



Fulum Group Holdings Limited
富臨集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1443

Global Offering



Sole Sponsor

Deutsche Securities Asia Limited

Deutsche Bank Group 

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Deutsche Bank AG, Hong Kong Branch

Deutsche Bank Group 

BOCI Asia Limited

 BOC INTERNATIONAL

IMPORTANT

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



Fulum Group Holdings Limited 富臨集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 325,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 32,500,000 Shares (subject to adjustment)
Number of International Placing Shares	: 292,500,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$1.66 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.001 per Share
Stock code	: 1443

Sole Sponsor

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 **BOC INTERNATIONAL**

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

A copy of this prospectus, having attached thereto the documents specified in "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged, or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, November 7, 2014 and, in any event, not later than Wednesday, November 12, 2014. The Offer Price will be no more than HK\$1.66 per Offer Share and is currently expected to be no less than HK\$1.26 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed by Wednesday, November 12, 2014 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

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

The Joint Global Coordinators may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.fulum.com.hk no later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. For further information, see "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus.

November 4, 2014

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in English in The Standard and in Chinese in the Hong Kong Economic Times and on the websites of the Stock Exchange at www.hkexnews.hk and our Company on www.fulum.com.hk.

Latest time to complete electronic applications under HK eIPO White Form service through the designated website www.hkeipo.hk ⁽²⁾	11:30 a.m. on Friday, November 7, 2014
Application lists of the Hong Kong Public Offering open ⁽³⁾	11:45 a.m. on Friday, November 7, 2014
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Friday, November 7, 2014
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, November 7, 2014
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, November 7, 2014
Application lists of the Hong Kong Public Offering close ⁽³⁾	12:00 noon on Friday, November 7, 2014
Expected Price Determination Date ⁽⁵⁾	Friday, November 7, 2014

(1) Announcement of:

- the Offer Price;
- an indication of the level of interest in the International Placing;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published in The Standard
(in English) and the Hong Kong Economic Times
(in Chinese) and on the websites of the Stock Exchange
at www.hkexnews.hk and our Company at www.fulum.com.hk
on or before⁽⁶⁾

Wednesday,
November 12, 2014

EXPECTED TIMETABLE⁽¹⁾

(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Stock Exchange at www.hkexnews.hk and our Company's website at www.fulum.com.hk (see the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results") from Wednesday, November 12, 2014

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk⁽⁷⁾ and the Company's website at www.fulum.com.hk⁽⁸⁾ from Wednesday, November 12, 2014

Results of allocations for the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result with a "search by ID" function Wednesday, November 12, 2014

Dispatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁶⁾ Wednesday, November 12, 2014

Dispatch of HK eIPO White Form e-Auto Refund payment instructions/refund cheques on or before⁽⁹⁾ Wednesday, November 12, 2014

Dealings in Shares on the Stock Exchange to commence on Thursday, November 13, 2014

Notes:

- (1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, November 7, 2014, the application lists will not open on that day. See "How to Apply for Hong Kong Offer Shares — 10. Effect of bad weather on the opening of application lists" in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (5) The Price Determination Date is expected to be on or around Friday, November 7, 2014 and, in any event, not later than Wednesday, November 12, 2014. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Wednesday, November 12, 2014, the Global Offering will not proceed and will lapse.
- (6) **Share certificates are expected to be issued on Wednesday, November 12, 2014 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Thursday, November 13, 2014. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely of their own risk.**
- (7) The announcement will be available for viewing on the “Main Board — Allotment of Results” page on the Stock Exchange’s website www.hkexnews.hk and our Company’s website at www.fulum.com.hk.
- (8) None of the website or any of the information contained on the website forms part of this prospectus.
- (9) **e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.**

You should read carefully “Underwriting”, “Structure and Conditions of the Global Offering” and “How to Apply for Hong Kong Offer Shares” for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and Share certificates.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of our or their respective directors or advisers, or any other person or party involved in the Global Offering. Information contained in our website, located at www.fulum.com.hk, does not form part of this prospectus.

	Page
Expected Timetable	i
Contents	iv
Summary and Highlights	1
Definitions and Glossary	17
Forward-looking Statements	30
Responsibility Statements	32
Risk Factors	33
Global Offering and Listing	61
Waivers from Strict Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance	65
Directors and Parties Involved in the Global Offering	69

CONTENTS

	<i>Page</i>
Corporate Information	73
Industry Overview	75
Laws and Regulations	95
History and Corporate Structure	104
Business	123
Relationship with our Controlling Shareholders	212
Continuing Connected Transactions	228
Directors and Senior Management	237
Financial Information	250
Future Plans and Use of Proceeds	300
Substantial Shareholders	302
Share Capital	304
Underwriting	308
Structure and Conditions of the Global Offering	319
How to Apply for Hong Kong Offer Shares	329
Appendix I — Accountants' Report	I-1
Appendix II — Unaudited Pro Forma Financial Information	II-1
Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law	III-1
Appendix IV — Statutory and General Information	IV-1
Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection	V-1

SUMMARY AND HIGHLIGHTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in our Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are set out in "Risk Factors". You should read that section carefully before you decide to invest in our Offer Shares.

OVERVIEW

We are a top three full-service restaurant chain serving Chinese cuisine in Hong Kong, based on sales revenue in 2013, according to the Frost & Sullivan Report. In particular, we are a top two full-service restaurant chain serving Cantonese cuisine in Hong Kong, based on sales revenue in 2013, according to the Frost & Sullivan Report⁽³⁾.

Our Controlling Shareholders, Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung, incorporated the operating entity for their first restaurant under our "Fulum (富臨)" main brand in 1992. As at the Latest Practicable Date, we owned and were operating 55 restaurants in Hong Kong under different brands serving a variety of cuisines. Our restaurants can be categorized into three lines of business: (1) restaurants under the "Fulum (富臨)" main brand focusing on Cantonese cuisine targeting the mass market⁽¹⁾, (2) restaurants under the "Sportful Garden (陶源)" main brand focusing on Cantonese cuisine targeting mid-to-high end market⁽²⁾, and (3) specialty cuisine restaurants under our "Fulum Concept (富臨概念)" line of business, which are generally of a smaller size, under various other brands serving Chinese and non-Chinese specialty cuisines.

We have adopted a multi-brand strategy aimed at the Hong Kong market. With two business lines and main brands covering the spectrum of mass market to mid-to-high end Cantonese cuisine market in Hong Kong, as well as a line of smaller specialty restaurants, our diverse restaurant network has enabled us to attract a diversified customer base across Hong Kong. Our multi-brand strategy also gives us flexibility in our operations and in planning our future expansion strategy. Our Directors believe that a key factor in our success to date has been our desire and ability to adapt over time to customer demands and preferences in different market segments and across different locations in Hong Kong. As the Hong Kong market evolves, our Directors believe that we are positioned to adapt accordingly.

Notes:

- ¹ According to the Frost & Sullivan Report, "mass market" in the context of the Cantonese cuisine restaurant industry refers to restaurants with an average guest check of less than HK\$150 in Hong Kong, or less than RMB100 in China.
- ² According to the Frost & Sullivan Report, "mid-to-high end market" in the context of the Cantonese cuisine restaurant industry refers to restaurants with an average guest check of HK\$150 to HK\$800 in Hong Kong, or RMB100 to RMB600 in China.
- ³ Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report, October 31, 2014, which may qualify, contradict or have an impact on the information in this prospectus.

SUMMARY AND HIGHLIGHTS

As at the Latest Practicable Date, we owned and were operating 36 restaurants in Hong Kong under the “Fulum (富臨)” main brand, divided into six sub-brands, including Fulum Palace (富臨皇宮), Fulum Restaurant (富臨酒家), Fulum Fisherman’s Wharf Restaurant (富臨漁港), Pleasant Palace (囍臨門), Fulum Cantonese Taste (富臨粵之味) and Banquet Palace. We were also operating ten Sportful Garden Restaurants (陶源酒家(鮑魚專門店)) in Hong Kong under the “Sportful Garden (陶源)” main brand. Under the “Fulum Concept (富臨概念)” line of business, we were operating nine specialty cuisine restaurants in Hong Kong, divided into five sub-brands, including Treasure City Hot Pot Seafood Restaurant (富城火鍋海鮮酒家), Winter Steam Pot Restaurant (正冬火鍋), The Orient Barbecue Cuisine (正東燒豬料理), Beijing Barbecue Cuisine and MeokBang Korean BBQ & Bar (焗八韓烤).

Restaurant Network

We own and operate all of our restaurants and lease all of the properties in which our restaurants operate. The following table sets forth the number of restaurants we owned and were operating as of the dates indicated.

	As of March 31,			As of	As of the Latest Practicable Date
	2012	2013	2014	June 30, 2014	
Number of restaurants operated by us					
under “Fulum (富臨)” main brand	26	32	35	35	36
under “Sportful Garden (陶源)” main brand	8	8	10	10	10
under “Fulum Concept (富臨概念)” main line	<u>0</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>9</u>
Total	<u>34</u>	<u>41</u>	<u>52</u>	<u>52</u>	<u>55</u>

During the Track Record Period, we added 3, 8, 12 and 1 restaurants to our restaurant network in the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively. Of the 12 restaurants added to our restaurant network in the year ended March 31, 2014, six were newly opened by us and six were acquired by us. From July 1, 2014 to the Latest Practicable Date, we added three new restaurants, all of which were newly opened by us. During the Track Record Period, we closed one restaurant in each of the three years ended March 31, 2014 and one restaurant in the three months ended June 30, 2014.

SUMMARY AND HIGHLIGHTS

A new restaurant generally generates lower profit due to lower sales and higher start-up operating costs in the initial stage and requires a period of time from its opening to achieve target sales. During the Track Record Period, we opened 18 new restaurants⁽¹⁾. As at June 30, 2014, 17 of these 18 new restaurants had achieved a breakeven point which is the first month in which the monthly revenue is at least equal to the monthly expenses of a restaurant. On average, these 17 new restaurants took approximately four months to reach the breakeven point. As at June 30, 2014, two of these 18 new restaurants opened during the Track Record Period had reached the investment payback point, which is when the accumulated net profit from a restaurant exceeds the costs of opening and operating the restaurant, including incurred capital expenditures and ongoing cash and non-cash operating expenses. The average investment payback period for these two new restaurants was approximately 13 months.

Customers

As a restaurant chain, we have a large and diversified customer base across Hong Kong. We did not rely on any single customer during the Track Record Period.

Suppliers

During the Track Record Period, our five largest suppliers were principally engaged in the business of supplying food and ingredients, including (i) fresh seafood, (ii) seafood delicacies, (iii) meats and (iv) vegetables. We have a long standing relationship with our five largest suppliers and have purchased food and ingredients from three of them for over five years. For the three years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, the total purchases from our five largest suppliers in aggregate accounted for approximately 34%, 41%, 45% and 29%, respectively, and our purchases from our largest supplier accounted for approximately 11%, 15%, 16% and 14%, respectively, of our total purchases.

INDUSTRY

According to the Frost & Sullivan Report, (i) the revenue generated from the Chinese full-service restaurant segment in Hong Kong increased from HK\$17.7 billion in 2008 to HK\$22.2 billion in 2013, representing a CAGR of 4.6% over the period, and (ii) the revenue generated from the Cantonese full-service restaurant segment in Hong Kong increased from HK\$14.0 billion in 2008 to HK\$17.4 billion in 2013, representing a CAGR of 4.4% over the period. Full-service restaurants held a large share of the Chinese cuisine segment and Cantonese cuisine segment in Hong Kong in 2013, amounting to approximately 48.6% and 42.5%, respectively. In 2013, Cantonese full-service chain restaurants contributed 53.0% of the revenue generated by the Cantonese full-service restaurant segment in Hong Kong. Frost & Sullivan projects that revenue generated from the Chinese full-service restaurant segment will reach HK\$27.1 billion in 2017, representing a CAGR of 4.7% from 2014 to 2017.

¹ Excludes the six restaurants acquired by us on March 1, 2014.

SUMMARY AND HIGHLIGHTS

According to the Frost & Sullivan Report, (i) the revenue generated from the Chinese full-service restaurant segment in China increased from RMB750.0 billion in 2008 to RMB1,395.4 billion in 2013, representing a CAGR of 13.2% over the period, and (ii) revenue generated from the Cantonese full-service restaurant segment in China increased from RMB59.4 billion in 2008 to RMB104.7 billion in 2013, representing a CAGR of 12.0% over the period. The Cantonese full-service restaurant industry in China has been dominated by non-chain restaurants. In 2013, Cantonese full-service chain restaurants contributed 22.1% of the revenue generated by the Cantonese full-service restaurant segment in China. Frost & Sullivan projects that revenue generated from the Chinese full-service restaurant segment will reach RMB1,912.9 billion in 2017, representing a CAGR of 7.9% from 2014 to 2017.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths include the following: (i) a well-recognized and preferred brand in the Chinese restaurant business in Hong Kong; (ii) a multi-brand strategy with a diversified customer base; (iii) highly standardized operations and an efficient management system as a systematic platform to sustain future growth; (iv) quality cuisine and new product development to attract customers and broaden customer base; and (v) leadership under experienced and passionate restaurateurs and professional management team.

OUR STRATEGIES

Our strategic objective is to become a leading multi-brand restaurant group with a diverse customer base in Greater China. To this end, we intend to implement the following strategies: (i) continue to expand in Hong Kong on the basis of our multi-brand strategy; (ii) progressively expand into the PRC; (iii) continue to promote brand image and recognition through marketing initiatives; (iv) drive comparable restaurant sales growth; and (v) continue to control our operating costs in order to enhance overall profitability.

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Global Offering and Capitalization Issue (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options), Mr. Yeung (through China Sage), Mr. YC Yeung and Mr. YK Yeung, each an Executive Director of our Company and a founder of our Group, will together control approximately 69.9% of the issued share capital of our Company in aggregate and are our Controlling Shareholders. Our other Shareholders will be Mr. Leung, an Executive Director, and participants of the Global Offering. For further information, see page 212 in this prospectus under "Relationship with our Controlling Shareholders".

SUMMARY AND HIGHLIGHTS

Prior to our Reorganization, our Controlling Shareholders were interested in (i) our Group's business; (ii) certain properties on which we operate some of our restaurants in Hong Kong; and (iii) five Excluded PRC Restaurants, which are mid-to-high end restaurants under the "Sportful Garden (陶源)" brand in the PRC. In preparation for the Listing, our current restaurant business was transferred to our Group as a result of our Reorganization, and our Controlling Shareholders have retained their interests in the Excluded PRC Restaurants and their property interests, which are leased to our Group for restaurant operations. These leasing arrangements, the details of which are set out on pages 228 to 231 in this prospectus under "Continuing Connected Transactions", constitute continuing connected transactions of our Group upon Listing.

The Excluded PRC Restaurants of our Controlling Shareholders have no competition, direct or indirect, with our Group as we currently have no operations in the PRC. As part of our corporate business strategy, we currently plan to open new restaurants under an existing sub-brand of, or a new sub-brand derived from, our "Fulum (富臨)" main brand targeting the mass market segment in the PRC. These new PRC restaurants of our Group will be clearly delineated from the Excluded PRC Restaurants of our Controlling Shareholders in terms of, amongst other, (i) different target clientele and market positioning, whereby our Group will focus on the mass market segment differentiated from the mid-to-high end position of the Excluded PRC Restaurants; (ii) separate locations; (iii) different brand names; and (iv) independent management. The Excluded PRC Restaurants are subject to annual offer arrangements and a right of first refusal, pursuant to which we will receive offers to acquire all or part of the Excluded PRC Restaurants from our Controlling Shareholders if we see merits in doing so. For further details, see pages 213 to 218 in this prospectus under "Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Excluded PRC Restaurants" and "Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Annual Offer Arrangements and Right of First Refusal".

SHARE OPTION SCHEMES

We have conditionally adopted the Pre-IPO Share Option Scheme on October 28, 2014 as further described on pages IV-19 to IV-27 in this prospectus under "Appendix IV — Statutory and General Information — F. Pre-IPO Share Option Scheme" to grant 54,000,000 Pre-IPO Share Options to 346 Grantees.

We have also conditionally adopted the Post-IPO Share Option Scheme. See pages IV-28 to IV-40 in this prospectus under "Appendix IV — Statutory and General Information — G. Post-IPO Share Option Scheme" for a summary of the principal terms under the Post-IPO Share Option Scheme.

SUMMARY AND HIGHLIGHTS

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary consolidated financial information of our Group. We have derived the consolidated financial information for the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, and as of March 31, 2012, 2013 and 2014 and June 30, 2014 from our audited consolidated financial statements set forth in the Accountants' Report in Appendix I to this prospectus. The summary consolidated financial information should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this prospectus, including the related notes. Our consolidated financial information was prepared in accordance with HKFRS.

Selected Consolidated Statements of Comprehensive Income and Consolidated Statements of Financial Position

	For the year ended March 31,			For the three months ended June 30,	
	2012	2013	2014	2013	2014
	(HK\$'000)				
Revenue	1,723,933	1,885,040	2,226,189	481,688	547,570
Profit before tax	125,047	195,206	219,899	14,187	10,508
Profit for the year/period	104,117	160,526	180,058	10,339	6,845
Profit for the year/period attributable to:					
Owners of the Company	96,602	148,802	167,541	9,586	6,845
Non-controlling interests	7,515	11,724	12,517	753	—
	As of March 31,			As of June 30,	
	2012	2013	2014	2014	
	(HK\$'000)				
Current assets	342,249	416,222	678,946	479,294	
Current liabilities	298,280	330,534	452,375	276,750	
Net current assets	43,969	85,688	226,571	202,544	
Net assets	71,860	232,386	483,721	490,566	
Total assets less current liabilities	219,959	370,544	521,490	526,337	

SUMMARY AND HIGHLIGHTS

Selected Consolidated Statements of Cash Flows

	For the year ended March 31,			For the three months ended June 30,	
	2012	2013	2014	2013	2014
	(HK\$'000)				
Net cash flows from/(used in)					
operating activities	159,832	179,160	215,306	(21,150)	(12,481)
Net cash flows used in investing activities.	(68,958)	(98,077)	(66,280)	(31,286)	(21,378)
Net cash flows used in financing activities.	(77,696)	(81,922)	(129,497)	(78,024)	(4,771)
Net increase/(decrease) in cash and cash equivalents	13,178	(839)	19,529	(130,460)	(38,630)
Cash and cash equivalents at beginning of year/period	222,078	235,256	234,417	234,417	253,946
Cash and cash equivalents at end of year/period	235,256	234,417	253,946	103,957	215,316

We generate substantially all of our revenue from sale of food and beverage from our restaurants under our three lines of business in Hong Kong, and a small portion of revenue from sales of processed or semi-processed food ingredients from our central kitchen and logistics center and sales of packaged festival products. The following table sets forth the breakdown of our revenue by category and by line of business for the periods indicated.

	For the year ended March 31,			For the three months ended June 30,	
	2012	2013	2014	2013	2014
	(HK\$'000)				
Restaurant operations					
“Fulum (富臨)” main brand	1,403,075	1,567,582	1,781,071	400,171	426,968
“Sportful Garden (陶源)” main brand	293,708	286,101	352,254	69,579	82,690
“Fulum Concept (富臨概念)” main line	—	2,146	25,418	3,676	29,875
Sale of food and other operating items	27,150	29,211	67,446	8,262	8,037
Total revenue	1,723,933	1,885,040	2,226,189	481,688	547,570

Our revenue increased by 9.3% from HK\$1,723.9 million for the year ended March 31, 2012 to HK\$1,885.0 million for the year ended March 31, 2013, by 18.1% from HK\$1,885.0 million for the year ended March 31, 2013 to HK\$2,226.2 million for the year ended March 31, 2014 and by 13.7% from HK\$481.7 million for the three months ended June 30, 2013 to HK\$547.6 million for the three months ended June 30, 2014. Our profit for the year attributable to owners of our Company increased by 54.0% from HK\$96.6 million for the year ended March 31, 2012 to HK\$148.8 million for the year ended March 31, 2013 and by 12.6% from HK\$148.8 million for the year ended March 31, 2013 to HK\$167.5 million for the year ended March 31, 2014. Our profit for the period attributable to owners of our Company decreased by 28.6% from HK\$9.6 million for the three months ended June 30, 2013 to HK\$6.8 million for the three months ended June 30, 2014, mainly due to an increase of

SUMMARY AND HIGHLIGHTS

HK\$4.9 million in one-off listing expenses incurred during the three months ended June 30, 2014. For detailed analysis of our key financials, see pages 269 to 277 under “Financial Information — Results of Operations of Our Group” in this prospectus.

We experience seasonal fluctuations in our revenue. Our revenue during certain holiday periods (generally from December to February), such as the Christmas holiday and the Chinese New Year holiday, is usually higher than those for the remaining months of the year. Generally, our revenue during the first fiscal quarter (from April to June) is lower than those for the remaining months of the year, mainly due to lack of Chinese festivals and frequent outbound travel during the Easter holiday, resulting in a decrease in the guest count in our restaurants during such period.

SELECTED OPERATING DATA

Comparable Restaurant Sales

Comparable restaurant sales for a given fiscal year/period refer to the revenue of all restaurants qualified as comparable restaurants during that year/period. We define our comparable restaurant base to be those restaurants that were operating throughout the periods under comparison. The table below sets forth our comparable restaurant sales over the Track Record Period.

	For the year ended March 31,		For the year ended March 31,		For the three months ended June 30,	
	2012	2013	2013	2014	2013	2014
Number of comparable restaurants						
“Fulum (富臨)” main brand	23	23	26	26	30	30
“Sportful Garden (陶源)” main brand.	7	7	7	7	8	8
“Fulum Concept (富臨概念)” main line	—	—	—	—	1	1
<i>Total number.</i>	<u>30</u>	<u>30</u>	<u>33</u>	<u>33</u>	<u>39</u>	<u>39</u>
Comparable restaurants sales (HK\$'000)						
“Fulum (富臨)” main brand	1,296,505	1,282,964	1,427,326	1,387,345	380,861	380,644
“Sportful Garden (陶源)” main brand.	267,682	269,054	269,054	284,795	67,850	72,796
“Fulum Concept (富臨概念)” main line	—	—	—	—	3,676	3,538
<i>Total sales.</i>	<u>1,564,187</u>	<u>1,552,018</u>	<u>1,696,380</u>	<u>1,672,140</u>	<u>452,387</u>	<u>456,978</u>
Percentage increase/(decrease) of comparable restaurants sales during comparable periods						
“Fulum (富臨)” main brand	(1.0%)		(2.8%)		(0.1%)	
“Sportful Garden (陶源)” main brand.	0.5%		5.9%		7.3%	
“Fulum Concept (富臨概念)” main line	—		—		(3.8%)	
<i>Overall increase/(decrease)</i>	<u>(0.8%)</u>		<u>(1.4%)</u>		<u>1.0%</u>	

SUMMARY AND HIGHLIGHTS

Guest Traffic and Average Check per Guest

Our business is significantly affected by changes in guest traffic and average check per guest. The following table sets forth the estimated guest count, estimated seat turnover rate and estimated average check per guest for our comparable restaurants during the Track Record Period.

	For the year ended March 31,		For the year ended March 31,		For the three months ended June 30,	
	2012	2013	2013	2014	2013	2014
Number of comparable restaurants						
"Fulum (富臨)" main brand	23	23	26	26	30	30
"Sportful Garden (陶源)" main brand	7	7	7	7	8	8
"Fulum Concept (富臨概念)" main line	—	—	—	—	1	1
<i>Total number</i>	30	30	33	33	39	39
Estimated guest count of comparable restaurants (thousands)						
"Fulum (富臨)" main brand	14,554	14,651	16,511	15,987	4,778	4,565
"Sportful Garden (陶源)" main brand	1,610	1,452	1,452	1,584	370	451
"Fulum Concept (富臨概念)" main line	—	—	—	—	52	55
<i>Total estimated guest count</i>	16,164	16,103	17,963	17,571	5,200	5,071
Estimated seat turnover rate of comparable restaurants¹						
"Fulum (富臨)" main brand	2.74	2.76	2.71	2.62	2.51	2.39
"Sportful Garden (陶源)" main brand	1.26	1.14	1.14	1.24	0.99	1.21
"Fulum Concept (富臨概念)" main line	—	—	—	—	5.74	6.05
<i>Overall estimated seat turnover rate</i>	2.46	2.45	2.44	2.38	2.27	2.22
Estimated average check per guest of comparable restaurants (HK\$)						
"Fulum (富臨)" main brand	89	88	86	87	80	83
"Sportful Garden (陶源)" main brand	166	185	185	180	184	162
"Fulum Concept (富臨概念)" main line	—	—	—	—	70	64
<i>Overall average check per guest</i>	97	96	94	95	87	90

Notes:

¹ Estimated seat turnover rate is calculated by dividing the estimated guest count by the outcome of multiplying the seating capacity of the relevant comparable restaurants by the number of days during the period. Seating capacities of our restaurants are estimates only and they are subject to short-term adjustment to accommodate any temporary upswing in guest traffic, such as the significantly increased guest traffic at some of our restaurants around the public holidays.

SUMMARY AND HIGHLIGHTS

Top Five Restaurants

In terms of revenue contributions, our top five restaurants contributed 21.0%, 20.7%, 19.5% and 18.4% of our revenue for each of the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively. In terms of profits contributions, our top five restaurants contributed 24.9%, 26.9%, 24.9% and 90.5% of our profits before tax for each of the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively. Profits contribution from our top five restaurants for the three months ended June 30, 2014 was particularly high mainly due to the one-off listing expenses we incurred during this period, resulting in a relatively lower amount of total profits before tax for our Group during such period. We incurred listing expenses in the amount of HK\$2.2 million and HK\$7.0 million for the three months ended June 30, 2013 and 2014, respectively. If we take out these one-off listing expenses from our calculation of the profits contributions, our profits contribution from our top five restaurants for the three months ended June 30, 2013 and 2014 were 56.2% and 54.2%, respectively. In addition to these one-off listing expenses effect, the profit contributions from our top five restaurants for each of the three months ended June 30, 2013 and 2014 were relatively higher than the remaining Track Record Period mainly due to the seasonality factors.

Our top five restaurants for the three months ended June 30, 2014 are located in Aberdeen, Hung Hom, Mei Foo, Tuen Mun and Wong Tai Sin (in alphabetical order). For the year ended March 31, 2014 and the three months ended June 30, 2014, the restaurant that contributed the highest portion of profits before tax to our Group is located in Mei Foo operating under our “Fulum (富臨)” main brand.

Major Cost Components

During the Track Record Period, our major cost components were food costs, staff costs and property rentals and related expenses. The following table sets forth the amounts of such costs and their respective percentages to revenue for the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014.

	For the year ended March 31,						For the three months ended June 30,			
	2012		2013		2014		2013		2014	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(HK\$ million)	(%)	(HK\$ million)	(%)	(HK\$ million)	(%)	(HK\$ million)	(%)	(HK\$ million)	(%)
Cost of inventories sold . . .	634.4	36.8	571.6	30.3	639.3	28.7	150.5	31.2	173.5	31.7
Staff costs	498.2	28.9	560.3	29.7	685.6	30.8	157.0	32.6	175.5	32.1
Property rentals and related expenses	203.6	11.8	236.9	12.6	301.5	13.5	69.6	14.5	84.0	15.3

SUMMARY AND HIGHLIGHTS

Our percentages of major cost components to revenue for the three months ended June 30, 2013 and the three months ended June 30, 2014 were generally higher when compared to our percentages of major cost components to revenue for the years ended March 31, 2012, 2013 and 2014, mainly due to the fact that April to June is generally our low season, resulting in a lower amount of revenue for such period. Given that our staff costs and property rentals and related expenses were largely fixed costs, our staff costs as a percentage of revenue and our property rentals and related expenses as a percentage of revenue for each of the three months ended June 30, 2013 and 2014 were higher. In addition, we often conduct special promotional campaigns offering certain dishes at discounted prices to attract customer traffic during such low season, resulting in a higher percentage of cost of inventories sold to revenue for each of the three months ended June 30, 2013 and 2014. In the three months ended June 30, 2014, we launched certain promotional campaigns offering lobster dishes at discounted prices in April and May 2014, resulting in a slightly higher percentage of cost of inventories sold to revenue for such period, when compared to the three months ended June 30, 2013.

Key Financial Ratios

The following table sets forth, as the dates or periods indicated, our key financial ratios:

	As of and for the year ended March 31,			As of and for the three months ended June 30,
	2012	2013	2014	2014
Return on equity ⁽¹⁾	144.9%	69.1%	37.2%	5.6%
Return on total assets ⁽²⁾	20.1%	22.9%	18.5%	3.4%
Current ratio ⁽³⁾	1.1x	1.3x	1.5x	1.7x
Gearing ratio ⁽⁴⁾	0.5%	7.7%	6.6%	4.7%

- (1) For each of the three years ended March 31, 2014, return on equity is calculated by dividing profit for the year by total equity as of end of year and multiplying the resulting value by 100%. For the three months ended June 30, 2014, return on equity is calculated by dividing profit for the period by total equity as of end of period, multiplying by 365/91, and then multiplying the resulting value by 100%.
- (2) For each of the three years ended March 31, 2014, return on total assets is calculated by dividing profit for the year by total assets as of end of year and multiplying the resulting value by 100%. For the three months ended June 30, 2014, return on total assets is calculated by dividing profit for the period by total assets as of end of period, multiplying by 365/91, and then multiplying the resulting value by 100%.
- (3) The current ratio is calculated by dividing total current assets by total current liabilities.
- (4) The gearing ratio is calculated by dividing total debt by total equity. Total debt is defined to include all interest-bearing borrowings, comprised of finance leases, tax loans reflected in amounts due to related parties and bank overdraft.

SUMMARY AND HIGHLIGHTS

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

As part of our expansion plan for the year ending March 31, 2015, we opened one new restaurant under our “Fulum (富臨)” main brand during the three months ended June 30, 2014. Subsequent to the Track Record Period, we have continued to expand our restaurant network. From July 1, 2014 up to the Latest Practicable Date, we opened one new restaurant under our “Fulum (富臨)” main brand and two new restaurants under our “Fulum Concept (富臨概念)” line of business serving Beijing cuisine and Korean cuisine in Hong Kong. In addition, we have entered into binding leases for the premises of three of the remaining seven restaurants which we plan to open in Hong Kong during the year ending March 31, 2015.

We currently expect that our financial results for the year ending March 31, 2015 will be negatively impacted by (i) non-recurring expenses of approximately HK\$18.0 million (calculated on the assumption of an Offer Price of HK\$1.46 per Share, being the mid-point of the proposed Offer Price range), of which approximately HK\$13.1 million will be listing expenses to be recognized as expenses in our consolidated statements of comprehensive income, and approximately HK\$4.9 million of which will be the fair value of the Pre-IPO Share Options to be recognized as share-based compensation; and (ii) an increase in our property rentals and related expenses compared to the year ended March 31, 2014 due to an increase in rent payable under the Connected Tenancy Agreements.

Occupy Central Movement

In late September 2014, a civil disobedience movement referred to as Occupy Central began in Hong Kong. As at the date of this prospectus, Occupy Central has spread across and mainly affected three areas of Hong Kong, including Admiralty, Causeway Bay and Mong Kok, as well as marginally affected other areas of Hong Kong, including Sai Wan, Sheung Wan and Wan Chai. As at the Latest Practicable Date, in the heavily affected areas, we have three restaurants in Mong Kok. In the marginally affected areas, we have two restaurants in each of Sai Wan, Sheung Wan and Wan Chai areas. For the three months ended June 30, 2014, our three restaurants in Mong Kok contributed 4.1% of our revenue and our six restaurants in other affected areas contributed 9.0% of our revenue for such period. Among these nine restaurants, we closed one restaurant in Mong Kok a few hours early for one day, due to disturbances caused by Occupy Central. Given that such restaurant only contributed 2.0% of our revenue for the three months ended June 30, 2014, our Directors are of the view that such suspension of operations did not have any material adverse effect on our financial condition. As at the Latest Practicable Date, our Directors confirmed that, after reviewing the latest available operating data for our restaurants, Occupy Central did not have any material adverse effect on our business operations and our results of operation as a whole. However, there is no assurance that developments of Occupy Central in the future will not have material adverse impact on our business or financial condition. See page 54 in this prospectus under “Risk Factors — Macro-economic factors have had and may continue to have a material adverse effect upon our business, financial condition and results of operations” for further details.

Save as disclosed above, our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects subsequent to the Track Record Period. See page 36 in this prospectus under “Risk Factors — Risks relating to our financial results for the year ending March 31, 2015” for further details.

SUMMARY AND HIGHLIGHTS

LISTING EXPENSES

During the Track Record Period, we incurred listing expenses amounting to approximately HK\$26.1 million, out of which approximately HK\$19.8 million was charged to the consolidated statement of comprehensive income and approximately HK\$6.3 million was regarded as incremental costs directly attributable to the proposed issue of new Shares under the Global Offering and to be accounted for as a deduction from equity. We expect to further incur additional listing expenses of approximately HK\$46.7 million (assuming an Offer Price of HK\$1.46 per Share, being the mid-point of the proposed Offer Price range) until the completion of the Global Offering, of which approximately HK\$13.1 million will be recognized as expenses in the consolidated statement of comprehensive income for the year ending March 31, 2015 and the remaining listing expenses which are directly attributable to issuing new Shares will be deducted from equity upon the completion of the Global Offering.

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$1.46 per Share, being the mid-point of the indicative range of the Offer Price of HK\$1.26 to HK\$1.66 per Share, and assuming the Over-allotment Option is not exercised) will be approximately HK\$401.7 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

- approximately HK\$160.6 million, representing approximately 40% of the net proceeds will be used for opening approximately four new restaurants under “Fulum (富臨)” main brand in each of the three years ending March 31, 2015, 2016 and 2017 and approximately one new restaurant under “Sportful Garden (陶源)” main brand in each of the three years ending March 31, 2015, 2016 and 2017 in Hong Kong;
- approximately HK\$60.3 million, representing approximately 15% of the net proceeds will be used for opening six, seven and seven new specialty cuisine restaurants under our “Fulum Concept (富臨概念)” line of business in the years ending March 31, 2015, 2016 and 2017, respectively, in Hong Kong;
- approximately HK\$80.3 million, representing approximately 20% of the net proceeds will be used for opening approximately two new restaurants in each of the three years ending March 31, 2015, 2016 and 2017 in China targeting the mass market segment;
- approximately HK\$60.3 million, representing approximately 15% of the net proceeds will be used for renovation and refurbishment of existing restaurants and headquarters, upgrade of our central kitchen and logistics center in Hong Kong and upgrade of our information technology systems;

SUMMARY AND HIGHLIGHTS

- approximately HK\$20.1 million, representing approximately 5% of the net proceeds will be used for acquiring, or forming strategic alliances with, other brands or restaurants when suitable opportunities arise; and
- the remaining balance of approximately HK\$20.1 million, representing approximately 5% of the net proceeds, will be used for our working capital and general corporate purposes.

As at the Latest Practicable Date, our Group had not identified any potential acquisition or strategic alliance target. When considering a possible acquisition or strategic alliance target, our Group will consider, among other things, the brand, reputation, scale and positioning of the potential target, the valuation of the potential target as well as the commercial benefits of our Group in the potential transaction.

For more details, see “Future Plans and Use of Proceeds” beginning on page 300 of the prospectus.

