
 - (b) Mr. Yang is a member of the Hong Kong Institute of Certified Public Accountants and is qualified to act as a company secretary of a listed company under the Listing Rules. He has experience in handling compliance matters of listed companies and will ensure our compliance with the Listing Rules and the Companies Ordinance with respect to accounts-related matters and other company secretarial matters.
- (ii) we have established the audit committee which comprises of three independent non-executive Directors. Mr. YIM Kwok Man and Mr. WONG Chi Kin possess extensive experience in accounting and financial management experience. Mr. Yim has held independent directorship in a listed company in Hong Kong, while Mr. Wong serves as a company secretary, authorized representative and chief financial officer in another listed company in Hong Kong, both to oversee the internal control procedures and accounting and financial reporting matters. The audit committee has also adopted its terms of reference which set out clearly its duties and obligations for ensuring compliances with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters;

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- (iii) we have adopted an administration manual in June 2012 in order to monitor the Group's future compliance and maintenance matters of all restaurant licenses;
- (iv) we have engaged an Authorized Person who began to advise us on the Building Orders in February 2006 and further appointed a consultancy firm in April 2012 to assist us with the signboards erected by us. Further, we have engaged external professionals, including auditors, external legal adviser and other advisers beginning June 2012 to render professional advice as to compliances with statutory requirements (including Buildings Ordinance, Water Pollution Control Ordinance and Food Business Regulation) as applicable to our Group from time to time. We have also appointed a compliance adviser to advise our Company on compliance matters in accordance with Rule 3A.19 of the Listing Rules;
- (v) in order to further enhance the effectiveness of our internal control system, we have implemented in June 2012 new internal control procedures on certain aspects of our operations, including in relation to building works. We have established in June 2012 an internal committee to oversee, among others, compliance status of our building works in our restaurants and any new restaurants of the Group. We have engaged in April 2012, and will continue to engage, an architect firm to advise on compliance matters in relation to building works; and
- (vi) our Directors and other members of the senior management of our Group have attended trainings conducted by our Company's Hong Kong legal advisers on the on-going obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the Securities and Futures Ordinance and the Listing Rules.

Our Directors are of the view that the above measures can enhance our staff's understanding of the relevant laws and regulations and strengthen our control environment at both working level and monitoring level, and therefore, our Directors and the Sole Sponsor are of the view that the internal control measures adopted by our Group are adequate and effective in significantly reducing the risk of future non-compliance with legal and regulatory requirements in Hong Kong and the PRC.

ENVIRONMENTAL MATTERS

We are subject to environmental protection laws and regulations promulgated by the governments of Hong Kong and the PRC. We will devote operating and financial resources to environmental compliance whenever we are required by PRC or Hong Kong laws to do so in the future.

LEGAL PROCEEDINGS

From time to time we have been, and may in the future be occasionally, involved in routine legal proceedings or disputes in the ordinary course of business that are common for our industry, including minor employment disputes, customer complaints and contract disputes with our suppliers or service providers. During the Track Record Period, our Group was involved in approximately ten such legal proceedings in each financial year, most of which have already been settled or have not been subject to further action taken by the other parties. Our Directors estimate that our outstanding aggregate monetary exposure with respect to these legal proceedings is approximately HK\$3 million and such monetary exposure, if materialized, is insignificant and immaterial to our Group. We are also subject to regular investigations by the relevant government regulatory bodies in relation to our licenses as well as accounting and auditing matters. As at the Latest Practicable Date, we were not involved in any litigation or

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arbitration proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material adverse effect on our business, financial condition or results of operations.

The Hong Kong Magistrates Court issued a summons in August 2012 with respect to the food business license of one of our restaurants. See “Business — Legal and regulatory compliance — Hong Kong regulatory compliance — Transfer of food business licenses of the six restaurants” for further details.