DIVIDEND POLICY

We did not declare or pay any dividends for the two years ended March 31, 2013 and the three months ended June 30, 2014. We proposed dividends in the amount of HK\$200 million for the year ended March 31, 2014, which was approved by the Company’s then shareholders on August 8, 2014. All of such declared dividends are expected to be paid upon Listing. Such dividends will be funded by our internal resources. Investors in the Global Offering and persons becoming Shareholders after the Listing will not be entitled to such dividends. After completion of the Global Offering, our Shareholders will be entitled to receive dividends only when declared by our Board. Our Company does not currently have a fixed dividend policy. Our Directors are of the view that the amount of any dividends to be declared in the future will depend on, among others, our Group’s results of operations, cash flows and financial conditions, operating and capital requirements, the amount of distributable profits based on the generally accepted accounting principles in Hong Kong, the applicable laws and regulations and all other relevant factors.

Our Directors intend to recommend dividends which would amount in total to not less than 40% of the net profit from ordinary activities attributable to Shareholders of our Company for full financial years subsequent to the Global Offering. Such intention does not amount to any guarantee or representation or indication that our Company must or will declare and pay dividend in such manner or declare and pay any dividend at all. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

SUMMARY AND HIGHLIGHTS

OFFER STATISTICS


All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

	Based on minimum indicative Offer Price of HK\$1.26	Based on maximum indicative Offer Price of HK\$1.66
Market capitalization of our Shares ⁽¹⁾	HK\$1,638 million	HK\$2,158 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽²⁾	HK\$0.61	HK\$0.71

Notes:

- (1) The calculation of market capitalization is based on the 1,300,000,000 Shares expected to be in issue immediately upon completion of the Global Offering and the Capitalization Issue.
- (2) The unaudited pro forma adjusted consolidated net tangible asset value per Share has been set after the adjustments referred to in “Appendix II — Unaudited Pro Forma Financial Information — Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets” and on the basis of 1,300,000,000 Shares in issue at the Offer Price immediately upon completion of the Global Offering.

OUR INTELLECTUAL PROPERTY RIGHTS

We are the registered owner of  a material trademark we use for our “Sportful Garden (陶源)” restaurants in Hong Kong. We have also applied for the registration of the trademarks derived from our “Fulum (富臨)” brand which we consider material to our business operations. Such applications are being processed by the Trade Marks Registry of the Intellectual Property Department (“TMR”) in Hong Kong. We have submitted all relevant documents applicable to such applications to the TMR for consideration. As at the Latest Practicable Date, the TMR had acknowledged our submissions and has allowed a number of our applications to proceed to the three-month publication stage while the rest of the marks are still under review. Our Directors have received advice that it is likely that applications of these trademarks will be accepted by the TMR and currently expect the registration of the relevant trademarks to complete by mid-2015. The grounds of such advice are set out in pages 181 to 185 in this prospectus under “Business — Intellectual Property”.

These material trademarks include  Fulum Group Holdings Limited 富臨集團控股有限公司,  富臨漁港,  富臨皇宮,  富臨酒家 and , amongst others.

During the Track Record Period, certain subsidiaries of our Group, together with entities currently or previously controlled by our Controlling Shareholders, were briefly involved in a settled legal proceeding with Forum Restaurant (1977) Limited over the use of our respective “富臨” brands. The legal proceeding was fully settled in June, 2014 upon execution of a settlement agreement and an agreement over the co-existence of our respective “富臨” brands. For details, see pages 208 to 211 in this prospectus under “Business — Legal Proceedings”.

SUMMARY AND HIGHLIGHTS

NON-COMPLIANCE

During the Track Record Period, a number of our subsidiaries did not comply with certain applicable laws and regulations, including certain provisions under the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) and Fire Services (Fire Hazard Abatement) Regulations (Chapter 95F of the Laws of Hong Kong) and related regulations. Our Directors consider that such non-compliance incidents will not have any material operational or financial impact on our Group. For details of the incidences of non-compliance and internal control measures being adopted, see pages 200 to 208 in this prospectus under “Business — Legal and Regulatory Compliance — Hong Kong Regulatory Compliance — Non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date”.

Insurance Coverage

As at the Latest Practicable Date, there were certain unreleased building orders (including two fire safety directions) issued by the Building Authority pursuant to the Buildings Ordinance against our leased premises for our office and operating restaurants. For more details, see pages 191 to 196 in this prospectus under “Business — Properties — Building orders and fire safety directions registered against our leased premises”. We have obtained verbal confirmation from our insurance service provider that these unreleased building orders do not affect the validity of our Group’s current insurance. For details of our insurance policies, see page 196 in this prospectus under “Business — Insurance”.

RISK FACTORS

Our business is subject to a number of risks, including but not limited to risks relating to our business and industry, risks relating to countries and territories in which we operate or expect to operate, and risks relating to the Global Offering. As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed “Risk Factors” of this prospectus carefully before you decide to invest in the Offer Shares.

“Gutter oil” Incident

In early September 2014, the widely reported “gutter oil” incident affected food businesses in Taiwan, Hong Kong and Macau, including our Group. Although relevant authorities are still carrying out investigations, it is suspected that the incident involved a Taiwanese manufacturer who, beginning on March 1, 2014, produced substandard lard products and supplied them to various distributors, restaurants, bakeries and food manufacturers throughout Taiwan, Hong Kong and Macau. For more details of the “gutter oil” incident, see pages 175 to 176 in this prospectus under “Business — Quality Control — “Gutter oil” Incident”. For more details of the risks associated with the “gutter oil” incident, see pages 43 to 44 in this prospectus under “Risk Factors — Risks Relating to Our Business — Any significant liability claims or food contamination complaints from our customers could adversely affect our business and operations”.

This prospectus should be read in its entirety and carefully and we strongly caution you not to place any reliance on any information contained in press articles or disseminated through our media relating to us and/or the Global Offering, certain of which may not be consistent with the information contained in this prospectus.

DEFINITIONS AND GLOSSARY

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

"Application Form(s)"	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or where the context so requires, any of them, that are used in connection with the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on October 28, 2014 to take effect from the Listing Date
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Board Lot"	the board lot of 2,000 Shares in which the Shares are traded on the Stock Exchange from time to time
"Board of Directors" or "Board"	our board of Directors
"Buildings Ordinance"	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Business Day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open generally for normal banking business to the public
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalization Issue"	the capitalization of an amount of HK\$974,985 standing to the credit of the share premium account of our Company by applying such sum in paying up in full 974,985,000 Shares for issue and allotment to our Shareholders on the Listing Date as resolved by our Shareholders on October 28, 2014
"Cayman Islands Companies Law" or the "Companies Law"	the Companies Law Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS AND GLOSSARY

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CFS”	the Centre for Food Safety of the Food and Environmental Hygiene Department of the Government of Hong Kong
“China” or “PRC”	the People’s Republic of China and, for the purpose of this prospectus only, excludes Hong Kong, Taiwan and Macau
“China Best”	China Best Development Limited 中益發展有限公司, a company incorporated in Hong Kong with limited liability on March 23, 2010 and directly wholly-owned by Mr. Yeung. China Best is one of the holding entities of the Excluded PRC Restaurants and not a member of our Group
“China Sage”	China Sage International Limited 中賢國際有限公司, a company incorporated in the British Virgin Islands with limited liability on May 28, 2014 and directly wholly-owned by Mr. Yeung. China Sage is a Controlling Shareholder
“Chung Fu”	Chung Fu Holdings Limited 中富控股有限公司, a company incorporated in the British Virgin Islands with limited liability on February 25, 2014 and indirectly wholly-owned by our Company
“Chung Ling”	Chung Ling Management & Logistic Holdings Limited 中寧管理物流控股有限公司, a company incorporated in the British Virgin Islands with limited liability on February 25, 2014 and indirectly wholly-owned by our Company
“Chung Sing”	Chung Sing Holdings Limited 中城控股有限公司, a company incorporated in the British Virgin Islands with limited liability on February 24, 2014 and directly wholly-owned by our Company
“Chung Tao”	Chung Tao Holdings Limited 中陶控股有限公司, a company incorporated in the British Virgin Islands with limited liability on February 25, 2014 and indirectly wholly-owned by our Company

DEFINITIONS AND GLOSSARY

“Chung Wong”	Chung Wong Holdings Limited 中皇控股有限公司, a company incorporated in the British Virgin Islands with limited liability on February 24, 2014 and indirectly wholly-owned by our Company
“close associate(s)”	has the meanings ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Fulum Group Holdings Limited 富臨集團控股有限公司 (formerly known as “Fu Lum Tao Yuen Holdings Company Limited 富臨陶源控股有限公司” from February 24, 2014 to May 21, 2014), the holding company of our Group after our Reorganization and the proposed listing vehicle for the Listing, which is an exempted company with limited liability incorporated on February 24, 2014 in the Cayman Islands
“comparable restaurant sales”	base on those restaurants that were operating throughout the periods under comparison. For example, the comparable restaurant for the years ended March 31, 2012 and 2013 are restaurants that were open throughout both the year ended March 31, 2012 and the year ended March 31, 2013
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, for the purpose of this prospectus, refers to Mr. Yeung, China Sage, Mr. YC Yeung and Mr. YK Yeung
“core connected person(s)”	has the meanings ascribed thereto under the Listing Rules
“Corporate Governance Code”	Corporate Governance Code set out as Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time

DEFINITIONS AND GLOSSARY

“Deed of Indemnity”	the deed of indemnity dated October 28, 2014 executed by our Controlling Shareholders and our Company, particulars of which are set out in “Appendix IV — Statutory and General Information — H. Other information — 14. Indemnities given by our Controlling Shareholders” in this prospectus
“Deed of Non-competition”	the deed of non-competition undertakings dated October 28, 2014 executed by our Controlling Shareholders and our Company, particulars of which are set out in “Relationship with our Controlling Shareholders — Deed of Non-competition” in this prospectus
“Dim Sum”	點心, Cantonese Chinese food prepared in small bite-sized or individual portions and traditionally cooked and served in small steamer baskets made out of bamboo
“Director(s)”	director(s) of our Company
“Excluded PRC Restaurants”	five mid-to-high end Chinese restaurants in Guangdong, the PRC under the brand of “Sportful Garden (陶源)” (four of which are owned by Mr. Yeung and one of which is owned by SGRL) which were excluded from our Group as further described in “Relationship with our Controlling Shareholders” in this prospectus
“Executive Director(s)”	executive director(s) of our Company
“Faith Linkage”	Faith Linkage Limited 信域有限公司, a company incorporated in Hong Kong with limited liability on March 11, 2009 and directly wholly-owned by Mr. Yeung. Faith Linkage is one of the holding entities of the Excluded PRC Restaurants and not a member of our Group
“FEHD”	the Food and Environmental Hygiene Department of the Government of Hong Kong
“FLHL”	Foo Lum Holdings Limited 富臨集團有限公司, a company incorporated in Hong Kong with limited liability on March 18, 2002 and directly owned as to 98.60% by Megacity, as to 0.30% by Mr. Yeung and as to 0.10% by Mr. TAM Mo Chun 譚慕椿, an employee of our Group who is not a connected person of our Company. FLHL is not a member of our Group
“Frost & Sullivan Report”	an independent market research report dated October 31, 2014 commissioned by our Company and prepared by Frost & Sullivan for the purpose of this prospectus

DEFINITIONS AND GLOSSARY

“GDFB”	Golden Dynasty Food & Beverage Group Limited 金皇飲食集團有限公司, a company incorporated in Hong Kong with limited liability on April 12, 2007 and directly owned as to 90% by Prime Target Worldwide Holdings Limited (a wholly-owned company of Mr. Yeung) and as to 10% by Mr. Yeung. GDFB is not a member of our Group
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Greater China”	China, including Hong Kong, Macau and Taiwan
“GREEN application form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “we” or “us”	our Company and its subsidiaries or where the context so required, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“high-end”	when used in the context of the Chinese full-service restaurant sector, a full-service restaurant in which the average check is more than HK\$800 in Hong Kong or more than RMB600 in the PRC, according to the Frost & Sullivan Report
“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form Service Provider designated by us, as specified on the designated website of HK eIPO White Form at www.hkeipo.hk
“HKFRS”	Hong Kong Financial Reporting Standards, as issued by the Hong Kong Institute of Certified Public Accountants
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

DEFINITIONS AND GLOSSARY

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Register”	the branch register of members of our Shares maintained by the Hong Kong Share Registrar in Hong Kong
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 32,500,000 new Shares initially being offered by our Company for subscription pursuant to the Hong Kong Public Offering at the Offer Price, subject to any adjustment or re-allocation as described in “Structure and Conditions of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offer of Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms relating thereto, as further described in “Structure and Conditions of the Global Offering — Hong Kong Public Offering” in this prospectus
“Hong Kong Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Takeovers Code” or “Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Hong Kong Underwriter(s)”	the underwriter(s) for the Hong Kong Public Offering as listed in “Underwriting — Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated November 3, 2014 relating to the Hong Kong Public Offering entered into by and among our Company, our Executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement” in this prospectus

DEFINITIONS AND GLOSSARY

“Independent Non-executive Director(s)”	independent non-executive Director(s) of our Company
“independent third party(ies)”	any entity or person who is not a connected person within the meaning ascribed under the Listing Rules
“International Placing”	the conditional placing of the International Placing Shares outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act, including to professional investors in Hong Kong, as further described in “Structure and Conditions of the Global Offering” in this prospectus
“International Placing Shares”	the 292,500,000 new Shares initially being offered by our Company for subscription at the Offer Price under the International Placing, subject to any adjustment or re-allocation together with, where relevant, any additional Shares which may be issued by our Company pursuant to the Over-allotment Option, as further described in “Structure and Conditions of the Global Offering — International Placing” in this prospectus
“International Underwriter(s)”	the several underwriter(s) for the International Placing who are expected to enter into the International Underwriting Agreement to underwrite the International Placing as listed in “Underwriting — International Underwriters”
“International Underwriting Agreement”	the purchase agreement expected to be entered into on or around November 7, 2014 by and between, among others, our Company and the Joint Global Coordinators on behalf of the International Underwriters in respect of the International Placing, as further described in “Underwriting — The International Placing” in this prospectus
“Issuing Mandate”	the general unconditional mandate given to our Directors by our Shareholders relating to the issue, allotment and dealings of Shares, as further described in Appendix IV to this prospectus
“IT”	information technology

DEFINITIONS AND GLOSSARY

“Joint Global Coordinators” or “Joint Bookrunners” or “Joint Lead Managers”	Deutsche Bank AG, Hong Kong Branch and BOCI Asia Limited, being the joint global coordinators, joint bookrunners and joint lead managers of the Global Offering
“Latest Practicable Date”	October 25, 2014, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date, expected to be November 13, 2014 on which the Shares are listed and from which dealings in the Shares are permitted to take place on the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“mass market”	when used in the context of the Chinese full-service restaurant sector, a full-service restaurant in which the average check amount is less than HK\$150 in Hong Kong or RMB100 in the PRC, according to the Frost & Sullivan Report
“Megacity”	Megacity Limited, a company incorporated in the British Virgin Islands with limited liability on May 28, 2002 and directly owned by Mega Kingdom Holdings Limited 鉅國控股有限公司 (which is in turn owned as to 41% by Mr. Yeung, 31% by Mr. YC Yeung, 21% by Mr. YK Yeung and 7% by Mr. Leung). Megacity is not a member of our Group
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company, adopted on October 28, 2014 and as amended from time to time

DEFINITIONS AND GLOSSARY

“mid-to-high end”	when used in the context of the Chinese full-service restaurant sector, a full-service restaurant in which the average check is between HK\$150 and HK\$800 in Hong Kong or between RMB100 and RMB600 in the PRC, according to the Frost & Sullivan Report
“Mr. Leung”	Mr. LEUNG Siu Sun 梁兆新, an Executive Director and a Shareholder
“Mr. YC Yeung”	Mr. YEUNG Yun Chuen 楊潤全, an Executive Director and a Controlling Shareholder
“Mr. Yeung”	Mr. YEUNG Wai 楊維, an Executive Director and a Controlling Shareholder
“Mr. YK Yeung”	Mr. YEUNG Yun Kei 楊潤基, an Executive Director and a Controlling Shareholder
“Nomination Committee”	the nomination committee of our Board
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed for pursuant to the Global Offering, as further described in “Structure and Conditions of the Global Offering — Price Determination of the Global Offering”
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators pursuant to the International Underwriting Agreement for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 48,750,000 additional new Shares (representing in aggregate 15% of the initial Offer Shares) to cover over-allocations in the International Placing, if any, as further described in “Structure and Conditions of the Global Offering — International Placing — Over-allotment Option” in this prospectus

DEFINITIONS AND GLOSSARY

“PHIP”	the post-hearing information pack of the Company posted on the Stock Exchange’s website at www.hkexnews.hk
“Post-IPO Share Options”	options granted under the Post-IPO Share Option Scheme
“Post-IPO Share Option Scheme”	the post-IPO share option scheme conditionally adopted by our Company on October 28, 2014 for the benefit of our Directors, members of senior management, employees and other eligible participants defined in the scheme, a summary of the principal terms of which is set forth in “Appendix IV — Statutory and General Information — G. Post-IPO Share Option Scheme” in this prospectus
“Pre-IPO Share Options”	options granted under the Pre-IPO Share Option Scheme
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme conditionally adopted by our Company on October 28, 2014 for the benefit of our Directors, members of senior management, employees and other eligible participants defined in the scheme, a summary of the principal terms of which is set forth in “Appendix IV — Statutory and General Information — F. Pre-IPO Share Option Scheme” in this prospectus
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on March 3, 2014 by the Companies Ordinance and Companies (Winding Up and Miscellaneous Provisions) Ordinance
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about November 7, 2014, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than November 12, 2014
“Principal Share Registrar”	Codan Trust Company (Cayman) Limited
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“RMB” or “Renminbi”	renminbi, the lawful currency of the PRC

DEFINITIONS AND GLOSSARY

“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Repurchase Mandate”	the general unconditional mandate given to our Directors by our Shareholders relating to the repurchase of Shares, as further described in Appendix IV to this prospectus
“Reorganization”	the reorganization of our Group in preparation for the Listing, details of which are set out in “History and Corporate Structure — Shareholding and Corporate Structure — Reorganization” in this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SGRL”	Sportful Garden Restaurant Limited 陶源酒家有限公司, a company incorporated in Hong Kong with limited liability on March 30, 2004 and directly owned as to 98.70% by Mega Kingdom Holdings Limited 鉅國控股有限公司 (which is in turn owned as to 41% by Mr. Yeung, 31% by Mr. YC Yeung, 21% by Mr. YK Yeung and 7% by Mr. Leung), as to 0.20% by Mr. Yeung and as to 0.10% by Mr. TAM Mo Chun 譚慕椿, an employee of our Group who is not a connected person of our Company. SGRL is not a member of our Group
“Sino Forest”	Sino Forest Limited 中森有限公司, a company incorporated in Hong Kong on February 14, 2013 with limited liability and an indirectly wholly-owned subsidiary of our Company
“Share(s)”	ordinary share(s) in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Siu Mei”	燒味, Cantonese-style meat dishes roasted in special Chinese-style sauce in an open fire oven to give a Siu Mei Chinese-style barbecue flavor
“Sole Sponsor”	Deutsche Securities Asia Limited, a licensed corporation registered under the SFO to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of regulated activities as defined in the SFO, being the sole sponsor to the Global Offering

DEFINITIONS AND GLOSSARY

“Stabilizing Manager”	BOCI Asia Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilizing Manager and China Sage on or around the Price Determination Date
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Track Record Period”	the financial years ended March 31, 2012, 2013, 2014 and the three months ended June 30, 2014
“Underwriter(s)”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“United Team”	United Team Trading Limited 加聯貿易有限公司, a company incorporated in Hong Kong with limited liability on April 13, 2004 and directly wholly-owned as to 1% by Mr. Yeung and as to 99% by SGRL. United Team is one of the holding entities of the Excluded PRC Restaurants and not a member of our Group
“U.S. Securities Act”	U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“US\$”	United States dollars, the lawful currency for the time being of the United States
“Yum Cha”	飲茶 (or “drink tea” in Cantonese Chinese), a form of Cantonese Chinese culinary art involving the drinking of Chinese tea and eating of Dim Sum typically during breakfast or lunch

DEFINITIONS AND GLOSSARY

In this prospectus:

- 1. The English names or descriptions of PRC nationals, entities, departments, facilities, certificates, titles, etc., are unofficial translations of their Chinese names for your reference only. If there is any inconsistency, the Chinese name shall prevail.*
- 2. Unless expressly stated or otherwise required by the context, all data are as at the Latest Practicable Date.*
- 3. Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option and does not take into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options.*
- 4. Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*
- 5. If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail, except as noted in (1) above.*

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in "Summary and Highlights", "Risk Factors", "Future Plans and Use of Proceeds", "Industry Overview", "Business" and "Financial Information". These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under "Risk Factors", which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business prospects, strategies, plans, objectives and goals;
- the performance of global financial markets, including changes in our ability to access the capital markets and changes in the level of interest rates;
- the business opportunities that we may pursue;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business; and
- certain statements in the section headed "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- our ability to achieve growth in comparable restaurant sales and expansion of operations through continued investments;
- our ability to identify suitable restaurant locations on commercially reasonable lease terms;
- changes in the governmental policies, laws or regulations of the relevant jurisdictions in which we operate;
- our ability to attract customers and maintain customer loyalty;
- our ability to attract and retain qualified employees and key personnel;
- our ability to protect our brand, trademarks or other intellectual property rights;

FORWARD-LOOKING STATEMENTS

- successfully keeping up with technological improvements and consumer tastes;
- general economic, market and business conditions in Hong Kong and globally; and
- the other risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in "Risk Factors".

RESPONSIBILITY STATEMENTS

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to the Group. Our Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

PROSPECTUS ISSUED IN CONNECTED WITH HONG KONG PUBLIC OFFERING ONLY

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Shares or exercising any rights attached to them.

ROUNDING

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

RISK FACTORS

You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that a substantial part of our Group's operations are conducted in Hong Kong, the legal and regulatory environment of which may differ from that prevailing in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

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

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

We use confidentiality and non-compete agreements with key management and other precautionary procedures to protect our proprietary know-how, recipes and trade secrets. However, we cannot prevent others from independently developing or otherwise obtaining access to our proprietary know-how, concepts, recipes and trade secrets despite our efforts. As a result, the appeal of our restaurants could be reduced and our business and results of operations could be adversely affected.

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

RISK FACTORS

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

We have entered into certain agreements with an industry peer regarding the use of the “Fulum (富臨)” brand in Hong Kong and the PRC. We cannot control the extent to which our industry peer may use such brand, which could cause dilution to and confusion regarding our own “Fulum (富臨)” brand.

During the Track Record Period, we were briefly involved in a legal proceeding which was initiated by an industry peer over our “Fulum (富臨)” brand in March 2014 and was fully settled in June 2014. We have entered into a settlement agreement and a co-existence agreement with this industry peer in June 2014 and the legal proceeding was settled pursuant to the agreements. Under the co-existence agreement, our Company and the industry peer have mutually consented to the use by the other party of the “富臨” brand and have mutually agreed not to object to the other party's application to register certain marks as specified in the agreements which may include Chinese characters “富臨” or relevant English words in Hong Kong and the PRC in parallel. In the event that our industry peer makes extensive use of the “富臨” brand and/or obtains registration of any marks containing the aforementioned Chinese characters or English words, our “Fulum (富臨)” brand may be materially diluted, our customers and the market may become confused about our “Fulum (富臨)” brand and our customers may be diverted away. By brand dilution, we mean our “Fulum (富臨)” brand may lose its distinctiveness by association of another similar name or our reputation may be harmed through association with another similar name. For details of the settlement agreement and the co-existence agreement, see the section headed “Business — Legal Proceedings”.

As at the Latest Practicable Date, we have filed applications for registration of a number of trademarks under our “Fulum (富臨)” brand which we consider to be material to our business operations and these applications are being processed or allowed to proceed to the 3-month publication stage by the Intellectual Property Department. However, we cannot guarantee successful registration of any or all of these marks. In case we fail to register any of these marks, we may have difficulty defending our intellectual property rights from infringement by third parties, which could have a material adverse effect on our brands and business.

In addition, we paid certain consideration in relation to the settlement agreement and the co-existence agreement. Our Directors consider that the total consideration paid and payable under these two agreements is insignificant to the business operation and financial condition of the Group for the year ending March 31, 2015.

RISK FACTORS

Inappropriate use of the “Sportful Garden (陶源)” brand by the Excluded PRC Restaurants in the PRC may affect the reputation and business of our “Sportful Garden (陶源)” restaurants in Hong Kong.

We are the registered owner of the “Sportful Garden (陶源)” trademark in Hong Kong. Certain trademarks in the PRC containing the Chinese character “陶源” and English letters “Sportful Garden” are held or currently being applied for by a wholly-owned PRC established-subsiary of United Team, which is controlled by our Controlling Shareholders and is not a member of our Group, for use in the operations of the Excluded PRC Restaurants. There is no guarantee that the Excluded PRC Restaurants will successfully maintain the reputation and/or brand image of “Sportful Garden (陶源)”. If the Excluded PRC Restaurants cannot maintain the reputation and/or brand image of “Sportful Garden (陶源)” in the PRC, any negative publicity or customer disputes and complaints regarding the Excluded PRC Restaurants in the PRC may harm the value of our “Sportful Garden (陶源)” trademark in Hong Kong, as well as the business, revenue and growth prospects of our “Sportful Garden (陶源)” restaurants in Hong Kong.

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

We believe our success depends substantially on the popularity of our brands. In particular, we have invested significant effort and financial resources to establish the recognition and reputation of our “Fulum (富臨)” main brand for value-for-money quality food and services and our “Sportful Garden (陶源)” main brand for mid-to-high end Chinese cuisine with a well-recognized expertise in seafood. As at the Latest Practicable Date, we were operating 36 restaurants under our “Fulum (富臨)” main brand and ten restaurants under our “Sportful Garden (陶源)” main brand in Hong Kong. Our “Fulum (富臨)” main brand and “Sportful Garden (陶源)” main brand have been granted various honors and awards throughout the Track Record Period, further details of which are set forth under “Business — Honors and Awards” of this prospectus. In addition, we provide specialty cuisines under various other sub-brands as part of our multi-brand strategy. These other sub-brands are targeted at different markets with different consumer groups. We believe that our continued success will depend in large part on our ability to protect and enhance the value of all our main-brands and sub-brands. Any incident that erodes consumer trust in or affinity for our brands could significantly reduce their value. As we continue to grow in size, expand our food offerings and services and extend our geographic reach, maintaining quality and consistency may become more difficult and we cannot assure you that customer confidence in our brands will not diminish. If consumers perceive or experience a reduction in food quality, service, ambiance or believe in any way that we are failing to deliver a consistently positive experience, our brand value could suffer, which could have a material adverse effect on our business.

RISK FACTORS

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

Prior to mid-2014, we have made various applications for the registrations of a number of our Group's trademarks, including  Fulum Group Holdings Limited 富臨集團控股有限公司,  富臨酒家,  富臨皇宮,  富臨酒家 and  , amongst others, with the Trade Marks Registry of the Intellectual Property Department (the "TMR"). Applications for the registration of " Fulum Group Holdings Limited 富臨集團控股有限公司", " 富臨皇宮", and " 富臨酒家" have been objected by the TMR based on the ground of similar to prior registered marks (the "Earlier Trade Marks") and registration of which would cause public confusion. The Earlier Trade Marks are owned by two independent third parties. As at the Latest Practicable Date, we have filed all applications and relevant submissions to the TMR in response to the objections and the TMR has acknowledged our submissions, details of which are set out in the paragraph headed "Business — Intellectual Property".

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

Risks relating to our financial results for the year ending March 31, 2015

We currently expect certain non-recurring expenses, equity-settled transactions and an increase in property rentals and related expense to have a negative impact on our financial results for the year ending March 31, 2015.

In addition to the HK\$26.1 million listing expenses already incurred during the Track Record Period, we expect to incur an additional listing expenses of approximately HK\$46.7 million until the completion of the Global Offering (assuming an Offer Price of HK\$1.46 per Share, being the mid-point of the estimated Offer Price range), of which approximately HK\$13.1 million will be recognized as expenses in our consolidated statement of comprehensive income for the year ending March 31, 2015 and the remaining listing expenses which are directly attributable to issuing new Shares will be deducted from equity upon completion of the Global Offering. Accordingly, our profit for the year ending March 31, 2015 will be reduced by the non-recurring listing expenses of approximately HK\$13.1 million. The amount of additional listing expenses expected to be incurred for the completion of the Global Offering is an estimate only and the final amount to be recognized as expenses in our consolidated statement of comprehensive income for the year ending March 31, 2015 is subject to adjustments based on audit and changes in circumstances.

RISK FACTORS

Further, pursuant to the Pre-IPO Share Option Scheme adopted on October 28, 2014, Pre-IPO Share Options to subscribe for 54,000,000 Shares has been granted under the Pre-IPO Share Option Scheme. The grant of the Pre-IPO Share Option is an equity-settled transaction and the fair value of the Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme will be recognized as expenses in our consolidated statement of comprehensive income over the vesting periods by reference to the fair value at the date on which such Pre-IPO Share Options were granted. Accordingly, our Group's financial results for the year ending March 31, 2015 and other relevant financial years over the vesting periods of such share options will be impacted by the issuance of the Pre-IPO Share Options.

As set out under the section headed "Continuing Connected Transactions — Non-Exempt Continuing Connected Transactions — Connected Tenancy Agreements" in this prospectus, we have entered into 22 Connected Tenancy Agreements with the Connected Landlord Entities in respect of properties owned by the Connected Landlord Entities and leased to our Group for our restaurant operations, as office premise or warehouse or as our central kitchen and logistics center, 21 of which commenced on May 1, 2014. Our independent property valuer is of the view that the monthly rental stipulated in each of these Connected Tenancy Agreements is no less favorable than that offered by an independent third party and reflects the prevailing market rates. Our rental payments made under the Connected Tenancy Agreements in the year ended March 31, 2014 were HK\$57.1 million. We expect the aggregate annual rental payments payable by us under these agreements will not exceed HK\$80 million for the year ending March 31, 2015. As we have started paying higher rents under these Connected Tenancy Agreements in the current fiscal year, we expect our Group's financial results for the year ending March 31, 2015 to be negatively affected by an increase in our property rentals and related expenses.

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

For the years ending March 31, 2015, 2016 and 2017, we expect our Group will require approximately HK\$145.2 million, HK\$148.8 million and HK\$145.0 million, respectively, in capital expenditures for our expansion plan in Hong Kong and the PRC. In the event that our expansion plan proves to be unsuccessful, our overall cash flow position, as well as our profitability, may be materially and adversely affected.

We believe that our current cash and cash equivalents, anticipated cash flow from operations and the proceeds from this Global Offering will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months from the date of this prospectus. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of our new restaurant openings, investments in new restaurants and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing by selling additional equity or debt securities or obtaining a credit facility. Any sale of additional equity securities would result in dilution to our shareholders. Any incurrence of indebtedness would increase debt service obligations and could result in operating and financing covenants that may, among other things, restrict our expansion plans and operations or our ability to pay dividends. If we fail to service the debt obligations or are

RISK FACTORS

unable to comply with any debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability from banks or other lenders, investors' confidence in us, the performance of the restaurant industry in general, and our operating and financial performance in particular. We cannot assure you that future financing will be available in amounts or on terms acceptable to us, if at all. In the event that financing is not available or is not available on terms acceptable to us, our business, results of operations and growth prospects may be adversely affected.

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

As at the Latest Practicable Date, we have no operations in the PRC. We plan to open two new restaurants in the PRC in each of the three years ending March 31, 2015, 2016 and 2017. The markets in the PRC which we target may have different business environments, competitive conditions, consumer preferences and discretionary spending patterns from our existing markets. As a result, any new restaurants we open in those markets may be less successful than restaurants in our existing markets. Consumers in the new markets may not be familiar with our brand and we may need to build brand awareness in such markets through greater investments in advertising and promotional activities than we originally planned. We may find it more difficult in new markets to hire, train and retain qualified employees who share our business philosophy and culture. Restaurants opened in new markets may also have lower average sales or higher construction, occupancy or operating costs than restaurants in existing markets. In addition, we may have difficulty in finding reliable suppliers or distributors with adequate supplies of ingredients meeting our quality standards in the new markets. Sales at restaurants opened in new markets may take longer than expected to ramp up and reach, or may never reach, expected sales and profit levels, thereby affecting our overall profitability.

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

Furthermore, we have managed to maximize the retail space in our existing restaurants in Hong Kong by relying on the provision of fully and partially prepared foods by our central kitchen and logistics center. There is no assurance that we can replicate this model in the PRC due to a variety of factors, including the number of restaurants which can be opened within a reasonable distance, the scale of each restaurant and the availability of suitable production space for a central kitchen. Any inability to replicate or successfully adapt our business model to local conditions may affect the profitability of these restaurants. We will be susceptible to macro economic conditions in the PRC which are beyond our control. Any inability to execute our expansion plans for the PRC market could adversely affect our business, growth, financial condition and results of operations.

RISK FACTORS

Our new multi-brand strategy in Hong Kong, including expansion into Chinese and non-Chinese specialty cuisines, may not achieve desirable results.

We intend to broaden our customer base and penetrate further into the Hong Kong market by pursuing a multi-brand business strategy. As part of our multi-brand business strategy, we intend to expand into Chinese and non-Chinese specialty cuisines by opening new specialty cuisine restaurants under various brands as part of our “Fulum Concept (富臨概念)” line of business in Hong Kong. Some of these restaurants may be located in shopping malls. Pursuing this multi-brand business strategy involves inherent business risks, such as making incorrect judgments or assumptions as to customer acceptance of any of the specialty cuisines we offer, or customer traffic in the shopping malls in which we locate our specialty restaurants. We have limited experience in providing some of the specialty cuisines into which we are expecting to expand. For these new cuisines, we need to identify and respond to different competitive conditions, consumer preferences and discretionary spending patterns. In addition, we will open these specialty cuisines under various sub-brands. We may need to make additional investments to build brand awareness among our target customers. There is no assurance that we will be successful in implementing any of these strategies. In the event that any of these strategies proves to be unsuccessful, our overall profitability may be materially and adversely affected.

Our operations are susceptible to increases in purchase costs for food ingredients, which could adversely affect our margins and results of operations.

Our profitability depends significantly on our ability to anticipate and react to changes in purchase costs of food ingredients. Food costs, as represented by our cost of inventories sold, accounted for 36.8%, 30.3%, 28.7% and 31.2% of our revenues for the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively.

The availability (in terms of type, variety and quality) and prices of food supplies can fluctuate and be volatile and are subject to factors beyond our control, including seasonal fluctuations, climate conditions, natural disasters, general economic conditions, global demand, governmental regulations, exchange rates and availability, each of which may affect our food costs or cause a disruption in our supply. Our suppliers may also be affected by higher costs to produce the goods and services supplied to us, rising labor costs and other expenses that they pass through to their customers, which could result in higher costs for goods and services supplied to us.

We purchase a portion of our raw materials and food ingredients from local sources in the market and a portion of our raw materials and food ingredients from importers in Hong Kong who in turn source the raw material and food ingredients from various overseas countries. Food prices worldwide have been generally increasing during the Track Record Period. In addition, any appreciation of foreign currencies in these countries against the Hong Kong dollar may increase the price of our raw materials and food ingredients in Hong Kong dollars.

RISK FACTORS

Although we are able to enter into supply contracts with some of our suppliers, the pricing of our food ingredients is generally locked in for one to three months. In addition, the purchase price of seafood is typically set on a floating basis to track market prices. Furthermore, we do not enter into futures contracts or engage in 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 through our purchasing practices, by making changes to menu offerings or menu price adjustments in the future, or we may be unwilling or unable to pass these cost increases onto our customers, the failure of any of which could materially and adversely affect our business and results of operations.

If our suppliers do not deliver food and other supplies at competitive prices or in a timely manner, we may experience supply shortages and increased food costs.

The ability to source quality food ingredients at competitive prices in a timely manner is crucial to our business. Our ability to maintain consistent quality and maintain our menu offerings throughout our restaurants depends in part upon our ability to acquire fresh food products and related supplies from reliable sources that meet our quality specifications and are in sufficient quantities. For the three years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, the total purchases from our five largest suppliers in aggregate accounted for approximately 34%, 41%, 45% and 29%, respectively, and our purchases from our largest supplier accounted for approximately 11%, 15%, 16% and 14%, respectively, of our total purchases. We sourced a substantial portion of our fresh seafood from our largest supplier during the Track Record Period. During the Track Record Period, none of our key suppliers ceased or indicated that they would cease supply of food ingredients to us, and we did not experience any material delays or interruptions in securing the supply of food ingredients from our key suppliers. However, there can be no assurance that we will be able to maintain business relationships with our key suppliers.

A disruption of our food supplies can occur for a variety of reasons, many of which are beyond our control, including unanticipated demand, adverse weather conditions, natural disasters, diseases, a supplier ceasing operations or unexpected production shortages. Moreover, there is no assurance that our current supplies may always be able to meet our stringent quality control requirements in the future. If any of our suppliers do not perform adequately or otherwise fail to distribute products or supplies to us in a timely manner, we cannot assure you that we will be able to find suitable replacement suppliers in a short period of time on acceptable terms, and any failure to do so could increase our food costs and could cause shortages of food and other supplies at our restaurants that may cause us to remove certain items from the menus of one or more restaurants. Any significant changes to our menus for a prolonged period of time could result in a significant reduction in revenue during the time affected by the shortage and could cause a change in guests' dining preferences.

RISK FACTORS

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

We lease all the properties on which our restaurants operate. Accordingly, occupancy costs account for a significant portion of our operating expenses. For the three years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, our property rentals and related expenses amounted to HK\$203.6 million, HK\$236.9 million, HK\$301.5 million and HK\$84.0 million, respectively, representing 11.8%, 12.6%, 13.5% and 15.3% of our revenue from restaurant operations during the respective periods. Our Directors believe that, generally, rental costs for premises that are suitable for restaurant businesses in Hong Kong will continue to increase. Our substantial operating lease obligations expose us to potentially significant risks, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes.

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

Our lease agreements for our restaurant sites typically have an initial term ranging from three to six years. Some lease agreements contain an option for us to renew for an additional term. Many of our lease agreements provide that the rent will increase within the initial term or after the initial term at a fixed rate or at the then prevailing market rate. In addition, several of our leases require us to pay an additional contingent rent, determined as a percentage of sales, as specified by the terms of the applicable lease agreement. Where we do not have an option to renew a lease agreement, we must negotiate the terms of renewal with the lessor, which may insist on a significant modification to the terms and conditions of the lease agreement. If a lease agreement is renewed at a rate substantially higher than the existing rate or other existing favorable terms granted by the lessor, if any, are not extended, we must evaluate whether renewal on such modified terms is in our business interest. If we are unable to renew leases for our restaurant sites, we will have to close or relocate the relevant restaurant, which would eliminate the sales that the restaurant would have contributed to our revenues during the period of closure, and could subject us to construction and other costs and risks. In addition, the revenue and any profit generated at a relocated restaurant may be less than the revenue and profit previously generated at the closed restaurant. Therefore, any inability to obtain leases for desirable restaurant locations or renew existing leases on commercially acceptable terms could have a material adverse effect on our business and results of operations.

RISK FACTORS

If the sites on which we choose to establish our restaurants do not meet our expectations or the demographics or other characteristics of the area surrounding the sites we choose change in an adverse manner, we may be obligated to continue to pay rent even if we choose to cease operations at such sites.

There can be no assurance that the sites of our existing restaurants will meet our expectations or that the neighborhood characteristics or demographics of the areas surrounding our restaurant sites will not deteriorate or otherwise change in the future, resulting in reduced sales at these sites. For example, construction or renovation works in surrounding areas may adversely affect the accessibility of our restaurants or reduce the pedestrian or vehicle flow in the area, resulting in reduced guest traffic at our restaurants. In these circumstances, we may wish to relocate or cease operations. However, because most of our lease agreements have fixed terms, we would be obligated to continue to make rental payments for the entire duration of such leases at the relevant restaurants. In such circumstances, our business and results of operations may be materially and adversely affected.

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

Salary levels of restaurant industry employees in Hong Kong have been increasing in recent years. For the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, our staff costs amounted to HK\$498.2 million, HK\$560.3 million, HK\$685.6 million and HK\$175.5 million, respectively, representing 28.9%, 29.7%, 30.8% and 32.1% of our revenue during the respective periods. Our operations in Hong Kong are required to comply with the statutory minimum wage requirements, which came into force on May 1, 2011. The initial statutory minimum wage rate was HK\$28 per hour and has been increased to HK\$30 per hour since May 1, 2013. If there is any further increase in the statutory minimum wage rate in Hong Kong, our staff costs would likely increase as a result. As wages increase, competition for qualified employees also increases, which may indirectly result in further increases in our staff costs. Given the competitive market environment in Hong Kong, we may not be able to increase our prices high enough to pass these increased staff costs onto our customers, in which case our business and results of operations would be materially and adversely affected.

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

We believe hiring, motivating and retaining qualified employees are a critical part of our success as a restaurant operator. Our success depends in part upon our ability to attract, retain and motivate a sufficient number of qualified employees, including restaurant staff, cooks, and kitchen assistants. As at June 30, 2014, we employed approximately 4,503 full-time employees, 126 of whom were headquarters personnel and 4,377 of whom were restaurant and central kitchen and logistics center staff. Highly service-oriented and qualified individuals are in relatively short supply in Hong Kong and competition for these employees is intense. Any failure to employ and retain enough qualified employees could delay planned new restaurant openings or result in higher employee turnover, either of which could have a material adverse effect on our business and results of operations. In addition, competition for qualified employees could also require us to pay higher wages, which could result in higher labor costs.

RISK FACTORS

The owners of certain of our leased premises have been served with building orders (including two fire safety directions that remain unreleased). Any rectification works carried out at our leased premises to comply with these building orders may affect our restaurant operation and business.

As at the Latest Practicable Date, there were 34 unreleased building orders (including two fire safety directions) issued by the Building Authority against the landlords or incorporated owners of our restaurant premises pursuant to the Buildings Ordinance or Fire Safety (Commercial Premises) Ordinance. Rectification works in relation to unauthorised building structures of 23 of these 34 unreleased fire safety directions and/or building orders had already been completed. For details, see “Business — Properties — building orders and fire safety directions registered against our leased premises”.

There can be no assurance that all of our restaurants leased premises and leased premises for our office, warehouse, central kitchen and logistic center are free from any unauthorized building structures. In the event that our Group, landlord and/or incorporated owner is required to remove any unauthorized building works or there are other building order non-compliances that affect our Group’s operation, our Group will, or will use our best endeavour to, persuade our landlord(s) and/or incorporated owners to comply with such request. Any suspension of business operations may have a material adverse effect on our Group’s performance and profitability.

Under certain tenancy agreement(s) entered into between our Group and the relevant landlord(s) or incorporated owners, our Group is required to indemnify the relevant landlord(s) or incorporated owners for costs and damages incurred in connection with building orders as a result of our Group’s modifications. As at the Latest Practicable Date, to the best of our Directors’ knowledge, none of the relevant landlords had effected the relevant provision in the tenancy agreement(s) to seek indemnity against our Group. In addition, the Controlling Shareholders have entered into the Deed of Indemnity in favour of the Company to indemnify our Group from and against, among others, losses, liabilities, damages, costs, claim and expenses incurred by our Group in relation to these 34 building orders served on third parties in relation to the premises where our restaurants, office and warehouse are located as at the Latest Practicable Date. See “Appendix IV — Statutory and General Information — H. Other Information — 14. Indemnities given by our Controlling Shareholders” for further details. In the event that the landlord(s) or incorporated owners are being prosecuted for such building works and our Group is required to indemnify against any of the relevant landlord(s) or incorporated owners, our reputation may be adversely affected and we may experience difficulty in renewing the relevant leases.

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

Our customers and restaurant guests may submit or file complaints or claims against us regarding our food products and services, including the food prepared and served in, and taken outside, our restaurants.

RISK FACTORS

Being in the food and beverage industry, we face an inherent risk of food contamination and liability claims. Our food quality depends partly on the quality of the food ingredients and raw materials provided by our suppliers and we may not be able to detect all defects in our supplies. For instance, the recent widely reported “gutter oil” incident in early September 2014 affected the food industry businesses in Taiwan, Hong Kong and Macau. For details, see the section headed “Business — Quality Control — “Gutter oil” Incident”. Although it has not been confirmed by the FEHD and/or the CFS that the lard products we used have been contaminated, nor have we received any customer feedback or complaints in relation to this incident, there is no assurance that our customers will not file liability claims or food contamination complaints at a later date. In the event of such claims or complaints, our reputation and business may be materially and adversely affected. In addition, the widely reported “gutter oil” incident or any other similar incidents in the future may adversely affect customers’ confidence in dining-out, thereby affecting the restaurant industry in Hong Kong as a whole.

For the year ended March 31, 2014, approximately 43% of the semi-processed or processed food ingredients used in our restaurants were initially delivered to and handled by our central kitchen and logistics center. Any food contamination occurring at our central kitchen and logistics center or during the transportation from our central kitchen and logistics center to our restaurants that we fail to detect or prevent could adversely affect the quality of the food served in our restaurants. Due to the scale of our operations, we also face the risk that certain of our employees may not adhere to our mandated procedures and requirements. Any failure to detect defective food supplies, or observe proper hygiene, cleanliness and other quality control requirements or standards in our operations could adversely affect the quality of the food we offer inside or outside our restaurants, which could lead to liability claims, complaints and related adverse publicity, reduced customer traffic at our restaurants, the imposition of penalties against us by relevant authorities and compensation awards by courts. During the Track Record Period and up to the Latest Practicable Date, we had no material non-compliances with food and health-related laws and regulations which resulted in any material penalty to our Group. We cannot assure you that we will not receive any material orders or claims or penalty in relation to food and health-related matters in the future. Any such incidents could materially harm our reputation, results of operations and financial condition.

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

The quality of the food we serve is critical to our success. Maintaining consistent food quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our Group’s quality control systems and our ability to ensure that our employees adhere to those quality control policies and guidelines. Our quality control systems consist of (i) supply chain quality control, (ii) central kitchen and logistics center quality control, (iii) logistics quality control and (iv) restaurant quality control. For more details on our quality control systems, see “Business — Quality Control” in this prospectus. However, there is no assurance that our quality control systems will prove to be effective. Any significant failure or deterioration of our Group’s quality control systems could have a material adverse effect on our reputation, results of operations and financial condition.

RISK FACTORS

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

A multi-location restaurant business such as ours can be adversely affected by negative publicity or news reports, whether accurate or not, regarding food quality issues, public health concerns, illness, safety, injury or government or industry findings concerning our restaurants, restaurants operated by other food service providers or others across the food industry supply chain. Any such negative publicity could materially harm our business and results of operations and result in damage to our brands.

During the Track Record Period, we received an aggregate of 53 and 11 complaints filed by our customers to the Consumer Council and Hong Kong Tourism Board, respectively, which were generally related to the promotion and customer service quality of our restaurant staff. We are not aware of any customer complaints seeking material compensation that could have material adverse effect on our business and results of operations during the Track Record Period and up to the Latest Practicable Date.

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

Because we generated all of our revenues in Hong Kong during the Track Record Period and expect to continue to derive a substantial portion of our revenues from Hong Kong, we are susceptible to developments in Hong Kong.

During the Track Record Period, we generated all of our revenue from our Hong Kong restaurant operations. We anticipate that our restaurant business in Hong Kong will continue to be our core business following the completion of the Global Offering. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations or policies that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected. In addition, we have limited experience in operating businesses in other places, and may have difficulties in relocating our business to other geographic markets. Therefore, if there is any deterioration in the economic, political and regulatory environment in Hong Kong, our business may be materially and adversely affected.

RISK FACTORS

Because we rely on our central kitchen and logistics center to supply a majority of our semi-processed or processed food ingredients used in our restaurants, any disruption of operation at our central kitchen and logistics center could adversely affect our business and operations.

For the year ended March 31, 2014, approximately 43% of the semi-processed or processed food ingredients used in our restaurants were first processed at our central kitchen and logistics center in Hong Kong before delivery to our restaurants. Any disruption of operations at our central kitchen and logistics center, such as electricity or water suspensions, whether due to natural disasters or otherwise, may result in failure to distribute food ingredients to our restaurants in a timely manner, or at all, which may cause our restaurants to suspend or remove popular items or signature dishes from their menus, whether temporarily or on a permanent basis. If we remove popular items or signature dishes from our restaurant offerings, we may experience a significant reduction in revenue and our brand value may suffer, resulting in a material adverse effect on our business and results of operations.

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

Our financial results depend on our ability to increase sales and efficiently manage costs in our existing and new restaurants. In particular, the success of our restaurants depends principally on our ability to increase guest traffic and the average check per guest. Significant factors that might adversely impact our guest traffic levels and the average check per guest include, without limitation:

- increased competition in the restaurant industry;
- changes in consumer preferences;
- declining economic conditions that may adversely affect discretionary consumer spending in the markets we serve;
- guest budgeting constraints and choosing not to order high margin items such as beverages;
- customer sensitivity to our menu price increases;
- our reputation and consumer perception of our brand and our offerings in terms of quality, price, value and service; and
- guest experiences from dining in our restaurants.

RISK FACTORS

The profitability of our restaurants is also subject to cost increases that are either wholly or partially beyond our control, including, without limitation:

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

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

Our future growth depends on our ability to open and profitably operate new restaurants.

We were operating 55 restaurants as at the Latest Practicable Date. Our future growth depends on our ability to open and profitably operate new restaurants. We added 3, 8, 12 and 1 new restaurants in the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively, and plan to open 13, 14 and 14 new restaurants in the years ending March 31, 2015, 2016 and 2017, respectively. The number and timing of new restaurants actually opened during any given period, and their associated contribution to our growth, are subject to a number of risks and uncertainties, including but not limited to our ability to:

- find quality locations and secure leases on commercially reasonable terms;
- secure the required government permits and approvals;
- obtain adequate financing for development and opening costs;
- efficiently manage the time and cost involved in the design, construction and pre-opening processes for each new restaurant;
- accurately estimate expected consumer demand in new locations and markets;
- minimize cannibalization of sales at our existing restaurants;
- secure adequate suppliers of food ingredients that meet our quality standards;

RISK FACTORS

- hire, train and retain skilled management and other employees on commercially reasonable terms; and
- successfully promote our new restaurants and compete in the markets where our new restaurants are located.

We may not be able to open our planned new restaurants on a timely basis, if at all, and if opened, these restaurants may not be operated profitably. We have experienced and may continue to experience delays in restaurant openings. Opening new restaurants may place substantial strain on the managerial, operational and financial resources of our Group. We may not be able to attract enough guests to our new restaurants because potential guests may be unaware of or unfamiliar with our brands, the new restaurants or the menus of our new restaurants might not appeal to them. If we are unable to overcome the costs associated with opening new restaurant locations and building a satisfactory new customer base for our new restaurants, the operating results generated at the new restaurants may not be comparable to the operating results generated at any of our existing restaurants. The new restaurants may even operate at a loss, which could have a significant adverse effect on our overall operating results.

Opening new restaurants in existing markets may negatively affect sales at our existing restaurants.

The consumer target area of our restaurants varies by location, depending on a number of factors such as population density, local retail and business attractions, area demographics and geography. As a result, the opening of new restaurants in or near markets in which we already have existing restaurants could adversely impact the sales and guest traffic of existing restaurants. Some of our customers may be diverted from our existing restaurants to our new restaurants, and vice versa.

We currently plan to open 13, 14 and 14 new restaurants in the years ending March 31, 2015, 2016 and 2017, respectively. We carefully consider any likely impact on our existing restaurants when we evaluate each new restaurant site and seek to balance any potential impact on our existing restaurants with the new restaurant's ability to attract more customers from competitors. We do not intend to open new restaurants that materially impact the sales or guest traffic of our existing restaurants. However, there can be no assurance that customer diversion among our existing and new restaurants will not occur or become more significant in the future as we continue to expand our operations, which could have a material adverse effect on sales at our existing restaurants and our overall profitability.

Opening of new restaurants could result in fluctuations in our financial performance.

Our operating results have been, and in the future may continue to be, significantly influenced by the timing of the opening of new restaurants (which is often affected by factors beyond our control), including initially lower sales and higher operating costs, as well as changes in our geographic distribution due to the opening of new restaurants. New restaurants also incur expenses before opening such as rental expenses and staff costs. New restaurants require time to ramp up and achieve our target performance. Our progress in opening new restaurants from period to period may also occur at an uneven rate. Accordingly, the number and timing of new restaurant openings has had, and may continue to have, a meaningful impact on our profitability. As a result, our results of operations may

RISK FACTORS

fluctuate significantly from period to period and comparison of different periods may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

If we are unable to manage our growth effectively, we may not be able to capitalize on new business opportunities and our business and financial results may be materially and adversely affected.

We have increased the number of our restaurants from 34 as of March 31, 2012 to 55 as at Latest Practicable Date and we plan to continue to expand our operations by increasing penetration of the Chinese cuisine market as well as expand into Chinese and non-Chinese specialty cuisine market. Our current expansion plans contemplate a more rapid pace of expansion than we have previously undergone. We also have limited experience in operating multiple restaurant formats, such as operating specialty cuisine restaurants in shopping malls, concurrently. Our expansion may place substantial demands on our management and our operational, technological, financial and other resources. Our planned expansion will also place significant demands on us to maintain consistent food and service quality across a larger restaurant network and preserve our corporate culture across a larger and more diverse employee base to ensure that our brand does not suffer as a result of any deterioration, whether actual or perceived, in the quality of our food or services.

To manage and support our growth, we must improve our existing operational and administrative systems as well as our financial and management controls. Our continued growth also depends on our ability to recruit, train and retain additional qualified management personnel as well as other administrative, sales and marketing personnel, particularly as we expand into new markets. To accommodate our growth, we need to continue managing our relationships with our suppliers and customers. All of these endeavors will require substantial management attention and efforts and significant additional expenditures. We cannot assure you that we will be able to manage any future growth effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse effect on our business and financial results.

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

We are subject to various government regulations. In respect of our restaurants in Hong Kong, we are required to maintain three principal types of licenses for the operation of our restaurant business: (i) a food business license; (ii) a water pollution control license; and (iii) a liquor license. Most of the requisite licenses applicable to our business are usually valid for one to two years and we need to renew our licenses every one to two years. For details, see "Laws and Regulations — Regulatory Framework".

We may experience difficulties or failures in obtaining the necessary approvals, licenses and permits for new restaurants. In addition, there can be no assurance that we will be able to obtain, renew and/or convert all of the approvals, licenses and permits required for our existing business operations upon expiration in a timely manner or at all. If we cannot obtain and/or maintain all licenses required by us to operate our business, planned new business operations and/or expansion may be delayed and our ongoing business could be interrupted. We may also be subject to fines and penalties.

RISK FACTORS

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

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

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

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

As we operate in the restaurant industry, we usually receive and handle large amounts of cash in our daily operations. All purchases of raw materials and food ingredients of our restaurants are made through our purchasing department. We are not aware of any instances of fraud, theft and other misconduct involving employees, customers and other third parties that had any material adverse impact on our business and results of operations during the Track Record Period and up to the Latest Practicable Date. However, we cannot assure you that there will not be any such instances in the future. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

Information technology system failures or breaches of our network security could interrupt our operations and adversely affect our business.

We rely on our computer systems and network infrastructure across our operations to monitor the daily operations of our restaurants and food production and to collect accurate up-to-date financial and operating data for business analysis. Any damage or failure of our computer systems or network infrastructure that causes an interruption in our operations could have a material adverse effect on our business and results of operations.

RISK FACTORS

We also receive and maintain certain personal information about our guests when accepting credit cards for payment. If our network security is compromised and such information is stolen or obtained by unauthorized persons or used inappropriately, we may become subject to litigation or other proceedings brought by cardholders and financial institutions that issue cards. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our brand could also be negatively affected by these events, which could further adversely affect our business and results of operations.

Events that disrupt our operations, such as fires, floods, or other natural or man-made disasters, may materially and adversely affect our business operations.

Our operations are vulnerable to interruption by fires, floods, typhoons, power failures and power shortages, hardware and software failures, computer viruses, terrorist attacks and other events beyond our control. Our business is also dependent on prompt delivery and transportation of our raw materials and food ingredients. Certain events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays and labor strikes, could also lead to delayed or lost deliveries of food supplies to our central kitchen and logistics center and our restaurants which may result in the loss of revenue or customer claims. Perishable food ingredients, such as fresh, chilled or frozen food ingredients, may deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our suppliers or our logistics partners. This may result in failure to provide quality food and services to our customers, thereby adversely affecting our business and damaging our reputation. Fires, floods, earthquakes and terrorist attacks may lead to evacuations and other disruptions in our operations, which may also prevent us from providing quality food and service to customers for an indefinite period of time, thereby affecting our business and damaging our reputation. Any such event could materially and adversely affect our business operations and results of operations.

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

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

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

Our overall results of operations may fluctuate significantly from period to period because of various factors, including the timing of new restaurant openings and the incurrence of associated pre-opening costs and expenses, operating costs for our newly opened restaurants, any losses associated with our restaurant closings and seasonal fluctuations. During the Track Record Period, we generally derived a higher amount of revenue during certain holiday periods (generally from December to February), such as Christmas holiday and Chinese new year. In addition, our revenue during the first fiscal

RISK FACTORS

quarter during the Track Record Period (generally from April to June) is lower, mainly due to lack of Chinese festivals and frequent outbound travel during Easter holiday. As a result of the above factors, our results of operations may fluctuate significantly from period to period and a comparison of different periods may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability.

Our historical results may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our Shares to decline. Our revenues, expenses and operating results may vary from period to period in response to a variety of factors beyond our control, including general economic conditions, special events, regulations or actions pertaining to restaurants based in Hong Kong and our ability to control costs and operating expenses. You should not rely on our historical results to predict the future performance of our Shares.

Our historical dividends may not be indicative of our future dividends.

We did not declare or pay any dividends for the two years ended March 31, 2013 and the three months ended June 30, 2014. We proposed dividends in the amount of HK\$200 million for the year ended March 31, 2014, which was approved by the Company's then shareholders on August 8, 2014. All of such declared dividends are expected to be paid upon Listing. We cannot assure you that we will declare or pay dividends in the future, and potential investors should be aware that the amount of dividends that were declared and paid in the past should not be used as a reference or basis upon which future dividends will be determined. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant.

We did not fully comply with the Predecessor Companies Ordinance.

Some of our subsidiaries incorporated in Hong Kong have on various occasions not fully complied with certain statutory requirements in the Predecessor Companies Ordinance with respect to matters such as timely adoption of audited accounts. See "Appendix IV — Statutory and General Information — H. Other Information — 11. Incidents where the audited accounts were not laid before the annual general meetings of our subsidiaries with the statutory prescribed period" in this prospectus.

If the Hong Kong Companies Registry takes any actions against our Group, including imposing fines or other penalties, our reputation, cash flow and results of operation may be adversely affected.

RISK FACTORS

RISKS RELATING TO OUR INDUSTRY

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

The restaurant industry is susceptible to food-borne illnesses, health epidemics and other outbreaks. Furthermore, our reliance on third-party food suppliers increases the risk that food-borne illness incidents could be caused by third-party food suppliers outside of our control and could affect multiple restaurants in our Group. New illnesses resistant to any precautions currently in place may develop in the future, or diseases with long incubation periods could arise, such as mad-cow disease, that could give rise to claims or allegations on a retroactive basis. Reports in the media of instances of food-borne illnesses could, if highly publicized, negatively affect our industry overall and us in particular, impacting our restaurant sales, forcing the closure of some of our restaurants and conceivably having a significant impact on our operations. This risk exists even if it were later determined that the illness in fact was not caused by our restaurants. Furthermore, other illnesses, such as hand, foot and mouth disease, could adversely affect the supply of some of our important food ingredients and significantly increase our costs.

We also face risks related to health epidemics. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the economy in Hong Kong. For example, in 2003, certain Asian countries and regions, including the PRC, Hong Kong and Taiwan, encountered an outbreak of Severe Acute Respiratory Syndrome, or SARS, a highly contagious form of atypical pneumonia. Recently, human infected cases of influenza A (H7N9) were discovered in China and Hong Kong in 2013 and 2014. A recurrence of SARS or an outbreak of any other epidemics or pandemics, including without limitation, influenza A (H1N1 or H7N9) and avian flu (H5N1), in the areas where we have restaurants may result in quarantines, temporary closures of our restaurants, travel restrictions or the sickness or death of key personnel and our guests. Any of the above may cause material decreases in guest traffic and disruptions to our operations, which in turn may materially and adversely affect our business and results of operations.

Adverse publicity in Hong Kong on food safety may have a material adverse effect upon our business, financial condition and results of operations.

Different types of food ingredients, such as eggs and various kinds of seafood, have been found to contain hazardous substances, which may not be fit for human consumption. If there is any adverse publicity in Hong Kong on food safety, the public may reduce the frequency of dining out. In such event, our business could be adversely affected, even though the adverse publicity is not targeted at our restaurants.

RISK FACTORS

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

We are required to obtain a number of licenses and permits for our restaurant operations, including, among others, general restaurant licenses, water pollution control licenses, liquor licenses, hygiene permits, polluting materials discharge permits and fire protection approvals. We are also required to comply with environmental protection regulations. We cannot assure you that the licensing requirements and environmental protection regulations for our restaurant operations in Hong Kong will not become more stringent in the future. In addition, if the relevant government authority concludes that any of our restaurants is not able to meet the required hygiene standards, we may be required to take steps to comply with the relevant laws and regulations or may result in suspension of the operation of the relevant restaurant. Any failure to comply with existing regulations, or future legislative changes, could cause our Group to incur significant compliance costs or expenses or result in the assessment of damages, imposition of fines against us or suspensions of some or all of our business, which could materially and adversely affect our financial condition and results of operations.

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

The restaurant industry is affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels and consumer spending patterns. In particular, our Group's business is operating restaurants in Hong Kong and, accordingly, our results of operations are closely affected by the macro-economic conditions in Hong Kong. Any deterioration of the Hong Kong economy, decrease in disposable consumer income, fear of a recession and decreases in consumer confidence may lead to a reduction of guest traffic and average spending per invoice at our restaurants, which could materially and adversely affect our financial condition and results of operations. We are closely monitoring the impact of Occupy Central, a civil disobedience movement which began in Hong Kong around September 28, 2014, and whether it has any impact on our business. For details, see "Financial Information — Recent Development and No Material Adverse Change". As at the Latest Practicable Date, the incident did not have any material adverse effect on our business and financial position. However, there is no assurance that developments of Occupy Central in the future will not have a material adverse impact on our business or financial condition.

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

RISK FACTORS

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

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

Any inability to successfully compete with other restaurants in our markets may prevent us from increasing or sustaining our revenues and profitability and lose market share, which could have a material adverse effect on our business, financial condition, results of operations or cash flows. We may also need to modify or refine elements of our restaurant system to evolve our concepts in order to compete with popular new restaurant styles or concepts that develop from time to time. We cannot ensure that we will be successful in implementing these modifications or that these modifications will have the intended effect.

RISKS RELATING TO THE PRC

Adverse changes in economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could materially and adversely affect our business and results of operations.

As at the Latest Practicable Date, we have no business operation in the PRC. We plan to open two new restaurants in the PRC in each of the three years ending March 31, 2015, 2016 and 2017. Accordingly, our business, financial condition, results of operations and prospects could be affected by economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing, and the allocation of resources. Restaurant dining is discretionary for customers and tends to be higher during periods in which favorable economic conditions prevail. Customers' tendency to become more cost-conscious as a result of an economic slowdown or decreases in disposable income may reduce our customer traffic or average revenue per customer, which may adversely affect our revenues.

RISK FACTORS

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

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

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

Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations which may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because published court decisions are limited in number and are nonbinding, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may be subject to fines and other penalties applied retroactively for violations of policies and rules enacted in the future based on acts that are currently permissible. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

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

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

RISK FACTORS

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

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

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

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

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

The change in value of the Renminbi against the Hong Kong dollar, U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. In respect of our planned restaurants in the PRC, a majority of our revenues and costs are expected to be denominated in RMB. We are also expected to partially rely on dividends and other fees paid to our Company by our subsidiaries to be established in China. Any significant revaluation of the RMB may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, any appreciation of the Renminbi against the Hong Kong or U.S. dollar or any other currencies may result in the decrease in the Renminbi-equivalent value of the proceeds from this Global Offering and our foreign currency-denominated assets. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, our ordinary shares in foreign currency terms.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained.

Prior to the Global Offering, no public market for our Shares existed. Following the completion of the Global Offering, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for our Shares will develop or be sustained after the Global Offering. In addition, we cannot assure you that our Shares will trade in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by agreement among the Joint Global Coordinators (on behalf of the Underwriters) and us, and may not be indicative of the market price of the Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of Shares could be materially and adversely affected.

The trading prices of our Shares may be volatile, which could result in substantial losses to you.

The trading prices of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the trading price performance of other restaurant companies based in Asia may affect the trading price of our Shares. Various broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

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

RISK FACTORS

The sale or availability for sale of substantial amounts of our Shares could adversely affect their trading price.

Sales of substantial amounts of our Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

The Shares owned by our Controlling Shareholders are subject to certain lock-up periods. There can be no assurance that they will not dispose of these Shares following the expiration of the lock-up periods, or any Shares they may come to own in the future. We cannot predict what effect, if any, significant future sale will have on the market price of our Shares.

Because the Offer Price of our Shares is higher than our net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution.

If you purchase our Shares in the Global Offering, you will pay more for your Shares than our net book value on a per Share basis. As a result, investors of our Shares in the Global Offering will experience an immediate dilution in the net tangible asset value and our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our Shares may experience a further dilution of their interest if the Joint Global Coordinators (on behalf of the International Underwriters), exercises the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

There may be a dilutive effect on the earnings per Share associated with the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme.

We have adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, details of which are set out in "Appendix IV — Statutory and General Information — F. Pre-IPO Share Option Scheme" and "Appendix IV — Statutory and General Information — G. Post-IPO Share Option Scheme" in this prospectus. Issuance of Shares pursuant to the exercise of options granted or to be granted under the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme will result in an increase in the number of Shares in issue after the issuance and thereby will cause dilution to the percentage of ownership of the existing Shareholders, the earnings per Share, and net asset per Share.

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

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

RISK FACTORS

Certain statistics and forecasts in this prospectus were derived from third party sources and have not been independently verified.

This prospectus includes certain statistics and facts that have been extracted from official government sources and publications or other sources and we cannot guarantee neither the quality nor the reliability of such source material. They have not been prepared or independently verified by us, the Sole Sponsor, the Underwriters or any of its or their respective affiliates or advisers, and therefore we take no representation as to the accuracy of such facts and statistics. In addition, the section headed "Industry Overview" of this prospectus contains certain forecast data which were based on certain assumptions which, by their nature, are subjective and uncertain. We cannot guarantee the accuracy or adequacy of such assumptions and accordingly, the forecast data. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place, on such facts, statistics and forecasts in this prospectus.

You should not rely on any information contained in press articles or other media regarding our Group and the Global Offering.

Prior to the publication of this prospectus, there may be certain press and media coverage regarding our Group and the Global Offering which may include certain information relating to business operations, financial information, industry comparisons and other information about our Group that does not appear in this prospectus, including without limitation, any information relating to the "gutter oil" incident. We did not authorize the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Prospective investors should not rely on any such information and should only rely on information included in this prospectus in making any investment decision.

GLOBAL OFFERING AND LISTING

Issuer	Fulum Group Holdings Limited 富臨集團控股有限公司
Global Offering	Global Offering of initially 325,000,000 Offer Shares (subject to the Over-allotment Option) comprising (i) Hong Kong Public Offering of initially 32,500,000 Offer Shares (subject to adjustment) and (ii) International Placing of initially 292,500,000 Offer Shares (subject to adjustment and the Over-allotment Option)
Office Price range	HK\$1.26 to HK\$1.66
Over-allotment Option	Up to 48,750,000 additional Shares to be offered by our Company
Stock borrowing arrangements	BOCI Asia Limited or any person acting for it may borrow from China Sage up to 48,750,000 Shares, representing 15% of the number of Offer Shares initially available under the Global Offering
Board Lot	2,000 Shares
Lock-up undertakings	See “Underwriting — Underwriting Arrangements and Expenses”
Dividend policy	<p>Subject to certain limitations, our Directors currently intend to recommend no less than 40% of our annual profits after tax as dividends. There can be no assurance that in any given year a dividend will be proposed or declared. See “Financial Information — Dividend and Dividend Policy” in this prospectus.</p> <p>Unless we determine otherwise, dividends, if declared, will be paid in Hong Kong dollars to our Shareholders, as recorded in our Hong Kong Branch Register, by ordinary post, at our Shareholders’ own risks, to the registered address of each such Shareholder.</p>
Voting rights	Each Share entitles its holder to one vote at our Shareholders’ meeting. See “Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law” in this prospectus

Stamp Duty

Dealings in the Shares registered in our Hong Kong Branch Register will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

Register of members

Our Company's principal register of members will be maintained by our Principal Share Registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands. All of the Shares issued pursuant to the Global Offering will be registered on our Company's Hong Kong Branch Register to be maintained in Hong Kong by our Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Application for the Listing on the Stock Exchange

We have applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued by us pursuant to the Capitalization Issue and the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be issued upon exercise of the Pre-IPO Share Options and the Post-IPO Share Options.

Dealings in the Shares on the Stock Exchange are expected to commence on November 13, 2014. Except as disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as at the date of this prospectus. All the Offer Shares will be registered on the Hong Kong Branch Register of our Company in order to enable them to be traded on the Stock Exchange.

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

GLOBAL OFFERING AND LISTING

Restrictions on offers and sale of the Offer Shares

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

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

Fully underwritten

The listing of our Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or about the Price Determination Date, subject to determination of the pricing of the Offer Shares. Further information regarding the Underwriters and the underwriting arrangements are set out in "Underwriting".

Price Determination Date

On or around November 7, 2014, and, in any event, no later than November 12, 2014

If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before November 12, 2014, or such later date or time as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not become unconditional and will lapse.

GLOBAL OFFERING AND LISTING

Admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between Exchange participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

Procedures for apply for Hong Kong Offer Shares

See “How to Apply for Hong Kong Offer Shares” in this prospectus.

Conditions of the Global Offering

See “Structure and Conditions of the Global Offering — Conditions of the Global Offering” in this prospectus.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and an exemption from compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER AND EXEMPTION IN RELATION TO THE PRE-IPO SHARE OPTION SCHEME

Under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules, section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this prospectus is required to include, among other things, details regarding the number, description and amount of any of our Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given, full details of all outstanding options and their potential dilution effect on the shareholdings upon Listing, as well as the impact on the earnings per Share arising from the exercise of such outstanding options under the Pre-IPO Share Option Scheme. We granted Pre-IPO Share Options to 346 persons (the "Grantees") to subscribe for 54,000,000 Shares on the terms set forth in "Appendix IV — Statutory and General Information — F. Pre-IPO Share Option Scheme". These include four Grantees who are Directors, four Grantees who are members of the senior management of our Group, three Grantees having the rights to subscribe for 1,000,000 Shares or more and five connected persons of our Company (collectively, the "Disclosed Grantees") and the remaining Grantees are other employees of the Group (the "Other Grantees"). Except as disclosed in "Appendix IV — Statutory and General Information — F. Pre-IPO Share Option Scheme" in this prospectus, no Grantee under the Pre-IPO Share Option Scheme is a Director or a member of the senior management or a connected person of our Company or a Grantee having the right to subscribe for 1,000,000 Shares or more.

We have applied for (i) a waiver from the Stock Exchange from strict compliance with the requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules and (ii) an exemption from the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details relating to the Pre-IPO Share Options and certain Grantees under the Pre-IPO Share Option Scheme. In light of the requirements under the relevant regulations described above, we have made the following submissions to the Stock Exchange and the SFC:

- The Pre-IPO Share Options are granted to a total of four Directors, four members of the senior management of our Group, three Grantees having the rights to subscribe for 1,000,000 Shares or more, five connected persons of our Company and 330 Other Grantees. Our Directors consider that it would be unduly burdensome to disclose full details of all the Pre-IPO Share Options granted by us in this prospectus, which would involve more than 40 pages of contents to be inserted into this prospectus, significantly increasing the cost and timing for information compilation, prospectus preparation and printing.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

- Disclosure of key information of the Pre-IPO Share Options granted to the Disclosed Grantees in “Appendix IV — Statutory and General Information — F. Pre-IPO Share Option Scheme” in this prospectus is sufficient to provide potential investors with information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the Pre-IPO Share Options in their investment decision making process.
- For the Other Grantees, there will be full disclosure on all Pre-IPO Share Options granted to them on an aggregate basis, including (a) the aggregate number of Other Grantees; (b) the number of Shares underlying the Pre-IPO Share Options; (c) the consideration paid for the Pre-IPO Share Options; (d) the exercise period of each Pre-IPO Share Option; and (e) the exercise price of the Pre-IPO Share Options. None of the Other Grantees was granted Pre-IPO Share Options for more than 300,000 Shares under the Pre-IPO Share Option Scheme.
- A waiver and exemption from the applicable disclosure requirements under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance will not hinder potential investors from making an informed assessment of our activities, assets and liabilities, financial position, management and prospects and the interest of public investors will not be prejudiced.
- The grant and exercise in full of the Pre-IPO Share Options will not cause any material adverse change in our financial position.

The Stock Exchange has granted the waiver to us, subject to the conditions that:

- a certificate of exemption from strict compliance with the relevant Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements be granted by the SFC and the particulars of the exemption be disclosed in this prospectus;
- on an individual basis, full details of all the Pre-IPO Share Options granted by our Company to the Disclosed Grantees, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be disclosed in this prospectus;
- in respect of the Pre-IPO Share Options granted by our Company to the Other Grantees, the following details be fully disclosed in this prospectus:
 - (a) the aggregate number of the Other Grantees;
 - (b) the number of Shares subject to such Pre-IPO Share Options and the percentage of our Company’s total issued share capital represented by such Shares;
 - (c) the consideration paid for the grant of such Pre-IPO Share Options;

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

- (d) the exercise period of the Pre-IPO Share Options; and
- (e) the exercise price for the Pre-IPO Share Options;
- the dilution effect and impact on earnings per Share upon full exercise of the Pre-IPO Share Options be disclosed in this prospectus;
- the aggregate number of Shares subject to the outstanding Pre-IPO Share Options;
- a summary of the Pre-IPO Share Option Scheme be disclosed in this prospectus; and
- a full list of all the Grantees (including the Disclosed Grantees and Other Grantees) who have been granted Pre-IPO Share Options, containing all details as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection" in this prospectus.

The SFC has granted a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to the conditions that:

- on an individual basis, full details of all the Pre-IPO Share Options granted by our Company to the Disclosed Grantees be disclosed in this prospectus, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- in respect of the Pre-IPO Share Options granted by our Company to the Other Grantees, the following details be disclosed in this prospectus:
 - (a) the aggregate number of Other Grantees and number of Shares subject to the Pre-IPO Share Options;
 - (b) the consideration paid for the grant of the Pre-IPO Share Options; and
 - (c) the exercise period and the exercise price for the Pre-IPO Share Options;

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

- a full list of all the Grantees (including the Disclosed Grantees and Other Grantees), who have been granted Pre-IPO Share Options containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be made available for public inspection in accordance with “Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection” in this prospectus; and
- the particulars of such exemption be disclosed in this prospectus.

Further details of the Pre-IPO Share Option Scheme are set forth in “Appendix IV — Statutory and General Information — F. Pre-IPO Share Option Scheme”.

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute non-exempt continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in respect of certain non-exempt continuing connected transactions. Further details of such non-exempt continuing connected transactions and the waiver are set forth in “Continuing Connected Transactions” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. YEUNG Wai 楊維	Flat H, 2/F, Block 21 11 Laguna Street Laguna City Kowloon, Hong Kong	Chinese
Mr. YEUNG Yun Chuen 楊潤全	Flat D, 5/F Block 5 One Beacon Hill Kowloon, Hong Kong	Chinese
Mr. YEUNG Yun Kei 楊潤基	Flat A, 35/F Tower 2A The Latitude 638 Prince Edward Road East San Po Kong Kowloon, Hong Kong	Chinese
Mr. LEUNG Siu Sun 梁兆新	Flat B, 37/F, Tower 1 Florient Rise No. 38 Cherry Street Tai Kok Tsui Kowloon, Hong Kong	Chinese
Independent Non-Executive Directors		
Mr. FAN Chun Wah Andrew 范駿華	Flat A, 11th Floor Robinson Crest 71-73 Robinson Road Hong Kong	Chinese
Mr. LOCK Kwok On Anthony 駱國安	Flat A, 28/F, Tower 2 Tregunter 14 Tregunter Path Mid-Levels, Hong Kong	Chinese
Mr. WU Kam On Keith 鄔錦安	Flat D, 18/F, Block B Forum Court Pictorial Garden Phase 2 Shatin, Hong Kong	Chinese

See "Directors and Senior Management" in this prospectus for further information.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Deutsche Securities Asia Limited
52/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Deutsche Bank AG, Hong Kong Branch
52/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

BOCI Asia Limited
26th Floor
Bank of China Tower
1 Garden Road
Hong Kong

Legal advisers to our Company

As to Hong Kong law
Deacons
5th Floor
Alexandra House
18 Chater Road
Central, Hong Kong

As to U.S. law
Dorsey & Whitney
Suite 3008, One Pacific Place
88 Queensway
Hong Kong

As to PRC law
Commerce & Finance Law Offices
6F, NCI Tower A12
Jianguomenwai Avenue
Beijing 100022, PRC

As to Cayman Islands law
Conyers Dill & Pearman (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to the Sole Sponsor and the Underwriters	<i>As to Hong Kong law and U.S. law</i> Paul Hastings 21st and 22nd Floors, Bank of China Tower 1 Garden Road Hong Kong <i>As to PRC law</i> Jingtian & Gongcheng 34th Floor, Tower 3, China Central Place 77 Jianguo Road Chaoyang District, 100025 Beijing, PRC
Independent reporting accountants	Ernst & Young <i>Certified Public Accountants</i> 22/F, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
Independent property valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6/F, Three Pacific Place 1 Queen's Road East Admiralty, Hong Kong
Receiving banks	Standard Chartered Bank (Hong Kong) Limited 15/F, Standard Chartered Tower 388 Kwun Tong Road, Kowloon Hong Kong Hang Seng Bank Limited 83 Des Voens Road Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Independent industry consultant

Frost & Sullivan
2802–2803, Tower A
Dawning Centre
500 Hongbaoshi Road
Shanghai 201103, China

Compliance adviser

Fortune Financial Capital Limited
35/F, Office Tower Convention Plaza
No. 1 Harbour Road
Wanchai
Hong Kong

CORPORATE INFORMATION

Registered office	P.O. Box 2681 Cricket Square, Hutchins Drive Grand Cayman, KY1-1111 Cayman Islands
Corporate headquarters and principal place of business in Hong Kong	15/F., Luk Hop Industrial Building 8 Luk Hop Street, San Po Kong Kowloon, Hong Kong
Company's website	<u>www.fulum.com.hk</u> <i>(The contents on this website do not form part of this prospectus)</i>
Company Secretary	Mr. LEUNG Ka Lok 梁家樂, HKICPA, FCCA Flat D, 26/F, Block 28 Park Island Ma Wan Lantau Islands, Hong Kong
Audit Committee	Mr. WU Kam On Keith 鄔錦安 (<i>Chairman</i>) Mr. FAN Chun Wah Andrew 范駿華 Mr. LOCK Kwok On Anthony 駱國安
Remuneration Committee	Mr. LOCK Kwok On Anthony 駱國安 (<i>Chairman</i>) Mr. FAN Chun Wah Andrew 范駿華 Mr. YEUNG Wai 楊維
Nomination Committee	Mr. FAN Chun Wah Andrew 范駿華 (<i>Chairman</i>) Mr. LOCK Kwok On Anthony 駱國安 Mr. YEUNG Wai 楊維
Authorized representatives	Mr. YEUNG Wai 楊維 Flat H, 2/F, Block 21 11 Laguna Street Laguna City Kowloon, Hong Kong Mr. LEUNG Ka Lok 梁家樂 Flat D, 26/F, Block 28 Park Island Ma Wan Lantau Islands, Hong Kong

CORPORATE INFORMATION

**Principal Share Registrar and
transfer office**

Codan Trust Company (Cayman) Limited
P.O. Box 2681
Cricket Square, Hutchins Drive
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Share Registrar

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

Principal banks

Hang Seng Bank Limited
20/F
83 Des Voeux Road Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
13th Floor
Standard Chartered Bank Building

The Bank of East Asia, Limited
32nd Floor, BEA Tower
Millennium City 5
418 Kwun Tong Road
Kowloon
Hong Kong

Bank of China (Hong Kong) Limited
Unit 701–706
The Gateway Tower 3 (Prudential Tower)
21 Canton Road
TST, Kowloon
Hong Kong

INDUSTRY OVERVIEW

Certain information and statistics relating to our industry provided in this section have been derived from official government sources. In addition, this section and elsewhere in the prospectus contains information extracted from a commissioned report, the Frost & Sullivan Report, prepared by Frost & Sullivan, for the purposes of this prospectus. See “— About This Section”. We believe that the sources of the information in this “Industry Overview” section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading, and no fact has been omitted that would render such information materially false or misleading. However, the information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any other party involved in the Global Offering, other than Frost & Sullivan with respect to the information contained in the Frost & Sullivan Report.

A. HONG KONG

Analysis of the Hong Kong Catering Industry

Overview

As one of the most famous tourist cities in Asia, Hong Kong is not only renowned as a shopping paradise but also known for its wide variety of delicious food. From 2008 to 2013, the total revenue of the catering market in Hong Kong increased from HK\$79.4 billion to HK\$97.0 billion, representing a CAGR of 4.1%. According to the Frost & Sullivan Report, the total revenue of the catering market in Hong Kong is expected to reach HK\$116.3 billion in 2017, representing a CAGR of 4.3% from 2014 to 2017.

According to the Frost & Sullivan Report, the catering industry in Hong Kong and China can be further categorized based on operating models of restaurants and types of cuisine as follows:

<u>Market Segment</u>	<u>Definition</u>
Full-Service Restaurant	Full-service restaurant refers to the catering segment that is made up of traditional sit-down restaurants with full table service provided by waiters. Full-service restaurants generally offer food at set morning, lunch and dinner times rather than all day.
Casual Dining	Casual dining refers to catering establishments that serve moderately-priced food in a casual environment. They typically provide some table service. Opening times are longer and meal times are more flexible than those of a full-service restaurant.
Fast Food	Fast food restaurants serve both Chinese and Western-style fast food. Fast food is distinguished by fast and consistent food service. Fast food restaurants typically have order taking and cooking platforms designed specifically to order, prepare and serve menu items with speed and efficiency.

INDUSTRY OVERVIEW

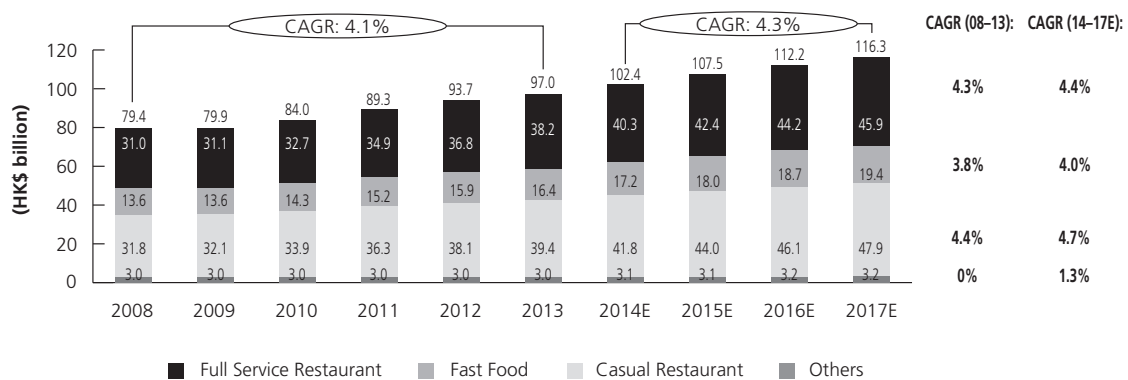
Market Segment

Definition

- Fast Food** The menus at most fast food restaurants serve standardized items. Typically, customers order at a counter and pick up food that is then taken to a seating area or consumed off the restaurant premises. Fast food restaurants do not provide table service.
- Others** Other catering establishments include takeaway shops, hawker stalls, roadside vendors and those establishments not otherwise described in the organized segments above. This segment also includes event catering.

According to the Frost & Sullivan Report, the full-service restaurant market had the second largest market share of Hong Kong's catering industry for the past six years. In 2013, the full-service restaurant market contributed HK\$38.2 billion to the Hong Kong catering market, representing a market share of 39.4%.

The following graph shows the market size of each of these market segments for the years 2008 to 2013 and projected contribution from 2014 to 2017.



Source: Census and Statistics Department of the Government of Hong Kong, IMF and Frost & Sullivan Report

Full-Service Restaurant Segment by Cuisine Types

According to the Frost & Sullivan Report, the full-service restaurant market in Hong Kong and China can be further classified by cuisine type as follows:

Cuisine Type

Definition

- Chinese** Chinese cuisine comprises ten types of Chinese cuisines, namely, Cantonese, Beijing, Sichuanese, Shanghainese, Shandong, Fujian, Jiangsu, Zhejiang, Hunan and Anhui cuisines. Cantonese cuisine comprises Guangzhou, Chaozhou and Hakka cuisines. Cantonese cuisine is known for its characteristic fresh, smooth and crispy attributes, as well as its rich ingredients and innovative dishes.
- Asian** Asia cuisine comprises various types of Asian cuisines other than Chinese cuisine, and includes, without limitation, Japanese, Korean, Thai and Vietnamese cuisines.

INDUSTRY OVERVIEW

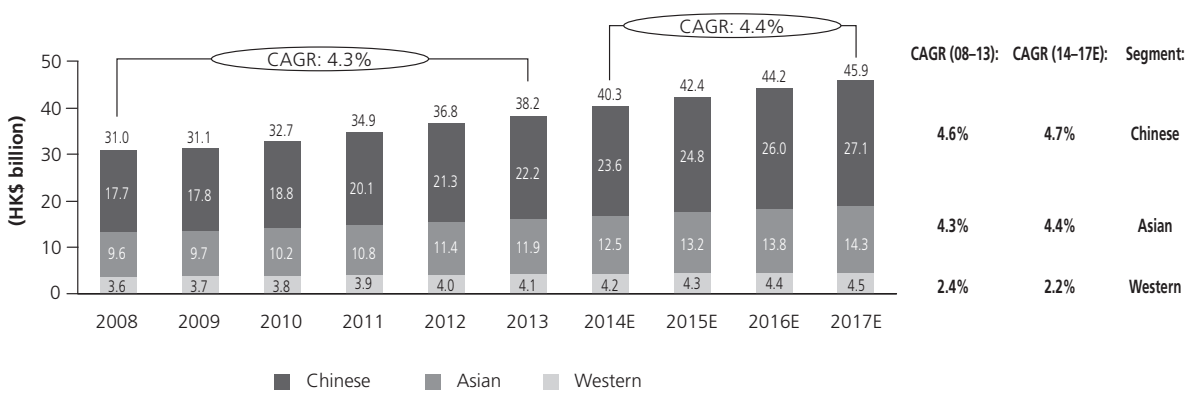
Cuisine Type	Definition
Western	Western cuisine comprises of various types of Western cuisines, including without limitation, French, Italian, American and Mexican cuisines.

According to the Frost & Sullivan Report, the total revenue of the full-service restaurant market in Hong Kong has increased from HK\$31.0 billion in 2008 to HK\$38.2 billion in 2013, representing a CAGR of 4.3% from 2008 to 2013. From 2014 to 2017, the total revenue of the full-service restaurant market is expected to grow at a CAGR of 4.4%, to HK\$45.9 billion in 2017.

Chinese cuisine accounted for a majority of the full-service restaurant segment in Hong Kong in terms of revenue in the past six years, with a market share exceeding 50% over the period. Revenue generated from the Chinese full-service restaurant segment has increased from HK\$17.7 billion in 2008 to HK\$22.2 billion in 2013, representing a CAGR of 4.6% from 2008 to 2013. Frost & Sullivan expects that revenue generated from the Chinese full-service restaurant segment will grow to reach HK\$27.1 billion in 2017, representing a CAGR of 4.7% from 2014 to 2017.

The portion of the Chinese full-service restaurant market focusing on the mass market segment is less likely to be impacted by economic fluctuations, when compared to the portion of the Chinese full-service restaurant market targeting the mid-to-high end market. Generally, the growth of the Chinese full-service restaurant market targeting the mass market remains stable during economic downturns. However, under such circumstances, the growth of the Chinese full-service restaurant market targeting the mid-to-high end market is likely to be restrained given that those restaurants usually offer relatively expensive delicacies.

The following graph shows the contribution of Chinese cuisine, Asian cuisine and Western cuisine to the total market size of the full-service restaurant market in Hong Kong for the years 2008 to 2013 and projected contribution from 2014 to 2017.



Source: Frost & Sullivan Report

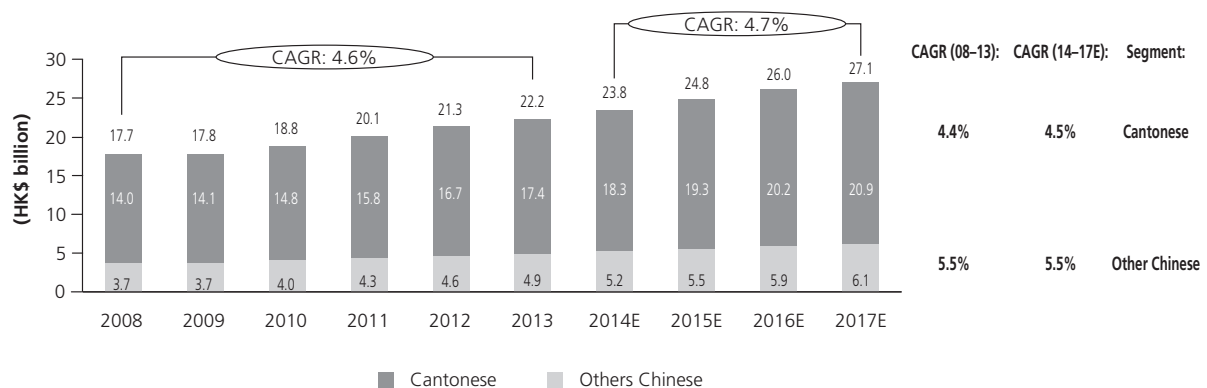
INDUSTRY OVERVIEW

Hong Kong's Cantonese Full-Service Restaurant Market

Hong Kong's Chinese full-service restaurant market comprises various types of Chinese cuisines, including, among others, Cantonese cuisine. Cantonese cuisine comprises Guangzhou, Chaozhou and Hakka cuisines. Cantonese cuisine is known for its characteristic fresh, smooth and crispy attributes, as well as its rich ingredients and innovative dishes.

Cantonese cuisine is the mainstream cuisine in Hong Kong, which is favored by both domestic residents and visitors from Asian and Western countries. In 2013, Cantonese cuisine accounted for 78.4% of the Chinese full-service restaurant market in Hong Kong in terms of revenue. Revenue generated from the Cantonese full-service restaurant segment in Hong Kong has increased from HK\$14.0 billion in 2008 to HK\$17.4 billion in 2013, representing a CAGR of 4.4% over the period. Frost & Sullivan expects that revenue generated from the Cantonese full-service restaurant segment will grow to reach HK\$20.9 billion in 2017, representing a CAGR of 4.5% from 2014 to 2017.

The following graph shows the contribution of Cantonese cuisine to the Chinese full-service restaurant market in Hong Kong for the years 2008 to 2013 and projected contribution from 2014 to 2017.



Source: Frost & Sullivan Report

Competitive Landscape of Chain Cantonese full-service restaurants

There are several barriers to entry into the Cantonese full-service restaurant market in Hong Kong, including the following:

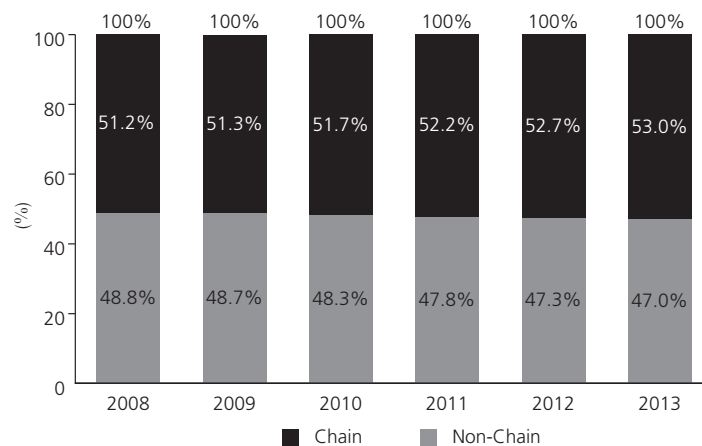
- **Large initial capital investment.** Large capital investment is required for setting up a restaurant in Hong Kong.
- **Difficulties in locating suitable restaurant sites.** As Hong Kong's core districts have already been developed by major landlords and existing chain restaurants, there are limited available premises for lease in desirable locations with affordable prices for new entrants.

INDUSTRY OVERVIEW

- *Time-consuming to establish connections in the restaurant business.* Working in the restaurant business requires a wide range of connections with various parties in the restaurant industry, such as suppliers and landlords. It is time consuming and extremely difficult for new entrants to develop such networks.
- *Increase in operating costs.* It is difficult to manage full-service restaurants in Hong Kong and maintain profitability due to the trend of increasing rents, human resources expenses and costs of food ingredients.

Chain restaurants are able to benefit from resource allocations, economies of scale and standardized management regimes. In 2013, 53.0% of the revenue generated by the Cantonese full-service restaurant market segment in Hong Kong was contributed by Cantonese full-service chain restaurants, with the remaining 47.0% contributed by Cantonese full-service non-chain restaurants. For the purposes of the Frost & Sullivan Report, chain restaurants refer to restaurants that have two or more stores that are either under shared corporate ownership or franchising agreements.

The following graph shows the breakdown of the revenue contribution of different operating models in the Hong Kong Cantonese full-service restaurant market from 2008 to 2013:



Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

The total sales revenue of the top ten Chinese full-service restaurant operators in Hong Kong in 2013 was HK\$10,233.2 million, representing 46.1% of the total sales revenue generated by the Chinese full-service restaurant segment in 2013. Frost & Sullivan has compiled the following table of the top ten Chinese full-service restaurant operators in Hong Kong, ranked in terms of revenue in the calendar year ended December 31, 2013:

Rank	Company	Revenue in the year ended December 31, 2013 (HK\$ million)	Chinese full- service restaurant Market Share
1	Tao Heung	2,655.4	11.9%
2	Maxim's Group	2,215.1	10.0%
3	Fulum Group	2,088.1 ⁽¹⁾	9.4%
4	Super Star Group	780.6	3.5%
5	Federal Restaurant Group	659.7	3.0%
6	Star Seafood Restaurant	488.3	2.2%
7	Lei Garden Restaurant	424.0	1.9%
8	Paramount Banquet Hall	323.2	1.5%
9	U Banquet Group	311.9	1.4%
10	Ming Garden Restaurant	286.9	1.3%
Total		10,233.2	46.1%

The total sales revenue of the top ten Cantonese full-service restaurant operators in 2013 was HK\$9,578.1 million, representing 55.3% of the total sales revenue generated by the Cantonese full-service restaurant segment in 2013. Frost & Sullivan has compiled the following table of the top ten Cantonese full-service restaurant operators in Hong Kong, ranked in terms of revenue in the year ended December 31, 2013:

Rank	Company	Revenue in the year ended December 31, 2013 (HK\$ million)	Cantonese full- service restaurant Market Share
1	Tao Heung	2,579.1	14.9%
2	Fulum Group	2,075.6 ⁽¹⁾	12.0%
3	Maxim's Group	1,788.1	10.3%
4	Federal Restaurant Group	659.7	3.8%
5	Super Star Group	641.3	3.7%
6	Star Seafood Restaurant	488.3	2.8%
7	Lei Garden Restaurant	424.0	2.4%
8	Paramount Banquet Hall	323.2	1.9%
9	U Banquet Group	311.9	1.8%
10	Ming Garden Restaurant	286.9	1.7%
Total		9,578.1	55.3%

Source: Frost & Sullivan Report

Notes:

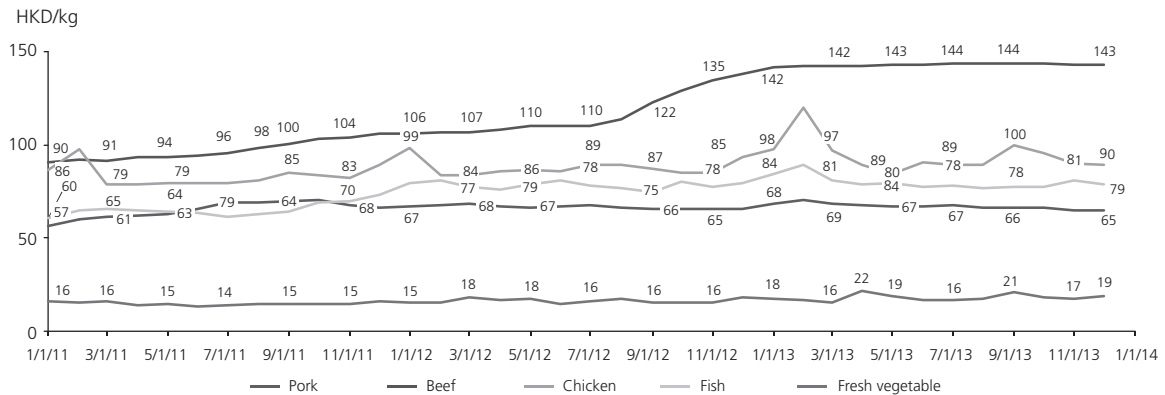
⁽¹⁾ Does not include revenue generated by the six restaurants acquired by our Group on March 1, 2014.

INDUSTRY OVERVIEW

As one of the top two players in Cantonese full-service restaurant market in Hong Kong, we are able to capture customers across the spectrum of mass market to mid-to-high and Cantonese cuisine market in Hong Kong through a multi-brand strategy, which provides us with competitive advantage over our industry peers.

Costs of Major Food Ingredients

Generally, major food ingredients for Chinese restaurants include, without limitation, pork, beef, chicken, fish and fresh produce. Among these major food ingredients, the price of beef in Hong Kong had increased by approximately 58.9% from HK\$90.0 per kilogram at the beginning of 2011 to HK\$143.0 per kilogram at the end of 2013, while the price of fish in Hong Kong had increased by approximately 31.7% from HK\$60.0 per kilogram at the beginning of 2011 to HK\$79.0 per kilogram at the end of 2013. The following chart sets forth the fluctuations in the price of these major food ingredients in Hong Kong from 2011 to 2013:



Historical Trends of Our Raw Materials Prices and Average Check per Guest

Our major categories of raw materials and food ingredients include seafood, seafood delicacies, meat and fresh produce. Please refer to the section headed “Business — Suppliers and Sources” for the historical price fluctuations of these major food ingredients. We believe the fluctuations in prices of our major food ingredients during the Track Record Period and up to the Latest Practicable Date were reasonable and did not have a material impact on our menu prices or our average check per guest. Our average check per guest of our comparable restaurants during the Track Record Period was relatively stable. Please refer to the section headed “Financial Information — Factors Affecting Results of Operations and Financial Condition — Guest Traffic and Average Check per Guest” for an overview of our estimated average check per guest for comparable restaurants during the Track Record Period.

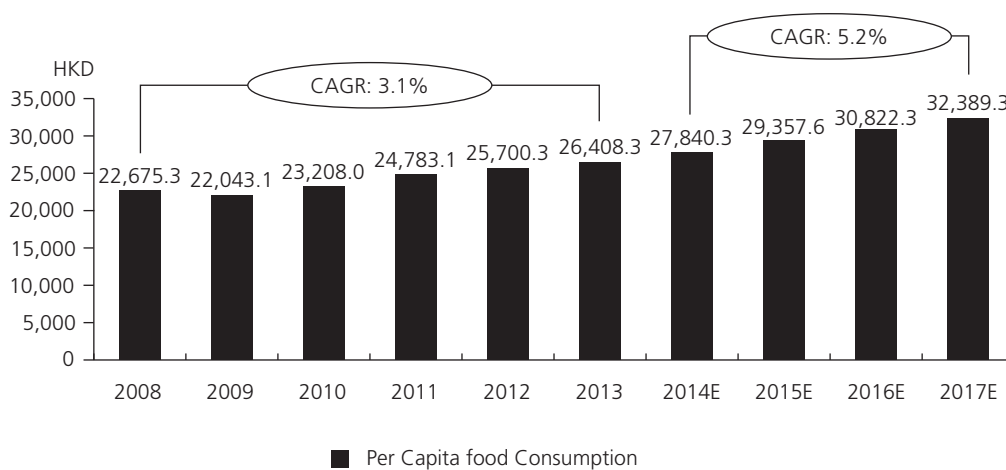
INDUSTRY OVERVIEW

Analysis of the Hong Kong Cantonese Full-Service Restaurant Market Drivers and Development Trends

Market Drivers

Increased Dine-out Spending

Hong Kong has an affluent and growing economy. Nominal GDP in Hong Kong grew from approximately HK\$1,707.5 billion in 2008 to approximately HK\$2,122.5 billion in 2013. Per capita spending on food has also increased commensurately. The following graph shows the growth of annual per capita food consumption in Hong Kong from HK\$22,675.3 in 2008 to HK\$26,408.3 in 2013, representing a CAGR of 3.1% over the period, and the projected growth from 2014 to 2017.



Hong Kong consumers are now leading a faster-paced way of life, leaving them with less time and desire to prepare meals at home. According to the Frost & Sullivan Report, monthly dine-out spending of Hong Kong residents increased from HK\$3,392.0 per household in 2008 to HK\$4,304.7 per household in 2013, representing a CAGR of 4.9% from 2008 to 2013.

Increased Tourism from China

The performance of the Hong Kong catering industry is highly correlated with that of the Hong Kong tourism industry. In 2013, Hong Kong received a record-high of 54 million visitors from around the world, according to the Tourism Commission of the Commerce and Economic Development Bureau of Hong Kong.

In 2013, China continued to be the single largest source of visitors to Hong Kong with 40.7 million arrivals, accounting for approximately 75.0% of total arrivals. Tourists from mainland China made a significant contribution to the Hong Kong catering market, from 7.3% in 2008 to 15.7% in 2013. The increasing number of tourists from mainland China to Hong Kong has led to a rise in demand for the catering industry. Particularly, local and traditional Cantonese cuisine restaurants, such as restaurants serving Dim Sum, and those which feature familiar Chinese diet styles with the distinct flavor of Cantonese cuisine, are gaining popularity among tourists from mainland China.

INDUSTRY OVERVIEW

Development of New Communities

The Hong Kong government is actively developing new communities and sub-centers in Hong Kong to address the housing shortage problem and support further development. In connection with five new railway lines that will be completed over the next six years, shopping malls, traffic hubs, multi-purpose complexes, large office buildings are expected to be developed along with these transportation hubs. Consumer demand from residents in new communities and sub-centers will create great opportunities for Hong Kong's catering industry.

Developing Trends

Increased Standardization

"Standardization" is a critical feature to market success for the mid-to-high end Cantonese full-service chain restaurants. Establishment of central kitchens is gaining popularity among leading chain brands as it helps to ensure consistency of food quality. As a result, consumers are able to enjoy the same consistent taste and comfortable dining experience at different outlets under the same brand. As standardization is the basis for further expansion, it is expected that an increasing number of Cantonese full-service restaurant operators will adopt the chain operating model in Hong Kong.

Chain operators will also benefit from increased marketing efforts to build on brand reputations and images.

Increased Penetration by Developing Diverse Brands

Catering groups in Hong Kong tend to develop and establish more diverse brands in order to expand business and capture additional market share. Such diversification of brands can take place in several ways. In terms of target customers, catering groups launch different product lines by grades to capture customers from the mass market to the high-end market. In terms of cuisine type, besides Cantonese cuisine, catering groups tend to begin offering other Chinese cuisines, Asian cuisines or Western cuisines, depending on the market dynamics. In terms of catering services, catering groups tend to establish brands of catering service for specific purposes, for instance, wedding banquets.

Emphasis on Innovation and Marketing

Throughout the years, Cantonese cuisine has been influenced by other cuisines and other cooking methods. Cantonese full-service restaurant operators are expected to continue to place emphasis on product innovations. In order to attract popularity, Cantonese full-service restaurant operators are encouraged to make full use of advanced communication media and technologies such as online advertising and advertising on mobile application platforms.

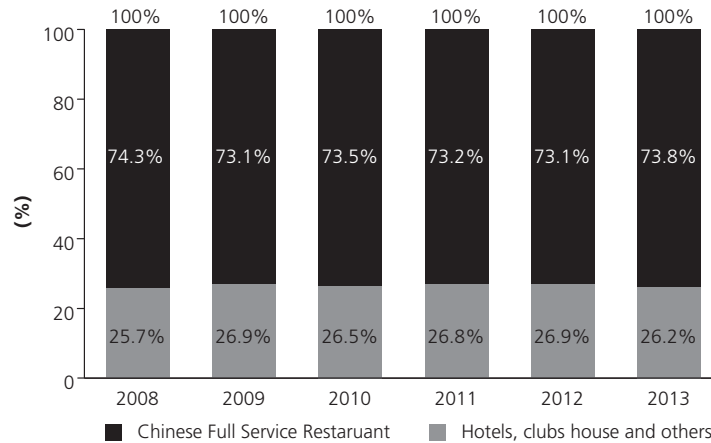
Analysis of Hong Kong's Banquet Industry

For purposes of the Frost & Sullivan Report, a banquet refers to a large meal or feast involving no less than three tables (each sitting 12 guests) or more than 30 guests. The banquet market in Hong Kong includes, without limitation, wedding banquets, new birth celebration parties, birthday parties, company annual parties, and business banquets.

INDUSTRY OVERVIEW

According to the Frost & Sullivan Report, Chinese full-service restaurants accounted for a dominant part of the banquet market in Hong Kong in terms of the number of banquets in the past six years, with a market share exceeding 73% over the period, due to Hong Kong's deep-rooted traditional Chinese culture.

The chart below illustrates the market share of Chinese full-service restaurants, hotels, club houses and other venues by number of banquets in Hong Kong for the years 2008 to 2013.



Source: Frost & Sullivan Report

In Hong Kong, few Chinese full-service restaurants can provide large venues for banquets. Frost & Sullivan has compiled the following table on the top five Chinese full-service restaurants in Hong Kong, ranked in terms of number of seats as of December 31, 2013:

Rank	Brand of Restaurant	Branch	Number of Seats
1	Fulum Palace	North Point	2,400
2	London Restaurant	Mong Kok	2,000
3	Palace Wedding Banquet	KITEC	1,300
4	Star Seafood Restaurant	Kwai Shing East	1,300
5	Palace Wedding Banquet	Tsuen Wan Nanfeng	1,300

Source: Frost & Sullivan Report

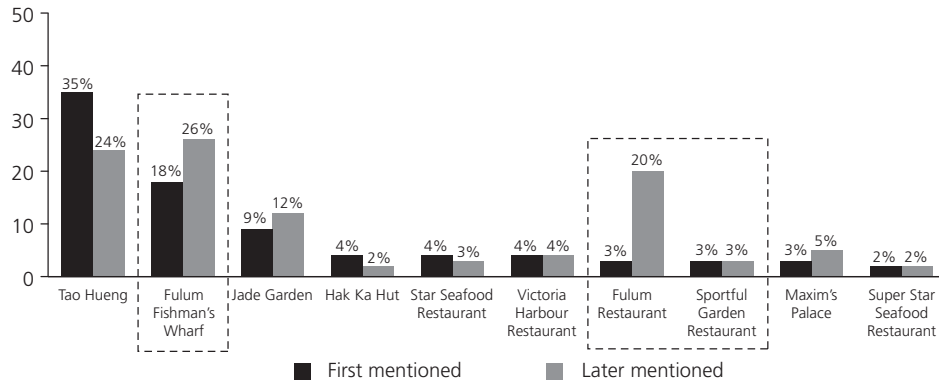
Consumer Survey

Below is a summary of the results of consumer surveys focusing on brand awareness conducted in April 2014 in Hong Kong. For the brand awareness survey, we looked at "Unaided Brand Awareness" and "Aided Brand Awareness". Brand awareness measures how familiar people are with a brand. "Unaided Brand Awareness" is a measure of the number of people expressing knowledge of a brand without prompting. "Aided Brand Awareness" is a measure of the number of people expressing knowledge of a brand when prompted.

Question 1: Please list three Chinese full-service restaurant brands which you are aware of?

INDUSTRY OVERVIEW

Unaided Brand Awareness of Chinese Full-Service Restaurants in Hong Kong, 2014

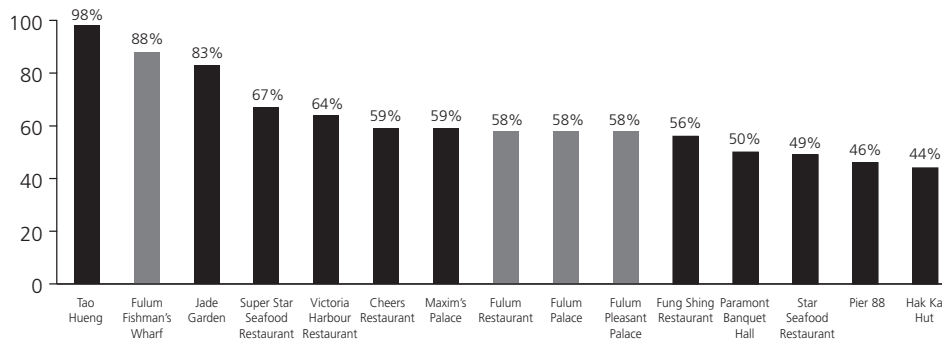


Source: Frost & Sullivan Report
Total sample = 500

In the Unaided Brand Awareness survey of Chinese full-service restaurants in Hong Kong, 35% of the respondents first mentioned Tao Hueng, 18% of the respondents first mentioned Fulum Fisherman's Wharf and 9% of the respondents first mentioned Jade Garden. When asked to provide more brands that they are aware of, 26% of the respondents provided Fulum Fisherman's Wharf as their second or third answers.

Question 2: Beside the brands that you have just mentioned, which of the Chinese full-service restaurant brands have you ever seen or heard of on our list? (Multiple Choice)

Aided Brand Awareness of Chinese Full-Service Restaurants in Hong Kong, 2014



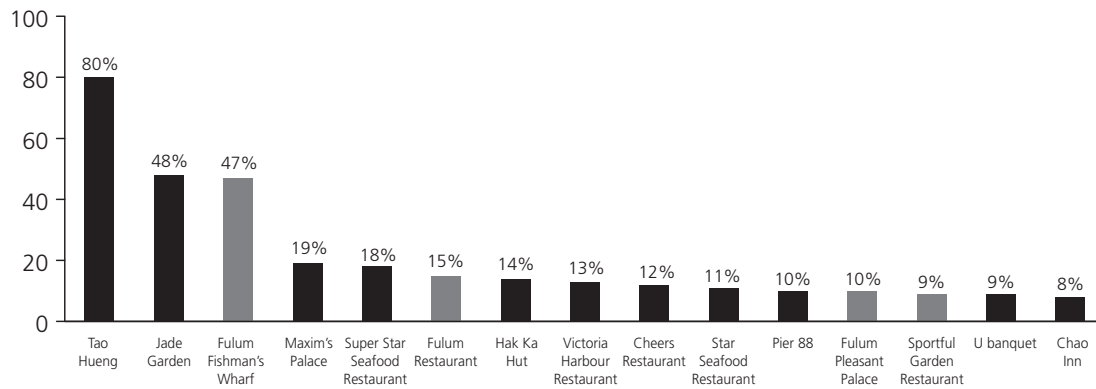
Source: Frost & Sullivan Report
Total sample = 500

In the Aided Brand Awareness survey of Chinese full-service restaurant brands in Hong Kong, our list contains the 92 most well-known Chinese full-service restaurant brands in Hong Kong. Tao Hueng was ranked first with 98%, followed by Fulum Fisherman's Wharf with 88%.

Question 3: Which of the restaurants on our list do you expect to visit most often in Hong Kong in the next one to two years? (Multiple Choice)

INDUSTRY OVERVIEW

Restaurants Expected to be Visited Most Often in 1–2 Years in Hong Kong (Aided), 2014



Source: Frost & Sullivan Report
Total sample = 500

In the second Aided Brand Awareness survey regarding frequency of visits of Chinese full-service restaurants in Hong Kong, our list also contains the 92 most well-known Chinese full-service restaurant brands in Hong Kong. Tao Heung ranked first with 80%, followed by Jade Garden and Fulum Fisherman's Wharf with 48% and 47%, respectively.

According to the consumer survey results analyzed by Frost & Sullivan, Frost & Sullivan concluded that, among Chinese full-service restaurant brands operated by our Group, Fulum Fisherman's Wharf is our most well-known Chinese full-service restaurant brand, which was mentioned by 88% of the respondents.

B. CHINA

Analysis of the Catering Industry in the PRC

Overview

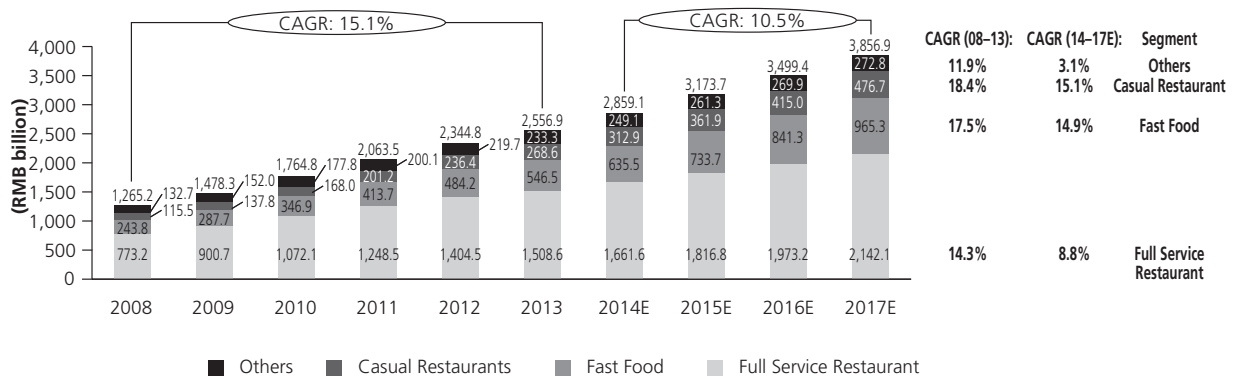
From 2008 to 2013, the total revenue of the catering market in China increased from RMB1.3 trillion to RMB2.6 trillion, representing a CAGR of 15.1%. The Chinese government enacted regulations in late 2012, commonly known as the "eight rules" and "six bans", aiming to reduce corruption in China. These regulations feature bans on extravagance, including expensive consumption such as expensive meals and business trips by public officials. These measures have exerted a negative impact on the catering industry in China, especially the mid-to-high end catering segment, rather than the mass market segment, resulting in annual revenue growth in the catering market in China of only 9.0% from 2012 to 2013, as compared to 13.6% from 2011 to 2012. It is anticipated that this impact will continue in the near future. Frost & Sullivan expects that the market size of the catering market in China will grow at a CAGR of 10.5% from 2014 to 2017.

For purposes of the Frost & Sullivan Report, the catering industry in China is categorized based on restaurant operating model and types of cuisine in the same manner as indicated above in "— Analysis of the Hong Kong Catering Industry — Overview". As before, these segments are: (i) full-service restaurant, (ii) casual dining, (iii) fast food, and (iv) others. See the table in "— Analysis of the Hong Kong Catering Industry — Overview" in this section above for definitions.

INDUSTRY OVERVIEW

According to the Frost & Sullivan Report, the full-service restaurant market had the largest market share of China's catering industry for the past six years, and had grown at a CAGR of 14.3% from RMB773.2 billion in 2008 to RMB1.5 trillion in 2013. In 2013, 59.0% of the revenue generated by China's catering market was contributed by the full-service restaurant segment, with the remaining 21.4%, 10.5% and 9.1% contributed by the fast food segment, the casual dining segment and the others segment, respectively. Further, according to the Frost & Sullivan Report, the full-service restaurant market is expected to grow at a CAGR of 8.8% in the next three years, reaching RMB2.1 trillion in 2017.

The following graph shows the contribution of each of these segments to the total catering market in China for the years 2008 to 2013 and projected contribution from 2014 to 2017.



Source: Frost & Sullivan Report

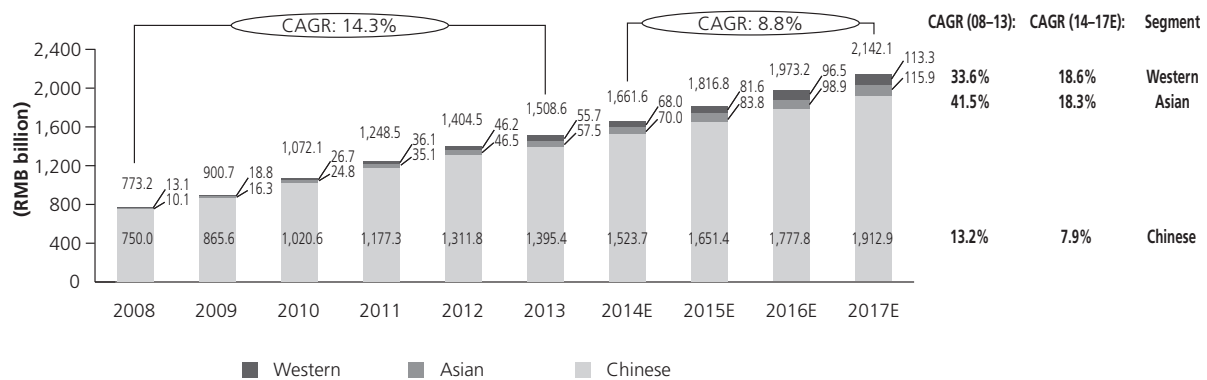
Full-Service Restaurant Segment by Cuisine Types

According to the Frost & Sullivan Report, the full-service restaurant market in China can be classified by cuisine type in the same manner as outlined above in the section “— Analysis of the Hong Kong Catering Industry — Full-Service Restaurant Segment by Cuisine Types”. As before, these classifications are: (i) Chinese cuisine, (ii) Asian cuisine, and (iii) Western cuisine. See the table in the section “— Analysis of the Hong Kong Catering Industry — Full-Service Restaurant Segment by Cuisine Types” in the section above for definitions.

Chinese cuisine accounted for a dominant part of the full-service restaurant segment in China in terms of revenue in the past six years, with a market share exceeding 90% over the period. Revenue generated from the Chinese full-service restaurant segment has increased from RMB750.0 billion in 2008 to RMB1,395.4 billion in 2013, representing a CAGR of 13.2% over the period. Frost & Sullivan expects that revenue generated from the Chinese full-service restaurant segment will grow to reach RMB1,912.9 billion in 2017, representing a CAGR of 7.9% from 2014 to 2017.

INDUSTRY OVERVIEW

The following graph shows the respective contributions of Chinese cuisine, Asian cuisine and Western cuisine to the total market size of the full-service restaurant market in China for the years 2008 to 2013 and projected contribution from 2014 to 2017.



Source: Frost & Sullivan Report

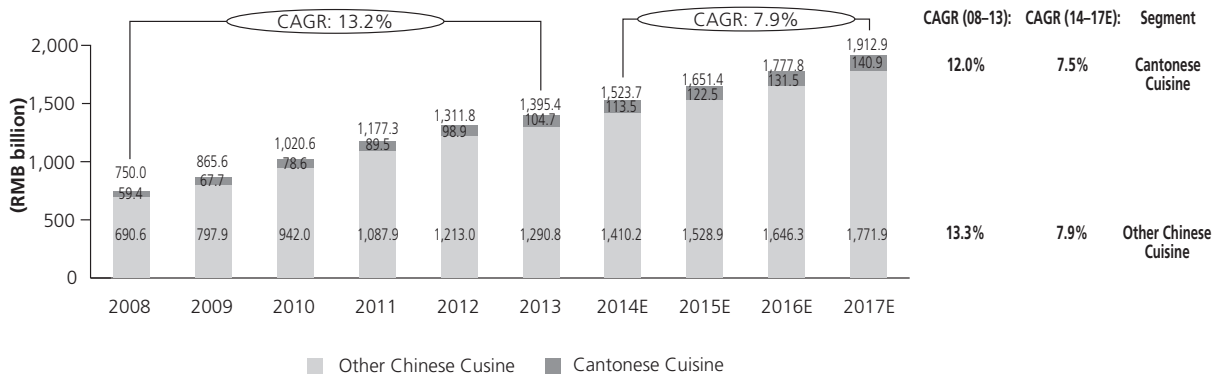
China's Cantonese Full-Service Restaurant Market

China's Chinese full-service restaurant market comprises various types of Chinese cuisines, including, among others, Cantonese cuisine. Cantonese cuisine is popular in the Guangdong, Guangxi and Hainan provinces of China.

In 2013, Cantonese cuisine accounted for 7.5% of the Chinese full-service restaurant industry in China in terms of revenue. Revenue generated from the Cantonese full-service restaurant segment in China has increased from RMB59.4 billion in 2008 to RMB104.7 billion in 2013, representing a CAGR of 12.0% over the period. The growth of the Cantonese full-service restaurant segment was slightly behind the growth of the entire full-service restaurant segment in China from 2008 to 2013 mainly due to the higher difficulty in standardizing and operating Cantonese chain restaurants due to Cantonese cuisine's complicated cooking procedures and emphasis on individual chefs and their skill sets. However, it is expected that the growth gap will narrow in the near future as the Cantonese full-service restaurant industry in China realizes the importance of standardization and chain operations, according to the Frost & Sullivan Report. The market size of the Cantonese full-service restaurant industry in China is expected to grow at a CAGR of 7.5% from 2014 to reach RMB140.9 billion in 2017, according to the Frost & Sullivan Report.

INDUSTRY OVERVIEW

The following graph shows the contribution of the Cantonese cuisine to the Chinese full-service restaurant market in China for the years 2008 to 2013 and projected contribution from 2014 to 2017.



Source: Frost & Sullivan Report

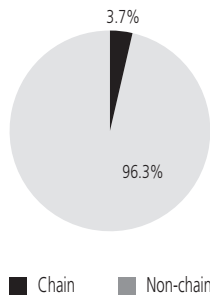
Competitive Landscape of Chain Cantonese full-service restaurants

Due to the difficulty in standardizing Cantonese cuisine, the Cantonese full-service restaurant industry in China has been dominated by non-chain restaurants. Among the 69,600 Cantonese full-service restaurants in China in 2013, 96.3% were non-chain restaurants. Chain Cantonese full-service restaurants accounted for only 3.7% of the number of Cantonese full-service restaurants in China in 2013, but contributed to 22.1% of the total revenue generated by this market segment. For purposes of the Frost & Sullivan Report, chain restaurants refer to restaurants that have two or more stores that are either under shared corporate ownership or franchising agreements.

The following graphs show the breakdown of the number of Cantonese full-service restaurants by operating models and the revenue contribution of different operating models in 2013.

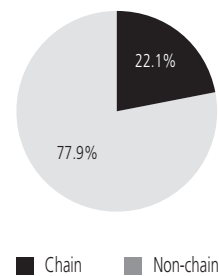
Number of Cantonese Full-Service Restaurants Breakdown by Operating Model, Mainland China, 2013

Total Number = 69,600



Revenue of Cantonese Full-Service Restaurants Breakdown by Operating Model, Mainland China, 2013

Total Revenue = RMB104.7 billion



Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Cantonese cuisine originated in the Guangdong province of the PRC, and has remained popular as a daily meal among the people in Guangdong. The number of Cantonese full-service restaurants in Guangdong reached 40,400 in 2013, which accounted for over half of the total number of Cantonese full-service restaurants in China.

Frost & Sullivan has compiled the following table of certain Cantonese full-service restaurant operators, which it believes are major market participants in Guangdong, China, as of December 2013:

Market Share of Major Participants in Cantonese Full-Service Restaurant Market, Guangdong, 2013

Rank	Company	Sales Revenue (RMB Million)	Market Share of the Chain Market	Market Share of the Total Market
1	Guangzhou Hongxing Seafood Restaurant (Dongjiang Group)	1,327.9	16.0%	2.4%
2	Tao Heung	954.8	11.5%	1.7%
3	Guangzhou Restaurant	783.8	9.4%	1.4%
4	Mai Guang Fan Catering Strategy	670.9	8.1%	1.2%
5	Yao Hua Catering Group	355.0	4.3%	0.6%

Note: Revenue of new stores opened in 2013 is included. All figures are rounded.

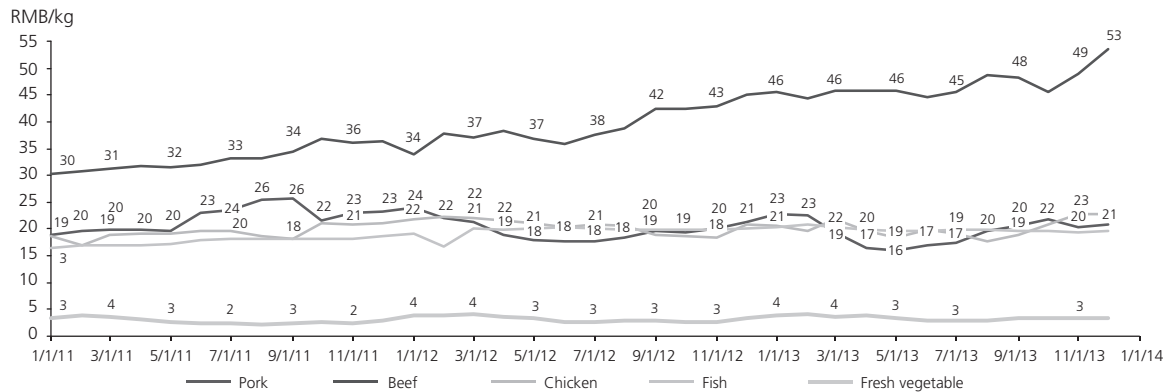
Source: Frost & Sullivan Report

The Cantonese full-service restaurant industry in Guangdong is highly decentralized. As shown in the table above, revenue generated from the top five participants identified by Frost & Sullivan only accounted for 7.3% of the total Cantonese full-service restaurant industry in Guangdong.

INDUSTRY OVERVIEW

Costs of Major Food Ingredients

Among the major food ingredients for Chinese restaurants in the PRC, the prices of beef and chicken had shown more substantial increase from 2011 to 2013. The price of beef had increased by approximately 76.7% from RMB30.0 per kilogram at the beginning of 2011 to RMB53.0 per kilogram at the end of 2013, while the price of chicken had increased by approximately 21.1% from RMB19.0 per kilogram at the beginning of 2011 to RMB23.0 per kilogram at the end of 2013. The following chart sets forth the fluctuations in the price of these major food ingredients in China from 2011 to 2013:



Analysis of the China Cantonese Full-Service Restaurant Market Drivers and Development Trends

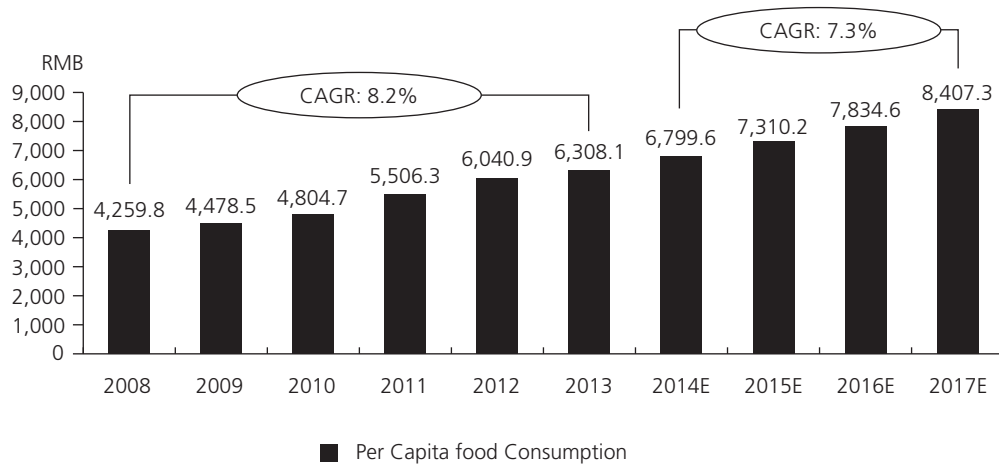
Market Drivers

Economic Growth and Higher Per Capita Food Expenditure

China's economy has witnessed strong and steady growth since 2008. Strong economic growth in turn has driven an increase in per capita disposable income, consumer spending and food consumption. Per capita food expenditure of urban residents in China has risen from RMB4,259.8 in 2008 to RMB6,308.1 in 2013, according to the National Bureau of Statistics and the Frost & Sullivan Report. Frost & Sullivan expects that per capita food expenditure of urban residents in China will grow at a CAGR of 7.3% from 2014 and 2017. Such a substantial increase in per capita food expenditure is expected to have a direct positive impact on the revenue of the catering industry in China, including the Cantonese full-service restaurant segment.

INDUSTRY OVERVIEW

The following graph shows the growth of annual per capita food consumption of urban residents in China for the years 2008 to 2013 and projected growth from 2014 to 2017.



Increasing urbanization

According to the Frost & Sullivan Report, the proportion of people dwelling in urban areas in China has increased from 47.0% in 2008 to 53.7% in 2013. This rise in urbanization is likely to drive aspirational shifts in lifestyle to more sophisticated and quality products and services, resulting in a positive impact to the Cantonese full-service restaurant industry in China.

Increased Eating Out and Business Dining

There is increased dining out for family and friend gatherings not only during the important holidays or anniversaries, but also on weekends or for ad hoc parties, largely because of increasing affluence and the importance of family in Chinese culture. Also, the faster pace of life has led young professionals to dine out with increasing frequency.

China's increasing commercial activities and evolving business environment contribute significantly to the growth of China's catering industry. Cantonese full-service restaurants provide a suitable environment for business entertainment and promoting relationships between companies or individuals, which is a critical part of business practices in China. Regulations aiming to reduce corruption in China enacted in late 2012 are expected to shift spending from extravagant restaurants to full-service restaurants with reasonable prices. Accordingly, the business entertainment sector will continue to contribute to the growth of the Cantonese full-service restaurant industry in China, especially those offering quality products and services with reasonable prices, and those within China's tier one metropolitan and emerging commercial cities.

INDUSTRY OVERVIEW

Increasingly discerning and sophisticated consumers

Chinese consumers are placing increasing importance on food safety and quality, health and wellness, cuisine flavor and tastes, as well as dining environment and services. Greater spending power has allowed Chinese consumers to be more conscious about food safety and healthiness, and to be increasingly discerning about the brand and prestige of the restaurant. As a result, brand consciousness will increase and consumers will prefer to purchase branded goods, which gives a competitive edge to those restaurant operators who have built up their brands and reputation.

Further, restaurant operators providing Cantonese cuisine are expected to benefit further as consumers become more sophisticated in cuisine flavor and tastes. Cantonese cuisine is known for its delicacy and light flavor. As consumers' sophistication in cuisine flavor and tastes evolve, Cantonese restaurant operators are expected to have a competitive edge over restaurant operators providing other cuisines.

Developing Trends

Emphasis on Innovation while Preserving the Traditions of Cantonese Cuisine

Throughout the years, Cantonese cuisine has been influenced by western cooking and other cooking methods. Cantonese full-service restaurant operators are expected to continue to place emphasis on product innovations, while preserving the traditional tastes of Cantonese cuisine.

Increased Standardization and Strengthened Marketing Efforts

The complicated and delicate cooking procedures of Cantonese cuisine are some of the factors contributing to the limited number of chain Cantonese full-service restaurant operators in China. As standardization is the basis for further expansion, it is expected that an increasing number of Cantonese cuisine full-service restaurant operators will adopt the chain operating model in China.

ABOUT THIS SECTION

General

This "Industry Overview" section contains information extracted from the Frost & Sullivan "Greater China Cantonese Full-Service Restaurant Market Study" dated October 31, 2014 commissioned by us for the purposes of preparing this prospectus. We paid a total of RMB1.05 million to Frost & Sullivan for the preparation and use of the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

Research Methodology

Frost & Sullivan's independent research was undertaken through both secondary and primary research obtained from various official government publications in mainland China and Hong Kong SAR as well as information provided by international organizations and industry sources. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Primary research involved interviews with leading industry participants in the catering industry and related industry experts. Frost & Sullivan has assumed that the information and data, which it obtained from independent third parties and publicly available data, are complete and accurate. The information contained herein has been obtained from sources which Frost & Sullivan believes are reliable, but there can be no assurance as to the accuracy or completeness of any such information, and may be affected by the accuracy of the assumptions and the choice of these parameters.

The bases and assumptions for the projections in the Frost & Sullivan report include the following:

- (i) the economies of mainland China and Hong Kong are assumed to maintain steady growth across the forecast period;
- (ii) the total retail sales of consumer goods in the PRC is assumed to be increasing steadily, based on the increasing purchasing power of Chinese consumers;
- (iii) the global economy is likely to gradually recover over the forecast period;
- (iv) it is assumed that there will not be any external shocks such as natural disasters or the wide outbreak of diseases to affect the catering industry during the forecast period.

About Frost & Sullivan

Frost & Sullivan is an independent global consulting firm founded in 1961 and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. It offers industry research, market strategies, provides growth consulting and corporate training. Its industry coverage in China includes agriculture, forestry, farming and fishery, automotive and transportation, chemicals, materials, food and beverage, airlines and aviation, financial services, retail and consumer goods, energy and power systems, environment and building technologies, healthcare, industrial automation, machinery, and electronics, metals and mining, and technology, media, and telecom.

REGULATORY FRAMEWORK

Hong Kong regulatory overview

The following sets forth the most significant aspects of Hong Kong laws and regulations relating to our business operations in Hong Kong.

There are three principal types of licenses required for the operation of our Group's restaurants and central kitchen in Hong Kong. They are as follows:

- (a) food business license, including restaurant license for restaurant operation, food factory license for central kitchen, and restricted food permits for sales of live fish, shell fish, sashimi and oysters to be eaten in a raw state, which are required to be obtained before commencement of the relevant food business operation;
- (b) water pollution control license, which is required to be obtained before any discharge of trade effluents into a communal sewer or communal drain in a water control zone commences; and
- (c) liquor license, which is to be obtained before commencement of sale of liquor in the restaurant premises.

Health and Safety Regulatory Compliance

Restaurant license

Any person operating a restaurant in Hong Kong is required to obtain a restaurant license from the FEHD under the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and the Food Business Regulation (Chapter 132X of the Laws of Hong Kong) ("FBR") before commencing the restaurant business. It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffer to be carried on any restaurant business except with a restaurant license. FEHD will consider whether certain requirements in respect of health, hygiene, ventilation, gas safety, building structure and means of escape are met before issuing a restaurant license. The FEHD will also consult the Buildings Department and the Fire Services Department in accessing the suitability of premises for use as a restaurant, and the fulfillment of the Buildings Department's structural standard and the Fire Services Department's fire safety requirement are considered. The FEHD may grant provisional restaurant licenses to new applicants who have fulfilled the basic requirements in accordance with the FBR pending fulfillment of all outstanding requirements for the issue of a full restaurant license.

A provisional restaurant license is valid for a period of six months or a lesser period and a full restaurant license is generally valid for a period of one year, both subject to payment of the prescribed license fees and continuous compliance with the requirements under the relevant legislation and regulations. A provisional restaurant license is renewable on one occasion and a full restaurant license is renewable annually.

Food factory license

In respect of our central kitchen in Hong Kong, we are required to obtain a food factory license from the FEHD under the FBR. It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffered to be carried on any food factory business except with a food factory license. The FEHD may grant a provisional food factory license to a new applicant who has fulfilled the basic requirements in accordance with the FBR pending fulfillment of all outstanding requirements for the issue of a full food factory license.

A provisional food factory license is valid for a period of six months or a lesser period and a full food factory license is valid generally for a period of one year, both subject to payment of the prescribed license fees and continuous compliance with the requirements under the relevant legislation and regulations. A provisional food factory license is renewable on one occasion and a full food factory license is renewable annually.

Restricted Food Permit

Under section 31(1), 31(A) and schedule 2 of the FBR and according to the guideline of the FEHD, it is required that no person shall sell, or offer or expose for sale, or possess for sale or for use in the preparation of any article of food for sale, any of the foods specified in Schedule 2 of the FBR (including sashimi, oysters to be eaten in raw state, live fish and shell fish).

Under section 35 of the FBR, any person who is guilty of an offence under section 31 (1) may be liable to a maximum fine of HK\$50,000, imprisonment for 6 months and HK\$900 for each day where the offence is a continuing offence.

Demerit points system

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

- (a) if within a period of 12 months, a total of 15 demerit points or more have been registered against a licensee in respect of any licensed premises, the license in respect of such licensed premises will be subject to suspension for seven days ("First Suspension");
- (b) if, within a period of 12 months from the date of the last offense leading to the First Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licensed premises, the license will be subject to suspension for 14 days ("Second Suspension");
- (c) thereafter, if within a period of 12 months from the date of the last offense leading to the Second Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licensed premises, the license will be subject to cancellation;
- (d) for multiple offenses found during any single inspection, the total number of demerit points registered against the license will be the sum of the demerit points for each of the offenses;

LAWS AND REGULATIONS

- (e) the prescribed demerit points for a particular offense will be doubled and trebled if the same offense is committed for the second and the third time within a period of 12 months; and
- (f) any alleged offense pending, that is the subject of a hearing and not yet taken into account when a license is suspended, will be carried over for consideration of a subsequent suspension if the licensee is subsequently found to have violated the relevant hygiene and food safety legislation upon the conclusion of the hearing at a later date.

Environmental Regulations

Water Pollution Control License

In respect of our operations in Hong Kong, we are required to obtain water pollution control license from the Environmental Protection Department (the “EPD”) prior to any discharge of trade effluents under the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) (“WPCO”). Under sections 8(1) and 8(2) of the WPCO, a person who discharges (i) any waste or polluting matters into waters of Hong Kong in a water control zone; or (ii) any matter into any inland waters in a water control zone which tends (either directly or in combination with other matter which has entered those waters) to impede the proper flow of the water in a manner leading or likely to lead to substantial aggravation of pollution, commits an offence and where any such matter is discharged from any premises, the occupier of the premises also commits an offence. Under sections 9(1) and 9(2) of the WPCO, a person who discharges any matter into a communal sewer or communal drain into a water control zone commits an offence and where any such matter is discharged into a communal sewer or communal drain in a water control zone from any premises, the occupier of the premises also commits an offence. Under section 12(1)(b) of the WPCO, a person does not commit an offence under section 8(1), 8(2), 9(1) or 9(2) of the WPCO if the discharge or deposit in question is made under, and in accordance with, a water pollution control license. A water pollution control license is granted with terms and conditions specifying requirements relevant to the discharge, such as the discharge location, provision of wastewater treatment facilities, maximum allowable quantity, effluent standards, self-monitoring requirements and keeping records.

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

Under section 11 of the WPCO, (1) a person who commits an offence under section 8(1), 8(2), 9(1) or 9(2) is liable to imprisonment for 6 months and (a) for a first offence, a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of HK\$100,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

As of the Latest Practicable Date, save as disclosed in “Business — Licenses for our Group’s operations in Hong Kong” in this prospectus, we have obtained all water pollution control licenses required for our restaurants and central kitchen in Hong Kong from the EPD.

Air Pollution Control Regulations

Air Pollution Control Approval

Under section 30 of the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) ("APCO") and regulation 11 of the Air Pollution Control (Furnaces, Ovens and Chimneys) (Installation and Alteration) Regulations (Chapter 311A of the Laws of Hong Kong) ("APC Reg"), (I) where it appears to the air pollution control authority that a chimney, relevant plant or other machinery or equipment may evolve any air pollutant by reason of (a) unsuitable design, defective construction or lack of maintenance; (b) excessive wear and tear; (c) the use of unsuitable fuel or other material; or (d) improper operation, the air pollution control authority may serve a notice on the owner of the premises in which the chimney, relevant plant or other machinery or equipment is found (i) requiring him, within a reasonable time specified in the notice, to modify, replace, clean or repair the chimney, relevant plant or other machinery or equipment specified in the notice or to take the other steps specified in the notice; (ii) requiring him, within a reasonable time specified in the notice, to install control equipment or a control system or additional control equipment or an additional control system specified in the notice; (iii) requiring him, after a reasonable time specified in the notice, to operate the chimney, relevant plant or other machinery or equipment in the manner specified in the notice; (iv) prohibiting him from using or permitting the use in the relevant plant or other machinery or equipment, after a reasonable time specified in the notice, the fuel, or other material, or mixture of fuels, or other materials specified in the notice; and (II) no occupier shall carry out or cause or permit to be carried out any work in relation to installation, alteration or modification of any furnace, oven, chimney or flue on his premises unless approval in respect of all the plans and specifications of the same is obtained in accordance with the relevant regulations.

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

Under regulation 12 of the APC Reg, an occupier who contravenes regulation 11 of the APC Reg shall be guilty of an offence and shall be liable on conviction to a fine of \$50,000 and, in addition, shall be liable to a fine of HK\$500 for each day during which the offence has continued.

Liquor Regulations

Liquor license

In Hong Kong, a person must obtain a liquor license from the Liquor Licensing Board (“LLB”) under the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong) (the “DCR”) before commencement of sale of liquor for consumption on the premises. It is provided under section 17(3B) of the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong) (the “DCO”) that where regulations prohibit the sale or supply of any liquor except with a liquor license, no person shall sell, or advertise or expose for sale, or supply, or possess for sale or supply, liquor except with a liquor license. Regulation 25A of the DCR prohibits the sale of liquor at any premises for consumption on those premises or at a place of public entertainment or a public occasion for consumption at the place or occasion except with a liquor license. A liquor license will only be valid if the relevant premises remain licensed as a restaurant. All applications for liquor license are referred to the Commissioner of Police and the District Officer concerned for comments.

A liquor license is valid for a period of one year or lesser period, subject to the continuous compliance with the requirements under the relevant legislation and regulations. Our Group has obtained liquor licenses for our restaurants on whose premises liquor is sold for consumption.

Under section 11 of the DCO, a person who commits an offence under section 17 is liable to a maximum penalty of HK\$1,000,000 and imprisonment for 2 years.

Save as disclosed in “Business — Legal and Regulatory Compliance” in this prospectus, our Group has obtained all relevant licenses, certificates and permits and has complied with the applicable laws and regulations in all material aspects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

PRC Regulatory overview

The following sets forth a summary of the most significant aspects of PRC laws and regulations relating to our planned business operations in the PRC.

Laws and regulations on foreign investment in food service industry

The establishment, operation and management of Wholly Foreign-owned Enterprises in the PRC are governed by (i) Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄(2011年修訂)) (the “Catalogue”), which was amended and promulgated by the Ministry of Commerce (the “MOC”) and the National Development and Reform Commission (the “NDRC”) on December 24, 2011 and was amended on January 30, 2012; (ii) the Company Law of the PRC (中華人民共和國公司法) (the “Company Law”), which was adopted by the Standing Committee of the National People’s Congress (the “NPC”) on 29 December 1993 and was last amended on 28 December 2013; (iii) The Law of the People’s Republic of China on Wholly Foreign-owned Enterprises (中華人民共和國外資企業法) (the “Wholly Foreign-owned Enterprises Law”), which was promulgated by the NPC on 12 April 1986 and amended on 31 October 2000, and the Detailed Implementing Rules for the

LAWS AND REGULATIONS

Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) (the “Detailed Implementing Rules for the Wholly Foreign-owned Enterprise Law”), which was last amended on 19 February 2014.

According to those laws and regulations aforesaid, to establish a whole foreign-owned enterprise to conduct the service of food and beverage which is industry permitted to foreign investment according to the Catalogue, the investor shall make an application to the department in charge of foreign trade under the State Council or the organs authorized by the State Council and the foreign investor may remit abroad profits lawfully earned from the enterprise and other income and funds lawfully obtained following the liquidation of the enterprise.

Food safety and licensing requirements for consumer food services

The Food Safety Law (《食品安全法》) and the Implementation Rules of the Food Safety Law (《食品安全法實施條例》), which came into force on June 1 and July 20, 2009 respectively, were designed to guarantee food safety and to safeguard the health and safety of the public. The state set up a system of the supervision, monitoring and appraisal for food safety risks, compulsory adoption of food safety standards and operating standards for food production, food inspection, food export and import and food safety accident response. Providers for food distribution services and consumer food services shall comply with the foregoing laws and rules.

The Food Safety Law sets forth various penalties in the form of warnings, orders to rectify, confiscation of illegal gains or utensils, equipment, raw materials and other articles used for illegal production and operation, fines, recalls and destructions of food in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation license, and even criminal punishment for violations of food safety laws. The gains and other assets of any restaurant that does not have a proper food service license may be confiscated. The restaurant may also be fined up to ten times the value of food sold at the restaurant.

The Implementation Rules of the Food Safety Law, as effective on July 20, 2009, further specify the penalties for violations and the detailed measures to be taken and followed by food producers and business operators in order to ensure food safety.

On March 4, 2010, the Ministry of Health promulgated the Administrative Measures on Food and Beverage Service Licensing (《餐飲服務許可管理辦法》) and Administrative Measures on Food Safety Supervision in Food and Beverage Services (《餐飲服務食品安全監督管理辦法》). Both measures came into force on May 1, 2010. Pursuant to the Administrative Measures on Food and Beverage Service Licensing, the local food and drug administrations at various levels are responsible for the administration of food and beverage service licensing. Providers of consumer food services are required to obtain a food service license and are responsible for safety in food and beverage services in accordance with the law. A service provider, providing food and beverage services at different locations or venues must obtain separate food and beverage service licenses for each venue. In the event of any change in the operation locations, a new application for food service license is required. The food service license is valid for a period of three years.

Regulations on the sanitation of public venues

The Regulation for the Administration of Sanitation of the Public Venue (《公共場所衛生管理條例》) effective on April 1, 1987, and the Implementation Rules for the Regulation for the Administration of Sanitation of the Public Venue (《公共場所衛生管理條例實施細則》) first effective on June 1, 1991, and subsequently amended in 1993, 2010 and 2011 were promulgated by the State Council and the Ministry of Health respectively. The said regulations were adopted for the purposes of creating favorable and sanitary conditions for the public venues, preventing disease transmission and safeguarding people's health. Depending on the requirements of the local health authority, a restaurant shall obtain a public venue hygiene license from the local health authority before it enters into business.

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

Regulations on liquor distribution

In accordance with Measures for the Administration of Liquor Distribution (《酒類流通管理辦法》) effective on January 1, 2006, which was issued by the Ministry of Commerce, a system of archival filing of operators as well as a traceability system shall be established for liquor circulation. Any entity or individual engaged in the wholesale or retail of liquor (herein after referred to in general as "liquor operator") shall, within 60 days of acquiring a business license, make the archival filing and registration formalities in the competent department of commerce at the same level as the administrative department for industry and commerce where the registration is handled according to the principle of territorial administration. The liquor operator shall, when purchasing any liquor, claim the duplicates of the business license, sanitation license, production license (limited to producers), registration form, power of attorney of liquor distribution (limited to producers) of a supplier that supplies goods for the first time. The liquor operator shall establish an account for purchases and sales in the liquor business operation which he or she shall keep for three years. According to the Guangdong Regulations on the Liquor Monopoly (《廣東省酒類專賣管理條例》) first effective on July 18, 1998 and amended on October 13, 2002, a license system for the production, wholesale and retail of liquor is adopted. Any entity or individual engaged in the retail of liquor shall apply for and obtain the liquor retail license.

Laws and regulations on fire prevention

The Fire Prevention Law of the PRC (the "Fire Prevention Law", 《中華人民共和國消防法》) was adopted on April 29, 1998 and amended on October 28, 2008. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the Ministry of Public Security and its local counterparts at or above county level shall monitor and administer the fire prevention affairs. The Fire Prevention Law provides that the fire prevention design or the construction project must conform to the national fire prevention technical standards. For a construction project that needs a fire prevention design under the national fire protection technical standards for project construction, no construction may be put into use before it is accepted by the relevant fire prevention units of public security authorities. For each public assembly venue (公眾聚集場所), such as Karaoke clubs, dancing halls, cinemas,

LAWS AND REGULATIONS

hotels, restaurants, shopping malls, trade markets and etc., the construction entity or entity using such venue shall, prior to use and operation of any business thereof, apply for a safety check on fire prevention with the relevant fire prevention department under the public security authority at or above the county level where the venue is located, and such place cannot be put into use and operation if it fails to pass the safety check on fire prevention or fails to conform to the safety requirements for fire prevention after such check.

According to the Provisions for Fire-protection Supervision and Administration of Construction Projects (《建設工程消防監督管理規定》), which was adopted on April 30, 2009 and amended on July 17, 2012, the construction of hotels or restaurants with a total building area exceeding 10,000 square meters and restaurants with entertainment function possessing a building area more than 500 square meters shall be subject to the review on its fire safety design and the final examination and acceptance upon completion of the construction by the fire prevention authorities.

Laws and regulations on environmental protection

Environmental Protection Law

The Environmental Protection Law of the PRC (the "Environmental Protection Law", 《中華人民共和國環境保護法》) was promulgated and effective on December 26, 1989. This Legislation has been formulated for the purposes of protecting and improving both the living environment and ecological environment, preventing and controlling pollution, other public hazards and safeguarding people's health.

The Environmental Protection Law makes it clear that legal liabilities of any violation of the said law include warning, fine, rectification within a time limit, compulsory suspension of operations, compulsory reinstallation of dismantled installations of the prevention and control of pollution or compulsory reinstallation of those left idle, compulsory shutout or closedown, or even criminal punishment.

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

LAWS AND REGULATIONS

Regulations on Prevention and Control of Water Pollution

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

Trademark Law

The period of validity of a registered trademark shall be ten years, to be counted from the date of approval of the registration under the Trademark Law of the PRC (the "Trademark Law", 《中華人民共和國商標法》) amended as of August 30, 2013 and came into effect on May 1, 2014. The administrative authority for industry and commerce has the power to investigate and handle any act of infringement of the exclusive right to use a registered trademark according to laws. Where the case is so serious as to constitute a crime, it shall be transferred to the judicial authority for handling.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

Our Company was incorporated on February 24, 2014 in the Cayman Islands and, as part of our Reorganization, became the holding company of our Group with our business being conducted through our subsidiaries. Over the course of our business history, our shareholding structure has remained stable, with Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung maintaining control over our operating subsidiaries. Certain of our operating subsidiaries were wholly-owned by Mr. Yeung on trust for the benefit of our Controlling Shareholders prior to our Reorganization. For further details on the shareholding structure of our Group companies, see “— Shareholding and Corporate Structure — Group companies” in this section below.

Immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options), Mr. Yeung (through China Sage), Mr. YC Yeung and Mr. YK Yeung will together control approximately 69.9% of the voting rights in our Company and hence are our Controlling Shareholders. Mr. Yeung, Mr. YK Yeung and Mr. YC Yeung are siblings and associates of each other under the Listing Rules.

BUSINESS DEVELOPMENT

History and origin

Our origins trace back to 1992 when Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung incorporated the operating entity for our first Chinese restaurant in Tai Kok Tsui, Hong Kong, under our pivotal “Fulum (富臨)” brand. Since serving the first dish at our Tai Kok Tsui restaurant to our community connoisseurs, we have stood by our corporate motto to provide quality food and sincere service to our customers (真誠、真味) and continually expanded into a top two full-service restaurant chain in the Cantonese cuisine restaurant industry in Hong Kong and a top three full-service restaurant chain in the Chinese cuisine industry in Hong Kong, based on sales revenue in 2013, according to the Frost & Sullivan Report. Over the course of our operating history, we have placed primary focus on crafting Cantonese cuisine and nurturing industry talents within our Group, which we believe have enabled us to adapt to changing preferences of our customers and enhance our organic growth in Hong Kong.

Our founders and Controlling Shareholders, Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung, started their career as restaurant chefs and, prior to founding our Group with their personal resources in 1992, have acquired valuable hands-on experience in managing and operating Chinese restaurants. Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung are siblings and have developed close personal and business ties. This has strengthened the coherent management of our Group.

HISTORY AND CORPORATE STRUCTURE

We have gradually expanded our small-scale operations in November, 1997 by adding a restaurant under our “Fulum (富臨)” brand in the bustling area of Tsim Sha Tsui, Hong Kong where locals and foreign tourists frequent. This premium location allowed us to maximize revenue and strengthen our brand image. Our first flagship restaurant with a gross floor area in excess of 10,000 sq. ft. located in the commercial and industrial district of Kwun Tong opened in July, 2001 under “Fulum Fisherman’s wharf (富臨漁港)”, capitalizing on the prevailing customer preference of quality, value-for-money seafood dishes among the customers at that time. Since then we have opened a number of flagship restaurants in densely populated areas in Hong Kong such as Mei Foo and Wong Tai Sin to cater to the mass local market.

Our multi-brand strategy embarked in September, 2002 as we established our first mid-to-high end restaurant under the brand “Sportful Garden (陶源)” in Kwun Tong, taking advantage of the growing number of white-collar executives within the district. Our “Sportful Garden (陶源)” brand is positioned as a specialist of abalone and other premium ingredients with a modern and innovative take on the traditional Cantonese cuisine. Our “Sportful Garden (陶源)” restaurants have, throughout the past years, been popular among the higher-spending population. Our “Sportful Garden (陶源)” restaurants had steadily become one of our mainstay operations with ten restaurants all located in premium commercial districts in Hong Kong as at the Latest Practicable Date.

In 2005, we further diversified our business model by developing two new business streams: (i) “Winter Steam Pot (正冬火鍋)” brand, being a hot-pot specialist targeting at the younger generation; and (ii) further expansion of our banquet business with the support of our “Pleasant Palace (囍臨門)” sub-brand. These additional revenue sources allowed us to appropriately and timely respond to market demand and increasing competition from our industry peers.

The year of 2005 was important for our operation as we opened our first small-scale central kitchen in San Po Kong, Hong Kong to centralize our food ingredients and supplies procurement, food processing and quality control, warehousing and distribution functions. Our centralized operations help us ensure quality consistency and drive down our operation costs. The production capacity of our logistic center would serve as a strong basis to support our future growth in the later years. To better control our margin and to provide a stronger platform for future expansion, in 2012 we moved our central kitchen to the current location in Tsuen Wan, Hong Kong, occupying five storeys and grossing approximately 110,000 sq. ft.. Our new central kitchen and logistics center was awarded the ISO 22000 certification in April, 2013, demonstrating our strive to standardized quality control.

As part of our multi-brand strategy, we developed our “Fulum Palace (富臨皇宮)” sub-brand in November, 2010. These restaurants are laid out in European palace-like decorations to create a theme suitable for wedding and other celebratory banquets.

HISTORY AND CORPORATE STRUCTURE

The last four years saw the development of our “Fulum Concept (富臨概念)” line of restaurants which serves specialist cuisine, beginning with the opening of “Orient Barbecue Cuisine (正東燒豬料理)” in September, 2012 in Sham Shui Po, Hong Kong. In June, 2014, we established our first Korean restaurant under the brand “MeokBang Korean BBQ (焗八韓烤)” in Prince Edward, Hong Kong. Our concept restaurants allow us to tap into new market sub-segments amid changing customer taste and trend.

Under the leadership of Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung, we have evolved from one restaurant in Tai Kok Tsui in 1992 into a chain operation of more than 50 restaurants in Hong Kong under different brands and serving a variety of cuisine, pampering customers with different tastes and preferences, all managed and operated under one single corporate motto — to provide quality food and sincere service to our customers (真誠、真味).

Business milestones

Set out below are the key milestones of our over 20 years of heritage:

1992	Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung incorporated the operating entity for their first restaurant in Tai Kok Tsui, Hong Kong under our “Fulum (富臨)” brand
November 1997	We opened a medium-sized restaurant on Hankow Road, Tsim Sha Tsui, Hong Kong
July 2001	Our first large-scale flagship restaurant of over 10,000 sq. ft. opened in Kwun Tong, Hong Kong under our sub-brand “Fulum Fisherman’s wharf (富臨漁港)”
September 2002	The first “Sportful Garden (陶源)” restaurant opened in Kwun Tong, Hong Kong and was our first outlet serving mid-to-high end cuisine
January 2005	We expanded our wedding banquet service with the addition of our “Pleasant Palace (囍臨門)” sub-brand
April 2005	Our first central kitchen and logistics center opened in San Po Kong, Hong Kong
May 2005	An additional hot pot specialist restaurant, “Treasure City (富城火鍋)”, opened in Mong Kok, Hong Kong
June 2005	The first “Winter Steam Pot (正冬火鍋)” hot pot restaurant opened in Mong Kok, Hong Kong
November 2010	Our first “Fulum Palace (富臨皇宮)” restaurant opened in Tuen Mun, Hong Kong, providing full arrays of Cantonese cuisine such as hot pot, seafood dishes and wedding banquet service
2010	We were awarded with three awards in different categories in a competition dubbed “明火食神爭霸戰” organized by Metro Radio Finance
April 2012	Our new central kitchen and logistics center, grossing five storeys in an industrial building in Tsuen Wan, Hong Kong, opened

HISTORY AND CORPORATE STRUCTURE

- September 2012 The first “Orient Barbecue Cuisine (正東燒豬料理)” opened in Sham Shui Po, Hong Kong
- 2012 The Hong Kong Tourism Board awarded us with the “Best of the Best Culinary Awards — Gold with Distinction Award (美食之最大賞至高榮譽金獎殊榮)”
- April 2013 Our central kitchen and logistics center in Tsuen Wan, Hong Kong was recognized with the ISO 22000 certification
- 2013 Our “Fulum (富臨)” brand was recognized as “Hong Kong Famous Brand — Golden Award (香港名牌金獎)” by China Enterprise Reputation & Credibility Association (Overseas) (中華(海外)企業信譽協會) for the third consecutive year since 2011
- June 2014 Our first restaurant serving Beijing cuisine established in Tseung Kwan O, Hong Kong under the brand “Beijing Barbecue Cuisine”
- June 2014 Our first Korean restaurant established in Prince Edward, Hong Kong under the brand “MeokBang Korean BBQ (沐八韓烤)”

We added 3, 8, 12 and 1 restaurants, respectively, in each of the three financial years ended March 31, 2012, 2013, 2014 and the three months ended June 30, 2014. None of the acquisitions and/or disposals carried on by us during the Track Record Period is considered material by us in terms of the amount of consideration paid on the assets, revenue and profit contribution of the targets.

SHAREHOLDING AND CORPORATE STRUCTURE

Group companies

Our Group comprises our Company and 68 subsidiaries established in Hong Kong and the BVI, all of which are, directly and indirectly, wholly-owned by our Company:

Subsidiaries engaged in our restaurant operations under our “Fulum (富臨)” main brand

Name	Date and place of incorporation	Issued shares	Shareholders prior to Reorganization	Principal business activities
Acezone Enterprises Limited 中威企業有限公司	January 28, 2005 in Hong Kong	1 share	100% by FLHL	Operation of 囍臨門 and 富臨漁港 restaurants in Tsim Sha Tsui
Central Green International Limited 中林國際有限公司	March 22, 2010 in Hong Kong	1 share	100% by FLHL	Operation of 富臨皇宮 restaurant in Lok Fu
Central King Development Limited 中粵發展有限公司	October 8, 2010 in Hong Kong	1 share	100% by FLHL	Operation of 富臨皇宮 restaurant in Tseung Kwun O

HISTORY AND CORPORATE STRUCTURE

Name	Date and place of incorporation	Issued shares	Shareholders prior to Reorganization	Principal business activities
Centralink International Development Limited 中興國際發展有限公司 . . .	February 6, 2006 Hong Kong	1 share	100% by FLHL	Operation of 富臨皇宮 restaurant in Wong Tai Sin
Centro (Asia) Limited 中央(亞洲)有限公司	August 30, 2006 in Hong Kong	100 shares	100% by FLHL	Operation of 富臨皇宮 restaurant in Aberdeen
China Beauty Enterprises Limited 中康企業有限公司	July 23, 2010 in Hong Kong	1 share	100% by FLHL	Operation of 富臨皇宮 restaurant in Tuen Mun
China Easy Investment Limited 中宜投資有限公司	March 12, 2003 in Hong Kong	100 shares	99% by FLHL, 1% by Mr. Yeung	Idle; operation ceased in May, 2014 Entity to be used for future operation
China Elegant Industrial Limited 中雅實業有限公司	June 5, 2012 in Hong Kong	1 share	100% by FLHL	Operation of 富臨皇宮 restaurant in North Point
China Miracle Limited 中琪有限公司	October 5, 2010 in Hong Kong	1 share	100% by FLHL	Operation of 富臨皇宮 restaurant in Yuen Long
China Professional Asia Limited 中保亞洲有限公司	December 30, 2010 in Hong Kong	1 share	100% by FLHL	Operation of 富臨皇宮 restaurant in Chai Wan
China Show Industrial Limited 中展實業有限公司	November 2, 2009 in Hong Kong	1 share	100% by FLHL	Operation of 富臨酒家 restaurant in Wan Chai
China Talent Asia Limited 中達亞洲有限公司	November 2, 2011 in Hong Kong	1 share	100% by FLHL	Operation of 富臨酒家 restaurant in Kwai Chung
China Vantage Enterprise Limited 中利企業有限公司	June 24, 2005 in Hong Kong	1 share	100% by FLHL	Operation of 靚臨門 and 富臨漁港 restaurants in Jordan
Chung Chun Enterprises Limited 中晉企業有限公司	May 9, 1995 in Hong Kong	38,000 shares	99.99% by FLHL, 0.01% by Mr. Yeung	Operation of 富臨漁港 restaurant in Kwun Tong
Gold China Enterprise Limited 中金企業有限公司	March 2, 2007 in Hong Kong	100 shares	100% by FLHL	Operation of 富臨漁港 restaurant in Kowloon City
Grander Creation Limited 富泰創建有限公司	July 28, 2006 in Hong Kong	2,000,000 shares	100% by FLHL	Operation of 富臨酒家 and 靚臨門 restaurant in Mong Kok

HISTORY AND CORPORATE STRUCTURE

<u>Name</u>	<u>Date and place of incorporation</u>	<u>Issued shares</u>	<u>Shareholders prior to Reorganization</u>	<u>Principal business activities</u>
Mid Well Investments Limited 中曠投資有限公司	August 8, 2008 in Hong Kong	1 share	100% by FLHL	Operation of 富臨漁港 restaurants in To Kwa Wan and Kowloon Bay
Midway Enterprise Limited 中域企業有限公司	April 22, 2008 in Hong Kong	100 shares	100% by FLHL	Operation of 富臨粵之味 restaurant in Sheung Wan
New Central Hong Kong Development Limited 中新香港發展有限公司	January 13, 2009 in Hong Kong	100 shares	100% by FLHL	Operation of 富臨漁港 restaurant in Tsuen Wan
Sino Emotion Limited 中瀚有限公司	January 5, 2004 in Hong Kong	100 shares	98% by FLHL, 1% by Mr. Yeung 1% by Mr. YC Yeung	Idle; business activity ceased in October 2010 Entity to be used for future operation
Sino Major Company Limited 中彬有限公司	December 12, 2003 in Hong Kong	100 shares	99% by FLHL, 1% by Mr. Yeung	Operation of 富臨漁港 restaurant in Hung Hum
Sino Rainbow Development Limited 中采發展有限公司	May 2, 2002 in Hong Kong	100 shares	99% by FLHL, 1% by Mr. Yeung	Operation of 富臨漁港 restaurant in San Po Kong
Sino Scene Development Limited 中景發展有限公司	January 31, 2005 Hong Kong	100 shares	99% by FLHL, 1% by Mr. Yeung	Operation of 囍臨門 and 富臨漁港 restaurants in Cheung Sha Wan
Sino Talent Investment Limited 中泰投資有限公司	October 10, 2006 in Hong Kong	1 share	100% by FLHL	Operation of 富臨漁港 restaurant in Cheung Sha Wan
Sino Target Investments Limited 中騰投資有限公司	January 14, 2005 in Hong Kong	100 shares	99% by FLHL, 1% by Mr. Yeung	Operation of 富臨皇宮 restaurant in To Kwa Wan
Sino Well Properties Limited 中惠置業有限公司	January 3, 2011 in Hong Kong	1 share	100% by FLHL	Operation of 富臨酒家 restaurant in Cheung Sha Wan
Sinobond Investment Development Limited 中邦投資發展有限公司	January 26, 2007 in Hong Kong	100 shares	100% by FLHL	Operation of 囍臨門 and 富臨漁港 restaurants in Mong Kok
China Solar Industrial Limited 中亮實業有限公司	March 6, 2013 in Hong Kong	1 share	100% held by Mr. Yeung on trust for the benefit of FLHL	Operation of 富臨皇宮 restaurant in Siu Sai Wan

HISTORY AND CORPORATE STRUCTURE

<u>Name</u>	<u>Date and place of incorporation</u>	<u>Issued shares</u>	<u>Shareholders prior to Reorganization</u>	<u>Principal business activities</u>
Luck China International Trading Limited 中福國際貿易有限公司 . . .	September 11, 2012 in Hong Kong	1 share	100% held by Mr. Yeung on trust for the benefit of FLHL	Operation of 富臨酒家 restaurant in Tuen Mun
Central Method Limited 中法有限公司	September 10, 2012 in Hong Kong	1 share	100% held by Mr. Yeung on trust for the benefit of FLHL	Operation of 富臨皇宮 restaurant in Kwai Fong
China Start Limited 中開有限公司	July 19, 2011 in Hong Kong	1 share	100% held by Mr. Yeung on trust for the benefit of FLHL	Operation of 富臨皇宮 restaurant in Mei Foo
China Topworld Investment Limited 中上投資有限公司	December 19, 2012 in Hong Kong	1 share	100% held by Mr. Yeung on trust for the benefit of FLHL	Operation of 富臨漁港 restaurant in Sha Tin and 富臨皇宮 restaurant in Ma On Shan
China Mutual Development Limited 中晶發展有限公司	February 15, 2013 in Hong Kong	1 share	100% held by Mr. Yeung on trust for the benefit of FLHL	Operation of 富臨酒家 restaurant in Yau Tong
China Excellent International Limited 中勵國際有限公司	September 24, 2012 in Hong Kong	1 share	100% held by Mr. Yeung on trust for the benefit of FLHL	Operation of 富臨酒家 restaurant in Sai Wan
New Central Industrial Limited 中新實業有限公司	September 4, 2006 in Hong Kong	80,000 shares	87.5% by Mr. Yeung, 12.5% by GDFB	Operation of Banquet Palace restaurant in Jordan
China Extreme Limited 中堅有限公司	November 19, 2013 ^(note) in Hong Kong	1 share	Transferred to our Group as a shelf company after our Reorganization	Operation of 富臨漁港 in Tseung Kwan O
Central Top Hong Kong Limited 中嶺香港有限公司	August 1, 2014 in Hong Kong	1 share	Incorporated after our Reorganization	Engagement in our marketing initiatives

(each a “FL Operating Company” and a member of our Group)

Note: China Extreme Limited was incorporated by ARSD06 Limited, a company secretarial service provider on November 19, 2013 as a shelf company with no business operation and the one founding member share was transferred to Chung Fu on May 14, 2014. The business activity of China Extreme Limited commenced in June, 2014 following the opening of our 富臨皇宮 restaurant in Tseung Kwan O.

HISTORY AND CORPORATE STRUCTURE

Subsidiaries engaged in our restaurant operations under our “Sportful Garden (陶源)” main brand

<u>Name</u>	<u>Date and place of incorporation</u>	<u>Issued shares</u>	<u>Shareholders prior to Reorganization</u>	<u>Principal business activities</u>
Central Champion Limited 中贊有限公司	April 5, 2012 in Hong Kong	1 share	100% by SGRL	Operation of 陶源酒家 restaurant in Tsim Sha Tsui
China Honest Development Limited 中豪發展有限公司	June 9, 2004 in Hong Kong	1 share	100% by SGRL	Idle; business activity ceased in April 2012; entity to be used for future operation
China Weal (HK) Limited 中孚(香港)有限公司	April 30, 2004 in Hong Kong	100 shares	98% by SGRL, 1% by Mr. Yeung, 1% by Mr. YK Yeung	Operation of 陶源酒家 restaurant in Mei Foo
Great Sino International Industrial Limited 中浩國際實業有限公司	September 1, 2003 in Hong Kong	100 shares	99% by SGRL, 1% by Mr. Yeung	Operation of 陶源酒家 restaurant in Hung Hom
Middle East Development Limited 中東發展有限公司	August 31, 2007 in Hong Kong	100 shares	100% by SGRL	Operation of 陶源酒家 restaurant in Tsuen Wan
Park Sun Property Agency Limited 百新物業代理有限公司	November 30, 2004 in Hong Kong	10,000 shares	100% by SGRL	Operation of 陶源酒家 restaurant in Mong Kok
Sino Favour (Hong Kong) Limited 中安(香港)有限公司	May 7, 2004 in Hong Kong	100 shares	99% by SGRL, 1% by Mr. Yeung	Operation of 陶源酒家 restaurant in Wan Chai
Sinotec H.K. Investments Limited 中達香港投資有限公司	November 19, 2003 in Hong Kong	100 shares	99% by SGRL, 1% by Mr. Yeung	Operation of 陶源酒家 restaurant in Sheung Wan
Super Rich International Limited 中陞國際有限公司	April 23, 1999 in Hong Kong	3,800 shares	99.97% by SGRL, 0.03% by Mr. Yeung	Operation of 陶源酒家 restaurant in Kwun Tong
Central Loyal Limited 中匡有限公司	March 5, 2013 in Hong Kong	1 share	100% held by Mr. Yeung on trust for the benefit of SGRL	Operation of 陶源酒家 restaurant in Sai Wan
Central Group (Hong Kong) Limited 中盟(香港)有限公司	March 6, 2013 in Hong Kong	1 share	100% held by Mr. Yeung on trust for the benefit of SGRL	Operation of 陶源酒家 restaurant in Kowloon Bay

(each a “SG Operating Company” and a member of the Listing Group)

HISTORY AND CORPORATE STRUCTURE

Subsidiaries engaged in the operation of the specialty cuisine restaurants under our “Fulum Concept (富臨概念)” line of business

<u>Name</u>	<u>Date and place of incorporation</u>	<u>Issued shares</u>	<u>Shareholders prior to Reorganization</u>	<u>Principal business activities</u>
Central Dynamic International Limited 中鈞國際有限公司	June 4, 2012 in Hong Kong	1 share	100% by Mr. Yeung	Operation of 正東燒豬料理 restaurant in Shum Shui Po and Beijing Barbecue Cuisine in Tseung Kwan O
China Base Development Limited 中堡發展有限公司	January 14, 2005 in Hong Kong	10,000 shares	1% by Mr. Yeung, 99% by GDFB	Operation of 正冬火鍋料理 restaurant in Mong Kok
China Forward Development Limited 中博發展有限公司	November 18, 2013 in Hong Kong	1 share	100% by Mr. Yeung	Operation of 富城酒家 restaurant in Mong Kok
China Harvest (Hong Kong) Limited 中旺(香港)有限公司	April 16, 2013 in Hong Kong	1 share	100% by Mr. Yeung	Operation of 富城酒家 restaurant in Wong Tai Sin
Sun Profit Hong Kong Development Limited 信盈香港發展有限公司	March 23, 2010 in Hong Kong	300,000 shares	100% by Mr. Yeung	Operation of 富城酒家 restaurant in To Kwa Wan
China Kings Development Limited 中京發展有限公司	October 22, 2012 in Hong Kong	1 share	100% held by Mr. Yeung on trust for the benefit of FLHL	Operation of 富城酒家 restaurant in Shum Shui Po
China Order Limited 中令有限公司	December 11, 2012 in Hong Kong	1 share	100% held by Mr. Yeung on trust for the benefit of FLHL	Operation of 正冬火鍋料理 restaurant in Mong Kok
Korean Catering Concepts Limited 韓膳餐飲管理有限公司	April 14, 2014 in Hong Kong	1 share	Incorporated after our Reorganization	Operation of 炆八韓烤 restaurant in Mong Kok
Glory Food Services Limited 譽饌餐飲服務有限公司	April 14, 2014 in Hong Kong	1 share	Incorporated after our Reorganization	To be used for future concept restaurants
Union Catering Concepts Limited 和膳餐飲管理有限公司	April 14, 2014 in Hong Kong	1 share	Incorporated after our Reorganization	To be used for future concept restaurants

(each a “Concept Operating Company” and a member of our Group)

HISTORY AND CORPORATE STRUCTURE

Subsidiaries engaged in the general management of our Group

<u>Name</u>	<u>Date and place of incorporation</u>	<u>Issued shares</u>	<u>Shareholders prior to Reorganization</u>	<u>Principal business activities</u>
Foo Lum Management Limited 富臨管理有限公司 ("FLML")	March 30, 2004 in Hong Kong	100 shares	99% by Megacity, 1% by Mr. Yeung	General management of our Group
Sino Rank Limited 中寧有限公司	April 4, 2005 in Hong Kong	1 share	100% by Foo Lum Management Limited	General management of our Group
Sino Mountain Trading Limited 中山貿易有限公司	February 19, 2010 in Hong Kong	1 share	100% held by Mr. Yeung on trust for the benefit of FLHL	General management of our Group
Sino Forest Limited 中森有限公司	February 14, 2013 Hong Kong	1 share	100% held by Mr. Yeung on trust for the benefit of FLHL	Holding company of intellectual property rights of our Group

(each a "Management Company" and a member of our Group)

Intermediate holding companies

<u>Name</u>	<u>Date and place of incorporation</u>	<u>Issued share capital</u>	<u>Shareholders prior to Reorganization</u>	<u>Principal business activities</u>
Chung Fu	February 25, 2014 in BVI	1 share of nil par value	100% by Chung Sing	Holding company of the FL Operating Companies
Chung Tao	February 25, 2014 in BVI	1 share of nil par value	100% by Chung Sing	Holding company of the SG Operating Companies
Chung Wong	February 24, 2014 in BVI	1 share of nil par value	100% by Chung Sing	Holding company of the Concept Operating Companies
Chung Ling	February 25, 2014 in BVI	1 share of nil par value	100% by Chung Sing	Holding company of the Management Companies
Chung Sing	February 24, 2014 in BVI	1 share of nil par value	100% by our Company	Intermediate holding company of our Group
Fu Tao (China) Holdings Limited	February 25, 2014 in BVI	1 share of nil par value	100% by our Company	Holding company of our future PRC business

HISTORY AND CORPORATE STRUCTURE

During the Track Record Period, all of our subsidiaries were controlled by our Controlling Shareholders and, save for our Reorganization, there was no significant change in the beneficial shareholding of our subsidiaries.

We have adopted a complex Group structure with a number of subsidiaries due to the customary practice of the food and beverage industry in Hong Kong to establish a company for each restaurant outlet. This allows us to enjoy flexibility in the relevant licensing, compliance and leasing arrangements when we open and close restaurant outlets during our ordinary course of business. As each of our operating subsidiaries runs only one or two restaurants, our Directors do not consider any single one of them as material in terms of their individual contribution to our track record results.

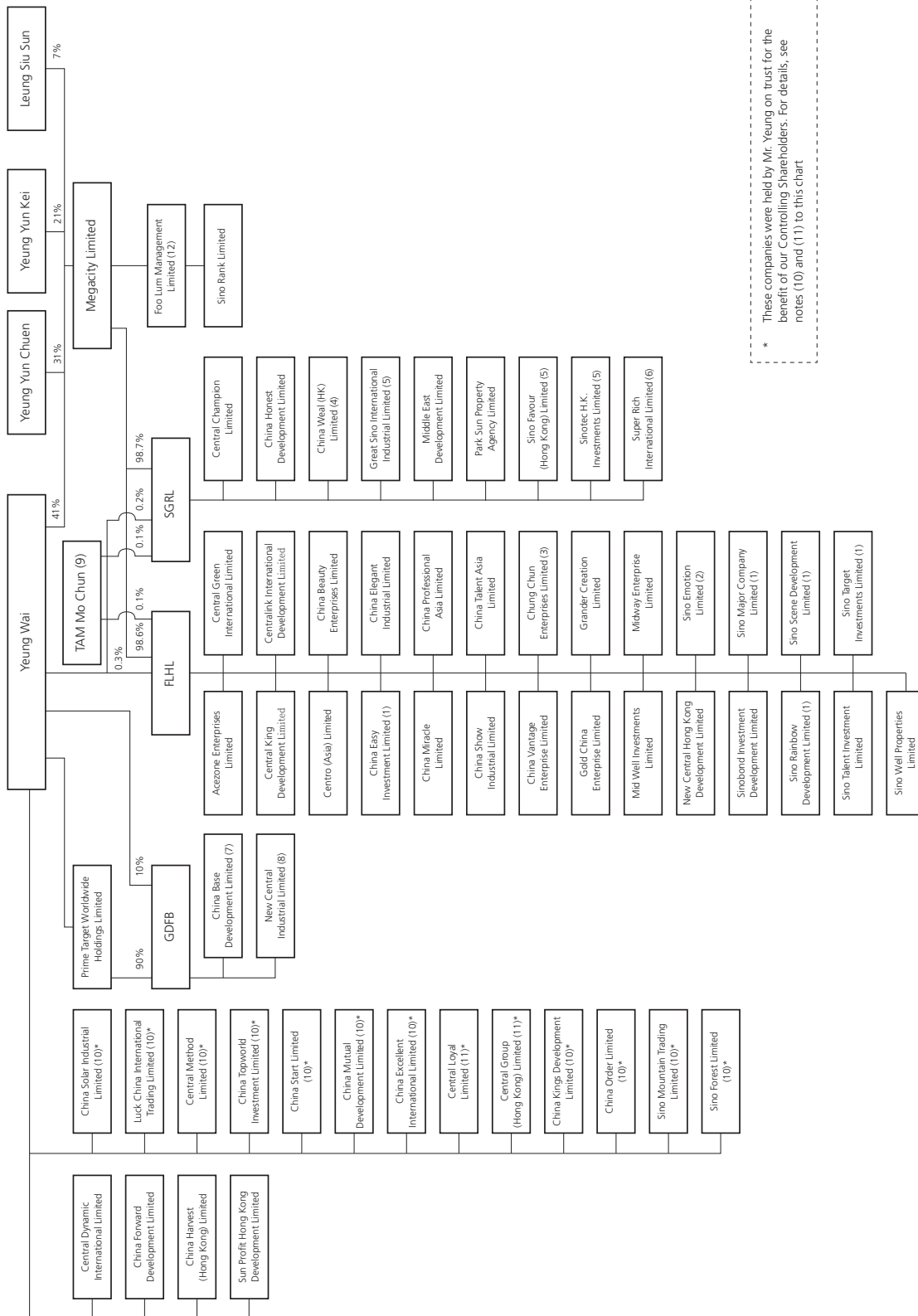
Reorganization

Prior to January 2014, we were a group of private entities directly or indirectly held by our Controlling Shareholders and certain minority shareholders. In preparation for the Listing, we undertook a series of restructuring steps for the purpose of transferring assets and businesses from our Controlling Shareholders to our Company and streamlining our corporate and shareholding structure. These restructuring steps comprised (i) certain shareholding adjustments, whereby certain non-controlling minority interests in some of our subsidiaries were acquired from independent third party minority shareholders by Mr. Yeung; and (ii) our Reorganization, whereby our Company was incorporated and became the holding company of our Group.

HISTORY AND CORPORATE STRUCTURE

Pre-Reorganization corporate structure

Set out below is the shareholding and corporate structure of our Group immediately prior to the implementation of the Reorganization:



HISTORY AND CORPORATE STRUCTURE

Notes:

- (1) China Easy Investment Limited, Sino Rainbow Development Limited, Sino Major Company Limited, Sino Scene Development Limited and Sino Target Investments Limited were owned as to 99% by FLHL and as to 1% by Mr. Yeung on trust for FLHL.
- (2) Sino Emotion Limited was owned as to 98% by FLHL, as to 1% by Mr. Yeung on trust for FLHL and as to 1% by Mr. YC Yeung on trust for FLHL.
- (3) Chung Chun Enterprises Limited was owned as to 99.99% by FLHL and as to 0.01% by Mr. Yeung on trust for FLHL.
- (4) China Weal (HK) Limited was owned as to 98% by SGRL, as to 1% by Mr. Yeung on trust for SGRL and as to 1% by Mr. YK Yeung on trust for SGRL.
- (5) Great Sino International Industrial Limited, Sino Favour (Hong Kong) Limited and Sinotec H.K. Investments Limited were owned as to 99% by SGRL and as to 1% by Mr. Yeung on trust for SGRL.
- (6) Super Rich International Limited was owned as to 99.97% by SGRL and as to 0.03% by Mr. Yeung on trust for SGRL.
- (7) China Base Development Limited was owned as to 99% by GDFB and 1% by Mr. Yeung.
- (8) New Central Industrial Limited was owned as to 87.5% by Mr. Yeung and as to 12.5% by GDFB.
- (9) Mr. TAM Mo Chun 譚慕椿 is an employee of our Group and is not a connected person of our Company under the Listing Rules.
- (10) China Solar industrial Limited, Luck China International Trading Limited, Central Method Limited, China Topworld Investment Limited, China Start Limited, China Mutual Development Limited, China Excellent International Limited, China Kings Development Limited, China Order Limited, Sino Mountain Trading Limited and Sino Forest Limited were wholly-owned by Mr. Yeung on trust for FLHL.
- (11) Central Loyal Limited and Central Group (Hong Kong) Limited were wholly-owned by Mr. Yeung on trust for SGRL.
- (12) Foo Lum Management Limited was owned as to 99% by Megacity Limited and as to 1% by Mr. Yeung on trust for Megacity Limited.
- (13) All shareholding attribution is 100% unless otherwise specified.

Our Reorganization involved the following steps:

Incorporation of our Company

On February 24, 2014, our Company was incorporated with limited liability as “Fu Lum Tao Yuen Holdings Company Limited 富臨陶源控股有限公司” in the Cayman Islands with an authorized share capital of HK\$100,000 divided into 100,000 Shares of HK\$1.00 each. On the same day, one Share was allotted and issued, credited as fully-paid, to our initial subscriber, and was subsequently transferred to Mr. Yeung. On the same day, 5,454 Shares, 4,185 Shares, 2,835 Shares and 1,025 Shares, respectively, were allotted and issued to Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung.

Our current name, “Fulum Group Holdings Limited 富臨集團控股有限公司” was adopted by our Shareholders on May 19, 2014 and came into effect on May 21, 2014.

HISTORY AND CORPORATE STRUCTURE

Incorporation of intermediate holding companies

Each of Chung Sing and Chung Wong was incorporated with limited liability on February 24, 2014 in the BVI, and each of Chung Fu, Chung Tao, Chung Ling and Fu Tao (China) Holdings Limited was incorporated with limited liability on February 25, 2014 in the BVI. The authorized shares of each such company, on incorporation, were 50,000 ordinary shares of a single class without par value. On February 24, 2014, one share in Chung Sing was issued and allotted, credited as fully-paid, to our Company. On February 24, 2014, one share in Chung Wong was issued and allotted, credited as fully-paid, to Chung Sing. On March 5, 2014, one share in each of Chung Fu, Chung Tao, Chung Ling and Fu Tao (China) Holdings Limited was issued and allotted, credited as fully-paid, to Chung Sing.

Acquisition of New Central Industrial Limited and five Concept Operating Companies

Prior to our Reorganization, each of New Central Industrial Limited, Central Dynamic International Limited, China Base Development Limited, China Forward Development Limited, China Harvest (Hong Kong) Limited and Sun Profit Hong Kong Development Limited (collectively, the “Relevant Operating Companies”) was, either directly or indirectly, wholly-owned by Mr. Yeung. These are six of the ten restaurants previously wholly-owned and operated by Mr. Yeung during the Track Record Period in Hong Kong, which were historically private business ventures of Mr. Yeung unrelated to our other Controlling Shareholders.

On March 1, 2014, Chung Wong acquired entire issued share capital of each of the Relevant Operating Companies from Mr. Yeung and GDFB (as appropriate), in consideration for our Company issuing and allotting, credited as fully-paid, 1,500 Shares to Mr. Yeung, which was determined with reference to an independent valuation on the Relevant Operating Companies obtained by us. Upon completion, the Relevant Operating Companies became indirectly wholly-owned subsidiaries of our Company. The results of these six restaurants were included in our consolidated financial statements during the Track Record Period by way of acquisition accounting. The remaining four restaurants previously wholly-owned and operated by Mr. Yeung were either closed down or disposed of to independent third parties during the Track Record Period due to commercial reasons. Mr. Yeung currently has no restaurant business in Hong Kong that had not been transferred to our Group.

Transfer of the FL Operating Companies

On March 28, 2014, the entire issued share capital in each of the FL Operating Companies (except for New Central Industrial Limited, China Extreme Limited and Central Top Hong Kong Limited) were transferred to Chung Fu by their respective shareholders. The consideration for such transfer was settled with nominal value of the shares transferred to Chung Fu, payable to the vendors pro-rata to their respective interests in each such FL Operating Company (except for New Central Industrial Limited, China Extreme Limited and Central Top Hong Kong Limited). Upon completion, all FL Operating Companies became indirectly wholly-owned subsidiaries of our Company.

Details of the shareholding information of the FL Operating Companies prior to our Reorganization are set out in “— Shareholding and Corporate Structure — Group companies” in this section above.

HISTORY AND CORPORATE STRUCTURE

Transfer of the SG Operating Companies

On March 28, 2014, the entire issued share capital in each of the SG Operating Companies were transferred to Chung Tao by their respective shareholders. The consideration for such transfer was settled with nominal value of the shares transferred to Chung Tao, payable to the vendors pro-rata to their respective interests in each such SG Operating Company. Upon completion, all SG Operating Companies became indirectly wholly-owned subsidiaries of our Company.

Details of the shareholding information of the SG Operating Companies prior to our Reorganization are set out in “— Shareholding and Corporate Structure — Group companies” in this section above.

Transfer of two further Concept Operating Companies

On March 28, 2014, the entire issued share capital in each of China Kings Development Limited and China Order Limited, each being a Concept Operating Company, were transferred to Chung Wong by their respective shareholders. The consideration for such transfer was settled with nominal value of the shares transferred to Chung Wong, payable to the vendors pro-rata to their respective interests in each such company. Upon completion, China Kings Development Limited and China Order Limited became indirectly wholly-owned subsidiaries of our Company.

Details of the shareholding information of China Kings Development Limited and China Order Limited prior to our Reorganization are set out in “— Shareholding and Corporate Structure — Group companies” in this section above.

Transfer of the Management Companies

On March 28, 2014, the entire issued share capital in each of the Management Companies were transferred to Chung Ling by their respective shareholders. The consideration for such transfer was settled with nominal value of the shares transferred to Chung Ling, payable to the vendors pro-rata to their respective interests in each such Management Company. Upon completion, all Management Companies became indirectly wholly-owned subsidiaries of our Company.

Details of the shareholding information of the Management Companies prior to our Reorganization are set out in “— Shareholding and Corporate structure — Group companies” in this section above.

Mr. Yeung’s interests in our Company

On May 30, 2014, Mr. Yeung transferred 6,955 Shares, which were directly owned by him and represented his entire interests in our Company, to China Sage, an investment holding company directly wholly-owned by him.

HISTORY AND CORPORATE STRUCTURE

Changes to our share capital

On October 28, 2014, our Shareholders resolved that (i) each issued and unissued ordinary Share of HK\$1.0 each in our share capital be sub-divided into 1,000 Shares of HK\$0.001 each; and (ii) the authorized share capital of our Company be increased to HK\$2,000,000 divided into 2,000,000,000 Shares of HK\$0.001 each.

Capitalization Issue

On October 28, 2014, our Shareholders have resolved that, conditional upon the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors were authorized to allot and issue on the Listing Date a total of 974,985,000 Shares, credited as fully-paid, at par to our Shareholders whose names appear on the register of members of our Company at close of business on October 28, 2014 in proportion to their then respective shareholdings by way of capitalization of the sum of HK\$974,985 standing to the credit of the share premium account of our Company, and such Shares to be allotted and issued pursuant to the Capitalization Issue shall rank *pari passu* in all respects with the existing issued Shares.

Details of the resolutions of our Shareholders dated October 28, 2014 are set out in “Appendix IV — Statutory and General Information — A. Further Information About Our Company — 5. Written Resolutions of our Shareholders Passed on October 28, 2014” in this prospectus.

As at the date of this prospectus, with the exception of the Capitalization Issue which will take place on the Listing Date, all steps of our Reorganization have been properly and legally completed and settled and no approval is required from the relevant regulatory authorities.

Pre-IPO Share Option Scheme

On October 28, 2014, our Shareholders have resolved to conditionally adopt the Pre-IPO Share Option Scheme, pursuant to which we, on October 28, 2014, granted Pre-IPO Share Options to 346 persons to subscribe for 54,000,000 Shares on the terms of the Pre-IPO Share Option Scheme. These include four Grantees who are Directors, four Grantees who are members of the senior management of our Group and five connected persons of our Company and the remaining Grantees are other employees of the Group.

As at the date of this prospectus, all of the Pre-IPO Share Options are not exercised and remain outstanding. Details of the Pre-IPO Share Options and the Grantees are set out in “Appendix IV — Statutory and General Information — F. Pre-IPO Share Option Scheme” in this prospectus.

No Pre-IPO investment

There was no pre-IPO investor to our Group before and after our Reorganization within the meanings of the Listing Rules.

HISTORY AND CORPORATE STRUCTURE

Companies excluded from our Reorganization

A number of companies, the principal business of which is ancillary to our business of restaurant operations, were excluded from our Group as a result of our Reorganization, the details of which are set out below:

Excluded PRC Restaurants

Notwithstanding that the principal business venture of our Controlling Shareholders is our Group, our Controlling Shareholders have interests in, or control of, five Excluded PRC Restaurants which are mid-to-high end restaurants located in Guangdong Province, the PRC under the brand "Sportful Garden (陶源)". These Excluded PRC Restaurants were not transferred to our Group during our Reorganization and, though related to the food and beverage industry, are separate, distinct and clearly delineated from our current restaurant business in terms of geographical location. In respect of our future expansion plan into the PRC, these Excluded PRC Restaurants are also separate, clearly delineated in terms of targeted clientele, market position, geographical location and management. Our Controlling Shareholders currently have no immediate intention to transfer the Excluded PRC Restaurants to our Group. The Excluded PRC Restaurants are held by China Best, Faith Linkage (both wholly-owned by Mr. Yeung) and United Team (wholly-owned by SGRL).

Our Directors are satisfied that our Group can function, operate and carry on our business, and is financially and operationally, independent from our Controlling Shareholders and their respective close associates. For details of the Excluded PRC Restaurants and the reasons for excluding the Excluded PRC Restaurants from our Group, see "Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — No competition and clear delineation of business — Excluded PRC Restaurants" in this prospectus.

We will receive an offer from Mr. Yeung, SGRL, China Best, Faith Linkage and United Team to acquire their interests in the Excluded PRC Restaurants once in each financial year after Listing. For further details, see "Relationship with our Controlling Shareholders — No competition and clear delineation of business — Annual Offer Arrangements and Right of First Refusal".

Disposed restaurant

Due to commercial reasons, we have disposed of a restaurant operated by Sino Industrial Investment Limited during the Track Record Period to an independent third party. The result of this restaurant up to the date of disposal have been included in our consolidated financial statements during the Track Record Period but its operating company (which is now idle) was excluded from our Group during our Reorganization. See Note 31 to the Accountants' Report set out in Appendix I to this prospectus.

HISTORY AND CORPORATE STRUCTURE

Dissolved Entity

Sino Rainbow Investment Limited was held as to 99% by FLHL and as to 1% by Mr. Yeung on trust for FLHL. It was the operating entity of our “Fulum Fisherman’s Wharf 富臨漁港” restaurant in Mei Foo, Hong Kong, which was subsequently transferred to China Start Limited, a member of our Group. On July 18, 2013, Sino Rainbow Investment Limited was dissolved by members’ voluntary winding up. The results of Sino Rainbow Investment Limited up to the date of transfer have been included into our consolidated financial statements during the Track Record Period.

Sino Rainbow Investment Limited was a defendant of a legal dispute which was settled in May, 2012. See “Directors and Senior Management — Disclosure pursuant to Rule 13.51(2) of the Listing Rules” in this prospectus for further details.

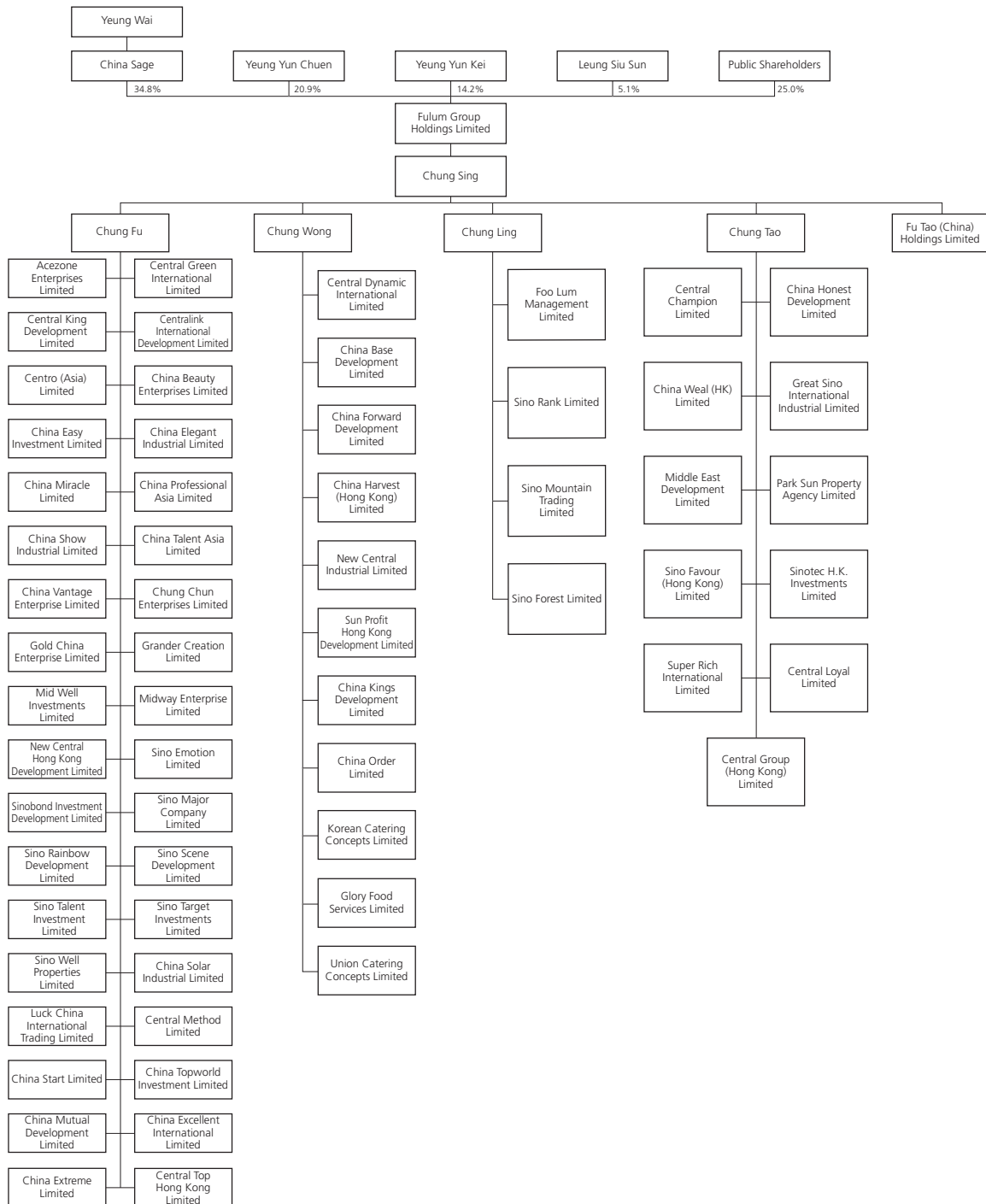
Property companies

A number of property holding companies owned by our Controlling Shareholders or their associates were excluded from our Group as we intend to focus on our business of restaurant operations. These companies, the shareholding information of which is set out in “Continuing Connected Transactions — Non-exempt Continuing Connected Transactions — Connected Tenancy Agreements” in this prospectus, have entered into tenancy agreements with our Group in respect of certain properties on which we operate our restaurants. These tenancy agreements will constitute continuing connected transactions upon Listing.

HISTORY AND CORPORATE STRUCTURE

Post-Listing corporate structure

The following chart sets out the shareholding and corporate structure of our Group upon completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options):



Notes: all shareholding attribution is 100% unless otherwise specified.

OVERVIEW

We are a top three full-service restaurant chain serving Chinese cuisine industry in Hong Kong, based on sales revenue in 2013, according to the Frost & Sullivan Report. In particular, we are a top two full-service restaurant chain serving Cantonese cuisine in Hong Kong, based on sales revenue in 2013, according to the Frost & Sullivan Report.

As at the Latest Practicable Date, we owned and were operating 55 restaurants in Hong Kong under different brands serving a variety of cuisines. Our restaurants can be categorized into three lines of business: (1) restaurants under the “Fulum (富臨)” main brand focusing on Cantonese cuisine targeting the mass market⁽¹⁾, (2) restaurants under the “Sportful Garden (陶源)” main brand focusing on Cantonese cuisine targeting mid-to-high end market⁽²⁾, and (3) specialty cuisine restaurants under our “Fulum Concept (富臨概念)” line of business, which are generally of a smaller size, under various other brands serving Chinese and non-Chinese specialty cuisines. Please refer to “Business — Our Lines of Business” of this prospectus for a list of all our main brands and sub-brands. We also provide group banquet and wedding banquet services mainly in restaurants under our “Fulum (富臨)” main brand.

Throughout our 20-year operating history, our corporate motto has been and continues to be to provide quality food and sincere service to our customers (真誠、真味). Besides our “Sportful Garden (陶源)” main brand, which targets the mid-to-high end segment, our other brands principally target mass-market consumers, who favor restaurants that provide quality food at competitive prices. Our target customer base expects value-for-money. We strive to meet their demands and expectations throughout the entire dining experience. We offer quality food at competitive prices, by sourcing quality ingredients and implementing effective cost controls. We also try to provide an enhanced customer service experience, by showing sincerity. We believe our commitment to and execution of our corporate motto has contributed to the strengthening of our brands and customer loyalty over time. We have also received numerous awards and accreditations which recognize the Group’s food, services and management, such as the “Hong Kong Famous Brand — Golden Award (香港名牌金獎)” awarded to our “Fulum (富臨)” brand by China Enterprise Reputation and Credibility Association (Overseas) Limited (中華 (海外) 企業信譽協會) in 2011, 2012 and 2013 and the “Best of the Best Culinary Awards — Gold with Distinction Award (美食之最大賞至高榮譽金獎)” awarded to our “Sportful Garden (陶源)” brand by Hong Kong Tourism Board in 2011 and 2012. Further details of our awards and accreditations are set forth under the section headed “Business — Honors and Awards” of this prospectus.

Notes:

¹ According to the Frost & Sullivan Report, “mass market” in the context of the Cantonese cuisine restaurant industry refers to restaurants with an average guest check of less than HK\$150 in Hong Kong, or less than RMB100 in China.

² According to the Frost & Sullivan Report, “mid-to-high end market” in the context of the Cantonese cuisine restaurant industry refers to restaurants with an average guest check of HK\$150 to HK\$800 in Hong Kong, or RMB100 to RMB600 in China.

BUSINESS

We have adopted a multi-brand strategy aimed at the Hong Kong market. With two business lines and main brands covering the spectrum of mass market to mid-to-high end Cantonese cuisine market in Hong Kong, as well as a line of smaller specialty restaurants, our diverse restaurant network has enabled us to attract a diversified customer base across Hong Kong. Our multi-brand strategy also gives us flexibility in our operations and in planning our future expansion. Our Directors believe that a key factor in our success to date has been our desire and ability to adapt over time to customer demands and preferences in different market segments and across different locations in Hong Kong. As the Hong Kong market evolves, our Directors believe that we are positioned to adapt accordingly.

On the operational and cost efficiency side, we benefit from economies of scale in our large restaurant operations. We have established a central kitchen and logistics center, which allows us to standardize the preparation process for certain foods, centrally maintain quality control over our food sourcing and preparation and efficiently control food costs. Other aspects of our standardized operations, including without limitation, our standardized quality control system, staff training and advancement programs and systematic restaurant opening process, provide for a systematic platform to sustain our future growth.

Our revenue increased by 9.3% from HK\$1,723.9 million for the year ended March 31, 2012 to HK\$1,885.0 million for the year ended March 31, 2013, by 18.1% from HK\$1,885.0 million for the year ended March 31, 2013 to HK\$2,226.2 million for the year ended March 31, 2014 and by 13.7% from HK\$481.7 million for the three months ended June 30, 2013 to HK\$547.6 million for the three months ended June 30, 2014. Our profit for the year attributable to owners of our Company increased by 54.0% from HK\$96.6 million for the year ended March 31, 2012 to HK\$148.8 million for the year ended March 31, 2013 and by 12.6% from HK\$148.8 million for the year ended March 31, 2013 to HK\$167.5 million for the year ended March 31, 2014. Our profit for the period attributable to owners of our Company decreased by 28.6% from HK\$9.6 million for the three months ended June 30, 2013 to HK\$6.8 million for the three months ended June 30, 2014, mainly due to an increase of HK\$4.9 million in one-off listing expenses incurred during the three months ended June 30, 2014.

COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths include the following:

A well-recognized and preferred brand in the Chinese restaurant business in Hong Kong

We are a top three full-service restaurant chain in the Chinese cuisine restaurant industry in Hong Kong and a top two full-service restaurant chain in the Cantonese cuisine restaurant industry in Hong Kong, based on sales revenue in 2013, according to the Frost & Sullivan Report. According to an aided brand awareness consumer survey conducted by Frost & Sullivan in April 2014 in Hong Kong, approximately 88% of the respondents recognized one of our sub-brands under our “Fulum (富臨)” main brand. Since the incorporation of the legal entity for our first restaurant under the “Fulum (富臨)” main brand in 1992, we have accumulated more than 20 years of operating experience in the Chinese restaurant industry in Hong Kong. Since that first restaurant, we have developed into a chain of 55 restaurants in Hong Kong as at the Latest Practicable Date. Our corporate motto, however, remains the same — to provide quality food and sincere service to our customers (真誠·真味). Our customers associate our brands with value-for-money where quality food and high level customer services are provided at competitive prices. Our efforts are reflected by the various

awards and accreditations that we have received in relation to our food, services and management, such as the “Hong Kong Famous Brand — Golden Award (香港名牌金獎)” awarded to our “Fulum (富臨)” brand China Enterprise Reputation and Credibility Association (Overseas) Limited (中華(海外)企業信譽協會) in 2011, 2012 and 2013 and the “Best of the Best Culinary Awards — Gold with Distinction Award (美食之最大賞至高榮譽金獎)” awarded to our “Sportful Garden (陶源)” brand by Hong Kong Tourism Board in 2011 and 2012. In addition, we believe our commitment to our corporate motto has contributed to our success in the strengthening of our brands and customer loyalty. The aggregate number of customer visits for our restaurants in Hong Kong amounted to approximately 18 million, 20 million, 23 million and 6 million for the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively. We believe our extensive operating experience, well-recognized brands in the Chinese restaurant industry in Hong Kong and an increasing dine-out spending by Hong Kong customers have contributed to our success and will support our expansion in the future.

Multi-brand strategy with a diversified customer base

Our restaurant network, comprising three lines of business, covers almost the whole spectrum from mass market to mid-to-high end Cantonese restaurant segments, as well as certain Chinese and non-Chinese specialty cuisine segments in Hong Kong.

Restaurants under our “Fulum (富臨)” main brand focus on Cantonese cuisine for the mass market. According to the Frost & Sullivan Report, generally, the growth of the Chinese full-service restaurant market targeting the mass market remains stable during economic downturns. Through our “Fulum (富臨)” line of business, we provide quality value-for-money food and services to customers as well as venues suitable for gatherings of families and friends. As restaurants under our “Fulum (富臨)” main brand generally occupy floor areas in excess of 10,000 square feet each, we also provide wedding banquet services and group banquet services for celebratory events in these restaurants.

Restaurants under our “Sportful Garden (陶源)” main brand focus on Cantonese cuisine for the mid-to-high end market segment. They usually occupy smaller floor areas with more refined decorations than our “Fulum (富臨)” main brand restaurants to cater to mid-to-high end customers. Many of our signature dishes served in our “Sportful Garden 陶源” main brand restaurants use high-end food ingredients, such as abalone and sea cucumber. Through this line of business, we aim to provide suitable venues for business meals as well as more formal gatherings of families and friends. Restaurants under our “Fulum Concept (富臨概念)” line of business focus on certain Chinese and non-Chinese specialty cuisines, such as hotpot, suckling pig dishes and Korean cuisine.

A specialty cuisine restaurant generally occupies a 3,000 to 5,000 square foot floor area and thus is suitable to be located in shopping malls. We believe we can attract younger customers who are more likely to be drawn to different types of specialty cuisines offered through our third line of business.

BUSINESS

Through our diverse restaurant network, we are able to attract different customer groups ranging from the mass market to high-end customers, and covering the younger generation as well as more mature diners generally seen as the target market for our Chinese restaurant business. In addition, within each category of customers, we are able to offer different types of dining experiences, including value-for-money Cantonese cuisine, hotpot cuisine, mid-to-high end Cantonese cuisine and various other specialty cuisines. We also provide our customers with venues suitable for family and casual gatherings, business lunches and dinners, and banquets for celebratory events and weddings, to help us capture that additional Market Share.

Our history of opening and operating different types of restaurants offering a variety of food and services to a diversified customer base provides us with valuable experience and helps develop an acumen to adjust to the constantly changing and competitive restaurant market. Our Directors believe that our ability to adapt to the tastes and preferences of the customers in different market segments and different locations through our multi-brand strategy has broadened our customer base, has been crucial to our success and will support our expansion in the future.

Highly standardized operations and an efficient management system as a systematic platform to sustain future growth

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

- *Central kitchen and logistics center.* Our central kitchen and logistics center is approximately 110,000 square feet in size. For the year ended March 31, 2014, approximately 43% of the semi-processed or processed food ingredients used in our restaurants are supplied by our central kitchen and logistics center. We believe the key benefits from the use of a centralized kitchen and logistics center include the ability to control costs efficiently by centralizing purchasing and food processing functions and reducing wastage of food ingredients, as well as the ability to ensure quality consistency across various restaurants by centralizing quality control of food processing and storage. In addition, the use of a centralized kitchen and logistics center (i) improves the space efficiency of our individual restaurants by reducing the kitchen space and storage space required at our individual restaurants, and (ii) reduces the workload of our restaurant-level chefs in respect of the initial stage of food ingredients processing so they are able to focus on the final stage of food preparation. Our central kitchen and logistics center will be able to support an additional 10 to 20 restaurants in Hong Kong. We believe the use of our centralized kitchen and logistics center has contributed to our success and will provide a platform for our expansion in the future.

BUSINESS

- *Standardized quality control system.* We have implemented a standardized quality control system to ensure the high quality and safety of our food. Our central kitchen and logistics center adopted the Hazard Analysis Critical Control Point, known as HACCP, a comprehensive quality control standard. It was awarded the ISO 22000 certification in 2013. In addition, we implemented the “5-S” (五常法) management system throughout our entire operational process, starting from sourcing and processing of food ingredients, maintaining hygiene standards, staff training and daily management of our individual restaurants. We engage an external independent inspection and testing company, SGS Limited, to conduct checks of our water samples at our restaurants. SGS Limited is an inspection, verification, testing and certification company with over 1,650 offices and laboratories around the world. SGS Limited provides services, including, among others, food testing and water sampling and monitoring services covering multiple chemical, microbiological, physical and sensory examinations to analyze the safety and quality of food and water. We believe our standardized quality control system is essential and will contribute to our expansion in the future.
- *Business and operational information management system.* We have implemented a modern business and operational information management system to standardize and centralize restaurant management. The computerized point-of-sale system at all our restaurants captures extensive consumer spending data, which are sent to our centralized database and are closely monitored and analyzed by our management through the business and operational information management system. Our senior management selects certain key performance indicators, such as sales revenue, guest traffic and average spending per guest, and closely monitors and analyzes the data on a regular basis. Accordingly, we are able to make swift management decisions to respond to fluctuations in these key performance indicators on a regular basis.
- *Standardized staff training and advancement programs.* We conduct a series of standardized training and advancement programs for all our staff, from serving staff, cashiers, floor managers, chefs, restaurant managers to district managers. The programs have been compiled and updated based on more than two decades of operating experience. These training programs are intended to ensure that all new staff are equipped with the skills required for their positions. Our internal advancement programs can provide our staff with clear advancement guidelines and promote employee satisfaction.
- *Systematic restaurant opening process.* We have implemented a systematic restaurant opening process, ranging from site selection to restaurant operation to marketing initiatives, to maximize the chance of success of our newly opened restaurants. We believe our Executive Directors and senior management are able to identify suitable locations for our restaurants, which is evidenced by our growth to date. We choose each location strategically in order to increase our market penetration and attract customers from our competitors while minimizing dilution of customer traffic among our own restaurants. After securing a suitable site for a particular brand, we leverage our centralized and systematic management and brand awareness to maximize the chance of success of the new restaurant.

We believe our highly standardized and efficient operation structure described above will provide for a systematic platform to sustain our future growth.

Quality cuisine and new product development to attract customers and broaden customer base

We believe our dedication to serving high quality and tasty dishes coupled with our ability to continuously launch new dishes to react to customers' preferences and tastes help us differentiate ourselves from our competitors, drive customer visits and increase restaurant sales.

We strive to ensure the high quality and consistent taste of the dishes we serve at our restaurants. We believe the four main types of Cantonese dishes served in our restaurants under our main brands, namely Dim Sum, Cantonese-style double-stewed soup, Siu Mei and seafood dishes, have been well received by our customers. For example, we used fresh lobster imported from overseas to prepare our lobster dishes featured in our "King of Lobsters (龍蝦大王)" campaign during the Track Record Period. To ensure the delicious taste of our Siu Mei, the barbecued geese and barbecued suckling pigs that we offer at our restaurants are roasted at our individual restaurants before being served to our customers.

Apart from ensuring the high quality and delicious taste of the dishes we serve at our restaurants, we also place strong emphasis on new product development. On a monthly basis, our senior management and our executive chef, Mr. Leung, will design a monthly "chef's special" menu, consisting of new dishes, for our restaurants under our "Fulum (富臨)" main brand. In addition, for each individual restaurant under our "Fulum (富臨)" main brand and "Sportful Garden (陶源)" main brand, the restaurant chef and restaurant manager will together design and launch a "restaurant's special" menu to cater to local customers' preferences and tastes from time to time.

Leadership under experienced and passionate restaurateur and professional management team

Our Controlling Shareholders, Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung, incorporated the legal entity for their first restaurant under our "Fulum (富臨)" main brand in 1992. Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung each possesses over 30 years of working experience in Chinese restaurants at all levels, ranging from being a chef to front-of-house staff to restaurateur of a chain of 55 restaurants in Hong Kong as at the Latest Practicable Date. In addition, Mr. YC Yeung has extensive experience in the Chinese cuisine sector of various Chinese restaurant chains and multinational hotels in Hong Kong and China. Mr. Leung, our Executive Director and executive chef, who joined us in 1995, also possesses over 30 years of working experience in the food and beverage industry in Hong Kong, the PRC and Japan. They are all dedicated to the Chinese cuisine restaurant industry and are passionate about serving high quality and delicious dishes to customers. Through their leadership, we have grown through several economic cycles and endured some of the better and also difficult economic times for Hong Kong to become a thriving chain of 55 restaurants in Hong Kong as at the Latest Practicable Date.

In addition, we have built a professional senior management team that is highly experienced in corporate, strategic, financial, logistics and business management. Please refer to the section headed "Directors and Senior Management — Senior Management" of this prospectus for the detailed experience of each member of our senior management team. We believe that the vision, industry experience and management capability of our Executive Directors and senior management team will continue to help us to deliver sustainable growth in the future.

BUSINESS STRATEGY

Our strategic objective is to become a leading multi-brand restaurant group with a diverse customer base in Greater China. To this end, we intend to implement the following strategies:

Continue to expand in Hong Kong on the basis of our multi-brand strategy

We believe our multi-brand strategy is crucial to our success and we intend to continue to expand in Hong Kong by (i) opening new Chinese cuisine restaurants under our “Fulum (富臨)” main brand and “Sportful Garden (陶源)” main brand and (ii) expanding further into Chinese and non-Chinese specialty cuisines under our third line of business.

Chinese cuisine restaurants

According to the Frost & Sullivan Report, Cantonese cuisine accounted for approximately 78% of the market for the Chinese cuisine industry in Hong Kong in 2013. In addition, 53% of the total sales value of the Cantonese full-service restaurants in Hong Kong in 2013 was contributed by chain restaurants. We believe the chain Cantonese full-service restaurants segment has considerable expansion potential. As at the Latest Practicable Date, we were operating 36 restaurants under our “Fulum (富臨)” main brand and ten restaurants under our “Sportful Garden (陶源)” main brand in Hong Kong. We intend to expand our restaurant network in Hong Kong by opening new restaurants under both our “Fulum (富臨)” main brand and our “Sportful Garden (陶源)” main brand.

For the new restaurants opening under our “Fulum (富臨)” main brand, we intend to open these restaurants primarily in established shopping malls with stable customer traffic, as well as in newly developed shopping malls along the Mass Transit Railway (MTR) network and in newly developed residential areas. We currently expect to open four new restaurants under our “Fulum (富臨)” main brand in Hong Kong in each of the three years ending March 31, 2015, 2016 and 2017. As at the Latest Practicable Date, we have opened two new restaurants under our “Fulum (富臨)” main brand as part of our expansion plan for the year ending March 31, 2015.

For the new restaurants opening under our “Sportful Garden (陶源)” main brand, we intend to open these restaurants primarily in commercial areas with business clientele or shopping districts with high tourist traffic, which we believe will match the mid-to-high end market positioning of our “Sportful Garden (陶源)” main brand. We currently expect to open one new restaurant under our “Sportful Garden (陶源)” main brand in Hong Kong in each of the years ending March 31, 2015, 2016 and 2017.

Specialty cuisine restaurants

As at the Latest Practicable Date, we were operating nine restaurants under our “Fulum Concept (富臨概念)” line of business serving specialty cuisines under various brands, with six restaurants serving hotpot cuisine, one restaurant specializing in suckling pig dishes, one restaurant serving Beijing cuisine and one restaurant serving Korean cuisine. We believe these specialty cuisine restaurants present a lot of growth potential for us. We believe we can leverage our depth of experience and knowledge in restaurant management and operations, our established central kitchen and logistics center for centralized purchasing and food processing functions and our recognized ability to provide quality and value-for-

money food to further our expansion into the specialty cuisine area. By expanding into the specialty cuisine area, we believe we can increase our revenue by providing additional cuisine choices to our existing customers, as well as broaden our customer base by attracting new customers, including the younger generation who we believe are most likely to be drawn to these specialty cuisines.

For new specialty cuisine restaurants, which typically require smaller floor areas, we intend to open these restaurants in shopping malls in Hong Kong, particularly those along the MTR lines to take advantage of the high customer traffic. This provides us with more flexibility in selecting suitable locations for our new specialty cuisine restaurants and will expand our physical coverage of the Hong Kong restaurant market. In addition, we may operate two or more restaurants under different brands offering different cuisines in the same shopping mall to provide additional choices to our customers. This will allow us to capture a variety of customers with different tastes and preferences, and thereby increase our sales and revenue.

We currently expect to open approximately six, seven and seven new restaurants in Hong Kong serving specialty cuisine in the years ending March 31, 2015, 2016 and 2017, respectively. Of the six planned new restaurants scheduled for opening in the year ending March 31, 2015, we have already opened one new restaurant serving Beijing cuisine and one new restaurant serving Korean cuisine as at the Latest Practicable Date. Of the remaining four planned new restaurants, two are expected to serve hotpot cuisine, one is expected to specialize in Beijing cuisine, one is expected to serve Korean cuisine.

The total planned capital expenditure for our restaurant network expansion in Hong Kong is expected to be approximately HK\$99.9 million, HK\$88.3 million and HK\$94.0 million for the years ending March 31, 2015, 2016 and 2017, respectively. From July 1, 2014 to the Latest Practicable Date, we incurred approximately HK\$17.9 million in capital expenditures for our network expansion in Hong Kong.

Apart from opening new restaurants in Hong Kong, we will also consider to acquire, or form strategic alliances with, other brands or restaurants when suitable opportunities arise. Although we currently have not identified any specific targets for acquisition or strategic alliances, we believe that such strategy will help us further expand our business and diversify our customer base.

Progressively expand into the PRC

As one of the top two full-service restaurant chains in the Cantonese cuisine restaurant industry in Hong Kong based on sales revenue in 2013, according to the Frost & Sullivan Report, we intend to progressively expand into the PRC. According to the Frost & Sullivan Report, the sales value of China's Cantonese cuisine restaurants sector increased from RMB59.4 billion in 2008 to RMB104.7 billion in 2013, representing a CAGR of approximately 12.0%, primarily due to factors such as increasing consumer spending power, higher frequency of dining out and an increasing urbanization rate in China. We currently do not have operations in the PRC. We currently expect to open two new restaurants serving Cantonese cuisine with a focus on the mass market segment in the PRC in each of the three years ending March 31, 2015, 2016 and 2017. We expect that these new restaurants will be strategically located in major cities of the PRC, with a preference for tier one and tier two cities in the Pearl River Delta area. We expect to establish these new restaurants as flagship restaurants in densely-populated and high-traffic locations to increase brand recognition.

These restaurants will also be designed to be suitable venues for customers to hold celebratory and wedding banquets, further enhancing our brand awareness. The recent decline in consumption at high-end restaurants in the PRC has created an opportunity for us to cater to domestic clientele that are increasingly looking to frequent restaurants they deem as high quality but at more affordable price points. We believe we can leverage our existing experience and expertise in providing value-for-money, high-quality food and services to cater to this clientele in the PRC. To attract these target customers, we plan to maintain our value-for-money approach and strong commitment to food safety, a concern that resonates with mainland Chinese consumers.

The total planned capital expenditure for our network expansion in the PRC is expected to be approximately HK\$30.0 million for each of three years ending March 31, 2015, 2016 and 2017. From July 1, 2014 to the Latest Practicable Date, we have not incurred any capital expenditures for our network expansion in the PRC.

Continue to promote brand image and recognition through marketing initiatives

We plan to continue promoting our “Fulum (富臨)” and “Sportful Garden (陶源)” main brands to differentiate ourselves from our competitors in the Hong Kong Chinese restaurant market as well as increasing customer traffic through our marketing and promotional initiatives. Our major marketing and promotional initiatives include the following:

- *Promote overall brand image.* As a group-wide marketing strategy, we will continue to build our brand image as a Hong Kong brand representing value-for-money, high-quality Chinese cuisine and a pleasant dining experience. We intend to strengthen our integrated marketing initiatives with a focus on conventional media channels, such as television and magazines, in order to promote our overall brand image and build customer awareness.
- *Open flagship restaurants.* We plan to open flagship restaurants in landmark locations, tourist attractions and high-traffic shopping districts in Hong Kong to promote awareness of our brand and increase our visibility.
- *Promote featured products or signature dishes to increase customer traffic.* We believe our “King of Lobsters (龍蝦大王)” campaign, which was promoted by celebrity Mr. Steven Ma (馬浚偉), was successful in boosting customer traffic across our restaurants during the Track Record Period. We intend to continue to employ featured products or signature dishes marketing campaigns coupled with suitable spokespersons, including Mr. Steven Ma, with an aim to further increase customer traffic at our restaurants.
- *Adopt membership system to enhance customer loyalty.* We plan to adopt a membership system using membership cards to enhance the loyalty of existing customers as well as to attract new customers. We expect to first launch this membership system at our “Sportful Garden (陶源)” restaurants. Customers using our membership cards will receive discounts and points for each of their visits to our restaurants. We believe adopting a membership system will also allow us to gather and capture useful customer data such as the frequency of visits, average spending per visit, and food preferences for our internal analysis.

BUSINESS

- *Adopt credit card promotional campaigns to increase customer traffic.* We plan to continue to collaborate with various banks to access their established and premier membership network by offering promotions to their members. We believe these collaborative efforts enable us to direct our marketing efforts to a highly targeted group of potential customers in a cost-effective manner.
- *Enhance marketing initiatives in China.* We intend to adopt most of the marketing initiatives employed by our Hong Kong operations in our new geographical markets in China and promote our brand as a leading brand in Hong Kong's Chinese restaurant industry. As food safety is an important issue in China, we will emphasize to customers in China our high-quality food ingredients and the stringent quality control used in our food preparation process. In addition, we intend to open flagship restaurants in tourist attractions, landmark locations or high-traffic areas in China to promote brand awareness.

Drive comparable restaurant sales growth

We plan on enhancing our overall financial performance by achieving higher comparable restaurant sales primarily through the following key initiatives:

- *Restaurant upgrades.* We believe upgrading our restaurants, by way of renovation and revitalization of ambience of our restaurants, will enhance customers' dining experiences and satisfaction and thereby increase both new and returning customer traffic. Generally, we intend to continue upgrading our existing restaurants every five years.
- *Increase banquet sales.* The banquet business is a growing sector and full-service Chinese restaurants dominate as providers of banquet venues in Hong Kong. We intend to increase our wedding banquet sales by (i) expanding our wedding banquet sales team, (ii) collaborating with photographers and wedding planners to provide one-stop-shop wedding services, and (iii) using endorsers, participating in annual wedding fairs and leveraging conventional media such as wedding magazines as well as new media such as social networking websites and microblogs to promote our wedding banquet services. We believe our constant upgrading of our restaurants will also attract customers to hold banquets at our restaurants. Customers of our group banquets are often repeat customers who return to our restaurants to hold annual and one-time celebratory events, such as birthday dinners and corporate annual dinners. We intend to increase the revenue contribution from group banquet sales by (i) developing different banquet menus catered to various customer groups, (ii) strengthening targeted marketing efforts at repeat customers as well as customers enrolled in our membership program, and (iii) collaborating with various credit card companies to promote group banquet sales.

Continue to control our operating costs in order to enhance overall profitability

Apart from achieving higher comparable restaurant sales, we intend to increase our profitability by controlling our operating costs primarily through the following key measures:

- *Control food costs.* We plan to continue to increase cost savings and operational efficiency by further utilizing our central kitchen and logistics center. For the year ended March 31, 2014, approximately 43% of our semi-processed or processed food ingredients used in our restaurants were supplied by our central kitchen and logistics center. We expect to progressively increase the portion of ingredients supplied by our central kitchen and logistics center in the future. Further consolidating food preparation processes into our central kitchen and logistics center enables us to control food costs as we increase the portion of food ingredients supplied by our central kitchen and reduce wastage of food ingredients.
- *Control labor costs.* We intend to reduce our reliance on restaurant-level staff, thereby controlling our labor costs, by further centralizing food preparation processes at our central kitchen and logistics center as well as through the use of technologies at our restaurants, such as installing smart card readers to allow for self check-out by customers. In addition, we place a strong emphasis on training our own chefs and we expect to continue to enhance our training and advancement program. Our chef training program minimizes our need to hire chefs externally at high costs. Our training and advancement programs also promote employee satisfaction and reduce our employee replacement costs.
- *Control rental costs.* During the Track Record Period, our lease agreements generally have had a term of approximately three to six years. We believe our strong main brands enhance our bargaining power with our potential landlords and we strive to maintain good relationships with our landlords. Going forward, we plan to negotiate with our potential landlords with an aim to getting long term leases, which we believe will help control our rental costs.

BUSINESS PHILOSOPHY AND CORE VALUES

Our Controlling Shareholders, Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung, incorporated the legal entity for their first restaurant under our “Fulum (富臨)” main brand in 1992. Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung each possesses over 30 years of working experience in Chinese restaurants at all levels, ranging from being a chef to front-of-house staff to restaurateur of a chain of 55 restaurants in Hong Kong as at the Latest Practicable Date. In addition, Mr. YC Yeung has extensive experience in the Chinese cuisine sector of various Chinese restaurant chain and multinational hotels in Hong Kong and China. Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung are all dedicated to the Chinese cuisine restaurant industry and are passionate about serving high quality and delicious dishes to customers. The three Yeung brothers regularly travel to different parts of the world with Mr. Leung, our executive chef, to source the best ingredients for our dishes and to get inspiration from different culinary cultures to improve our Group’s menu. Our management encourages our chefs to create new dishes based on the traditional values of “presentation”, “flavor” and “taste” to suit modern tastes. Throughout our 20-year operating history, we have insisted on our corporate motto — to provide quality food and sincere service to our

BUSINESS

customers (真誠、真味). We strive to provide value-for-money, high-quality food and services for our customers by searching for quality ingredients, effectively implementing cost controls and providing a service-oriented culture. We believe our commitment to our corporate motto has contributed to the strengthening of our brands and customer loyalty.

OUR LINES OF BUSINESS

Our restaurants can be categorized into three lines of business: (1) restaurants under the “Fulum (富臨)” main brand focusing on Cantonese cuisine targeting the mass market, (2) restaurants under the “Sportful Garden (陶源)” main brand focusing on Cantonese cuisine targeting mid-to-high end market, and (3) specialty cuisine restaurants, which are generally of a smaller size, under various other brands serving Chinese and non-Chinese specialty cuisines under the “Fulum Concept (富臨概念)” line of business. Under our “Fulum (富臨)” line of business, we also provide group banquet and wedding banquet services in our restaurants. Our restaurants also sell packaged Chinese festival products such as mooncakes for Chinese mid-autumn festivals and rice cakes for Chinese new year festivals.

Restaurants under the “Fulum (富臨)” main brand

As of the Latest Practicable Date, we were operating 36 restaurants in Hong Kong under the “Fulum (富臨)” main brand, divided into six sub-brands. Through this line of business, we aim to provide quality value-for-money food and services to customers as well as venues suitable for gatherings of families and friends. As restaurants under our “Fulum (富臨)” main brand generally occupy a floor area in excess of 10,000 square feet each, we are also able to provide wedding banquet services and group banquet services for celebratory events at these restaurants.

Fulum Palace (富臨皇宮)

We established our sub-brand, Fulum Palace (富臨皇宮), in November 2010. Fulum Palace (富臨皇宮) provides all-day Cantonese cuisine for mass market customers as well as wedding banquet services. To provide an atmosphere and theme suitable for hosting wedding and other celebrating banquets, our Fulum Palace (富臨皇宮) restaurants are laid out in European palace-style decorations which are spacious and sport main theme colors of white and gold. Our Fulum Palace (富臨皇宮) restaurants have audio visual equipment and stages with laser lighting for the use of our banquet customers. As at the Latest Practicable Date, we were operating 13 Fulum Palace (富臨皇宮) restaurants in Hong Kong.

BUSINESS

The following images show the interior of some of our Fulum Palace (富臨皇宮) restaurants.



Fulum Restaurant (富臨酒家)

We established our sub-brand, Fulum Restaurant (富臨酒家), in August 2007. Fulum Restaurants (富臨酒家) target business and family clientele with an affordable pricing strategy. Fulum Restaurants (富臨酒家) mainly serve seafood, Dim Sum, hotpot cuisine and a wide range of Cantonese cuisine. In order to provide a comfortable dining experience for our business and family clientele, our Fulum Restaurants (富臨酒家) provide private dining rooms suitable for business meals and family gatherings. As at the Latest Practicable Date, we were operating seven Fulum Restaurants (富臨酒家) in Hong Kong.

The following images show the interior of some of our Fulum Restaurants (富臨酒家).



Fulum Fisherman's Wharf Restaurant (富臨漁港)

We established our sub-brand, Fulum Fisherman's Wharf Restaurant (富臨漁港), in July 2001, targeting mass market customers. Fulum Fisherman's Wharf Restaurant (富臨漁港) markets itself as a brand that provides high-quality seafood dishes to customers at affordable prices. Each Fulum Fisherman's Wharf Restaurant (富臨漁港) has a number of large fish tanks to display live seafood in order to give customers the feeling of being at a fisherman's wharf. As at the Latest Practicable Date, we were operating 14 Fulum Fisherman's Wharf Restaurants (富臨漁港) in Hong Kong.

BUSINESS

The following images show the interior of some of our Fulum Fisherman's Wharf Restaurants (富臨漁港).



Pleasant Palace (囍臨門)

We established our sub-brand, Pleasant Palace (囍臨門), in January 2005. Pleasant Palace (囍臨門) is the first brand that we created to focus on wedding banquet services. As at the Latest Practicable Date, one of our Fulum Restaurants (富臨酒家) and eight of our Fulum Fisherman's Wharf Restaurants (富臨漁港) are jointly operated with the Pleasant Palace (囍臨門) brand. In order to provide an elegant and comfortable dining and banquet experience for our customers, these restaurant venues have a spacious environment sporting the main theme colors of white and gold. The decoration of these restaurants enhances the image of Chinese banquets. For our wedding banquet customers, we will assign a wedding planner on a one-to-one basis, to assist our customers in the preparation, planning and hosting of the wedding banquet.

The following images show the interior of some of our restaurant operating under the Pleasant Palace (囍臨門) brand.



Fulum Cantonese Taste (富臨粵之味)

We established our sub-brand, Fulum Cantonese Taste (富臨粵之味), in December 2010. Our Fulum Cantonese Taste (富臨粵之味) restaurant is furnished with wood and rattan furniture to create a fishing village-style theme. The types of food dishes served include seafood and a wide range of Cantonese cuisine dishes. As at the Latest Practicable Date, we were operating one Fulum Cantonese Taste (富臨粵之味) restaurant in Hong Kong.

BUSINESS

The following images show the interior of our Fulum Cantonese Taste (富臨粵之味) restaurant.



Banquet Palace

We established our sub-brand, Banquet Palace, in September 2011. Our Banquet Palace restaurant focuses on wedding banquet services. Banquet Palace restaurant has a European palace-style interior design catering to wedding banquet customers. As at the Latest Practicable Date, we were operating one Banquet Palace restaurant in Hong Kong.

The following images show the interior of our Banquet Palace restaurant.



Menu of “Fulum (富臨)” main brand

Our restaurants under the “Fulum (富臨)” main brand focus on Cantonese cuisine. We offer approximately 100 dishes on our main menu. Our seafood, Siu Mei, Cantonese-style double-stewed soup and Dim Sum are well received by our customers. For our seafood dishes, we source high quality ingredients from around the world, such as fresh lobster imported from overseas to prepare our lobster dishes featured in our “King of Lobsters (龍蝦大王)” campaign in 2013. We are proud of our Siu Mei, such as our Chinese barbecued geese and Chinese barbecued suckling pig dishes, which are roasted with our secret recipe sauce at our individual restaurants. Our Siu Mei are prepared at our restaurants to preserve freshness and flavor. We serve seasonal Cantonese-style double-stewed soups for each season. Fulum also offers our mass market customers the traditional “Yum Cha” experience. We serve traditional Dim Sum dishes, such as shrimp dumplings and meat balls cooked by steamer in the traditional way, as well as modern Dim Sum dishes using non-traditional ingredients and new recipes, such as Apple Sorbet (蘋果雪芭).

BUSINESS

The following images show our lobster, Chinese barbecued goose, double-stewed soup and selected Dim Sum (clockwise from top left).



Restaurants under the “Sportful Garden (陶源)” main brand

We established our brand, Sportful Garden Restaurant (陶源酒家(鮑魚專門店)), in September 2002. As of the Latest Practicable Date, we were operating ten Sportful Garden Restaurants (陶源酒家(鮑魚專門店)) in Hong Kong. Restaurants under our “Sportful Garden (陶源)” main brand focus on mid-to-high end Cantonese cuisine targeting mid-to-high end customers. Sportful Garden restaurants usually occupy smaller-sized restaurant areas than our “Fulum (富臨)” main brand restaurants. They are designed and renovated in a luxurious high-end manner to cater to more discerning high-end customers. Through this line of business, we are able to provide venues suitable for business meals as well as dining experiences geared toward more formal gatherings of families and friends.

Many of our signature dishes served in Sportful Garden Restaurants (陶源酒家(鮑魚專門店)) use high-end food ingredients, such as abalone, sea cucumber, and other fresh seafood and bird’s nest.

BUSINESS

The following images show the interior of some of our Sportful Garden Restaurants (陶源酒家(鮑魚專門店)).



Menu of “Sportful Garden (陶源)” Main Brand

Our restaurants under the “Sportful Garden (陶源)” main brand focus on mid-to-high end Cantonese cuisine with a well-recognized expertise in the preparation of abalone dishes. We offer approximately 80 dishes on our main menu. We believe our emphasis on the culinary art of abalone and other seafood delicacies dishes attracts new and repeat customers who are attracted to mid-to-high end Cantonese cuisine.

The following images show our signature dishes which use high-end food ingredients and seafood delicacies, such as abalone and sea cucumber (from left to right).



Specialty cuisine restaurants under the “Fulum Concept (富臨概念)” line of business

As of the Latest Practicable Date, we were operating nine restaurants under four specialty cuisine restaurant brands serving Chinese specialty cuisines and one specialty cuisine restaurant brand serving Korean cuisine. Our specialty cuisine restaurants under the “Fulum Concept (富臨概念)” line of business generally occupy smaller floor areas of approximately 3,000 to 5,000 square feet each. They are suitable to be situated in smaller locations, such as premises inside shopping malls, to allow us more flexibility in site selections and to increase options for expanding our physical coverage of the Hong Kong restaurant market. We believe we can attract younger generation consumers who are drawn to different types of specialty and trendy cuisines.

BUSINESS

Treasure City Hot Pot Seafood Restaurant (富城火鍋海鮮酒家)

Our specialty cuisine restaurant brand under the “Fulum Concept (富臨概念)” line of business, Treasure City Hot Pot Seafood Restaurant (富城火鍋海鮮酒家), was established in May 2005. Treasure City Hot Pot Seafood Restaurants (富城火鍋海鮮酒家) mainly focus on value-for-money hotpot cuisine targeting the mass market. As at the Latest Practicable Date, we were operating four Treasure City Hot Pot Seafood Restaurants (富城火鍋海鮮酒家) in Hong Kong.

The following images show the interior of some of our Treasure City Hot Pot Seafood Restaurants (富城火鍋海鮮酒家).



Winter Steam Pot Restaurant (正冬火鍋)

Our specialty cuisine brand under the “Fulum Concept (富臨概念)” line of business, Winter Steam Pot Restaurant (正冬火鍋), was established in June 2005. Winter Steam Pot Restaurants (正冬火鍋) focus on high-end hotpot cuisine targeting mid-to-high end customers. We offer a wide range of fresh seafood ingredients to attract seafood lovers. As at the Latest Practicable Date, we were operating two Winter Steam Pot Restaurants (正冬火鍋) in Hong Kong.

The following images show the interior of our Winter Steam Pot Restaurants (正冬火鍋).



The Orient Barbecue Cuisine (正東燒豬料理)

Our specialty cuisine brands under the “Fulum Concept (富臨概念)” line of business, Orient Barbecue Cuisine (正東燒豬料理), was established in September 2012. Our Orient Barbecue Cuisine (正東燒豬料理) restaurant specializes in the culinary art of Siu Mei, such as our famous crispy suckling pig dishes. The types of dishes we offer also include seafood typically prepared and consumed by local fisherman, such as fisherman’s three treasures (漁家三寶). As at the Latest Practicable Date, we were operating one Orient Barbecue Cuisine (正東燒豬料理) restaurant in Hong Kong.

The following images show the interior of our Orient Barbecue Cuisine (正東燒豬料理) restaurant.



Beijing Barbecue Cuisine

We established our specialty cuisine brand under the “Fulum Concept (富臨概念)” line of business, Beijing Barbecue Cuisine, in June 2014. Our Beijing Barbecue Cuisine restaurant specializes in Beijing cuisine, such as our famous Hutong roasted pig and Peking roasted duck dishes. We offer a wide range of Beijing cuisine dishes to attract our younger generation consumers who are drawn to different types of specialty and trendy cuisines. As at the Latest Practicable Date, we were operating one Beijing Barbecue Cuisine restaurant in Hong Kong.

The following images show the interior of our Beijing Barbecue Cuisine restaurant.



MeokBang Korean BBQ & Bar (焯八韓烤)

We established our specialty cuisine brand under the “Fulum Concept (富臨概念)” line of business, MeokBang Korean BBQ & Bar (焯八韓烤), in June 2014. Our MeokBang Korean BBQ & Bar (焯八韓烤) restaurant specializes in Korean cuisine. A slang popular among the Korean people, the term “meokbang” (written as “焯八” in Hanja or “먹방” in Hangeul) refers to a place where friends come together to enjoy food and drinks. We aim to offer our customers an authentic experience of Korean barbecue in a relaxed place where they can enjoy a wide range of Korean cuisine dishes. As at the Latest Practicable Date, we were operating one MeokBang Korean BBQ & Bar (焯八韓烤) restaurant in Hong Kong.

The following images show the exterior and interior of our MeokBang Korean BBQ & Bar (焯八燒烤) restaurant.

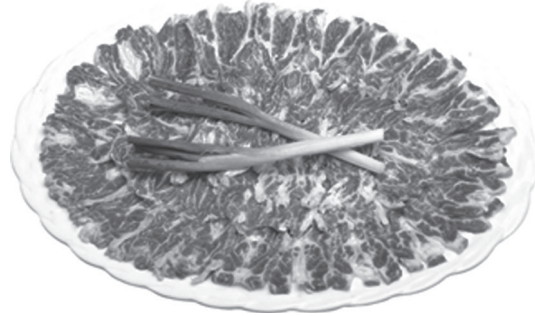


Menu of our specialty cuisine restaurants under the “Fulum Concept (富臨概念)” line of business

Our specialty cuisine restaurants under the “Fulum Concept (富臨概念)” line of business serve Chinese and non-Chinese specialty cuisines. Our specialty cuisine brands, Treasure City Hot Pot Seafood Restaurant (富城火鍋海鮮酒家) and Winter Steam Pot Restaurant (正冬火鍋), offer a wide range of fresh and semi-processed food ingredients for hotpot. Our Orient Barbecue Cuisine (正東燒豬料理) specializes in suckling pig dishes and offers our mass market customers a wide range of Siu Mei.

BUSINESS

The following images show two of the signature dishes offered by our restaurants under our specialty cuisine brands, Treasure City Hot Pot Seafood Restaurant (富城火鍋海鮮酒家) and Winter Steam Pot Restaurant (正冬火焗), pork bone soup (豬骨煲) and hand-cut beef (手切牛肉) (from left to right).



The following images show two of the signature dishes offered by our specialty cuisine restaurant brand Orient Barbecue Cuisine (正東燒豬料理), Chinese barbecued suckling pig and fisherman's three treasures (漁家三寶) (from left to right).

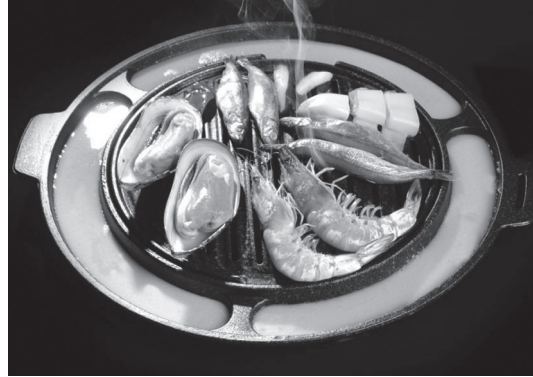


The following images show two of the signature dishes offered by our specialty cuisine restaurant brand Beijing Barbecue Cuisine, Hutong roasted pig and Peking roasted duck (from left to right).



BUSINESS

The following images show two of the signature dishes offered by our specialty Korean cuisine restaurant brand MeokBang Korean BBQ & Bar (焗八韓烤), stone pot rice (石頭鍋飯) and seafood barbecue (from left to right).



Packaged Festival Products

Our restaurants also sell packaged Chinese festival products, such as mooncakes for Chinese mid-autumn festivals and rice cakes for Chinese new year festivals. Prior to April 2013, Foo Lum Food Limited sold packaged festival products through our restaurant network. Since April 1, 2013, we started to sell our own packaged festival products manufactured by our central kitchen and logistics center. For details of Foo Lum Food Limited, see “Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — No competition and clear delineation of business — Disposed food and beverage operations of Mr. Yeung” in this prospectus.

RESTAURANT NETWORK

We own and operate all of our restaurants and lease all of the real properties on which our restaurants operate. We owned and were operating 34, 41, 52 and 55 restaurants as of March 31, 2012, 2013 and 2014, June 30, 2014 and the Latest Practicable Date, respectively.

BUSINESS

Our restaurant operations are conducted in Hong Kong. As at the Latest Practicable Date, we were operating 55 restaurants in Hong Kong serving different cuisines under different brands. The following table sets forth the respective locations, brands and types of premises of our restaurants operated at any time during the Track Record Period or are currently in operation as at the Latest Practicable Date:

<u>Location</u>	<u>Brand</u>	<u>Premises</u>
Hong Kong Island, Aberdeen	Fulum Palace	shopping mall
Hong Kong Island, Causeway Bay ⁽¹⁾	Sportful Garden	store on street-level
Hong Kong Island, Chai Wan	Fulum Palace	office building
Hong Kong Island, North Point.	Fulum Palace	upper floor store
Hong Kong Island, Sai Wan	Sportful Garden	store on street-level
Hong Kong Island, Sai Wan	Fulum Restaurant	upper floor store
Hong Kong Island, Sheung Wan	Sportful Garden	office building
Hong Kong Island, Sheung Wan	Fulum Cantonese Taste	office building
Hong Kong Island, Siu Sai Wan	Fulum Palace	shopping mall
Hong Kong Island, Wan Chai	Sportful Garden	upper floor store
Hong Kong Island, Wan Chai	Fulum Restaurant	upper floor store
Kowloon, Cheung Sha Wan	Fulum Restaurant	shopping mall
Kowloon, Cheung Sha Wan	Fulum Fisherman's Wharf/ Pleasant Palace	shopping mall
Kowloon, Cheung Sha Wan	Fulum Fisherman's Wharf/ Pleasant Palace	shopping mall
Kowloon, Hung Hom	Sportful Garden	shopping mall
Kowloon, Hung Hom	Fulum Fisherman's Wharf	store on street-level
Kowloon, Jordan.	Fulum Fisherman's Wharf/ Pleasant Palace	upper floor store
Kowloon, Jordan.	Banquet Palace	office building
Kowloon, Kowloon Bay.	Sportful Garden	store on street-level
Kowloon, Kowloon Bay.	Fulum Fisherman's Wharf	office building
Kowloon, Kowloon City	Fulum Fisherman's Wharf	upper floor store
Kowloon, Kowloon City ⁽²⁾	Sportful Garden	upper floor store
Kowloon, Kwun Tong	Sportful Garden	office building

BUSINESS

<u>Location</u>	<u>Brand</u>	<u>Premises</u>
Kowloon, Kwun Tong	Fulum Fisherman's Wharf	shopping mall
Kowloon, Lok Fu	Fulum Palace	shopping mall
Kowloon, Mei Foo	Fulum Palace	upper floor store
Kowloon, Mei Foo	Sportful Garden	upper floor store
Kowloon, Mong Kok	Sportful Garden	hotel
Kowloon, Mong Kok	Fulum Restaurant/ Pleasant Palace	shopping mall
Kowloon, Mong Kok ⁽³⁾	Fulum Cantonese Taste	office building
Kowloon, Mong Kok	Winter Steam Pot	store on street-level
Kowloon, Prince Edward	Fulum Fisherman's Wharf/ Pleasant Palace	upper floor store
Kowloon, Prince Edward	Treasure City Hot Pot	store on street-level
Kowloon, Prince Edward	Winter Steam Pot	store on street-level
Kowloon, Prince Edward	MeokBang Korean BBQ & Bar	store on basement level
Kowloon, San Po Kong	Fulum Fisherman's Wharf	shopping mall
Kowloon, Sham Shui Po	Treasure City Hot Pot	store on street-level
Kowloon, Sham Shui Po	The Orient Barbecue Cuisine	store on street-level
Kowloon, Tai Kok Tsui ⁽⁴⁾	Fulum Restaurant	upper floor store
Kowloon, To Kwa Wan	Fulum Palace	upper floor store
Kowloon, To Kwa Wan	Fulum Fisherman's Wharf/ Pleasant Palace	upper floor store
Kowloon, To Kwa Wan	Treasure City Hot Pot	store on street-level
Kowloon, Tsim Sha Tsui	Sportful Garden	office building
Kowloon, Tsim Sha Tsui	Fulum Fisherman's Wharf/ Pleasant Palace	shopping mall
Kowloon, Wong Tai Sin	Fulum Palace	upper floor store
Kowloon, Wong Tai Sin	Treasure City Hot Pot	store on street-level
Kowloon, Yau Tong	Fulum Restaurant	store on street-level
New Territories, Kwai Chung	Fulum Restaurant	store on street-level

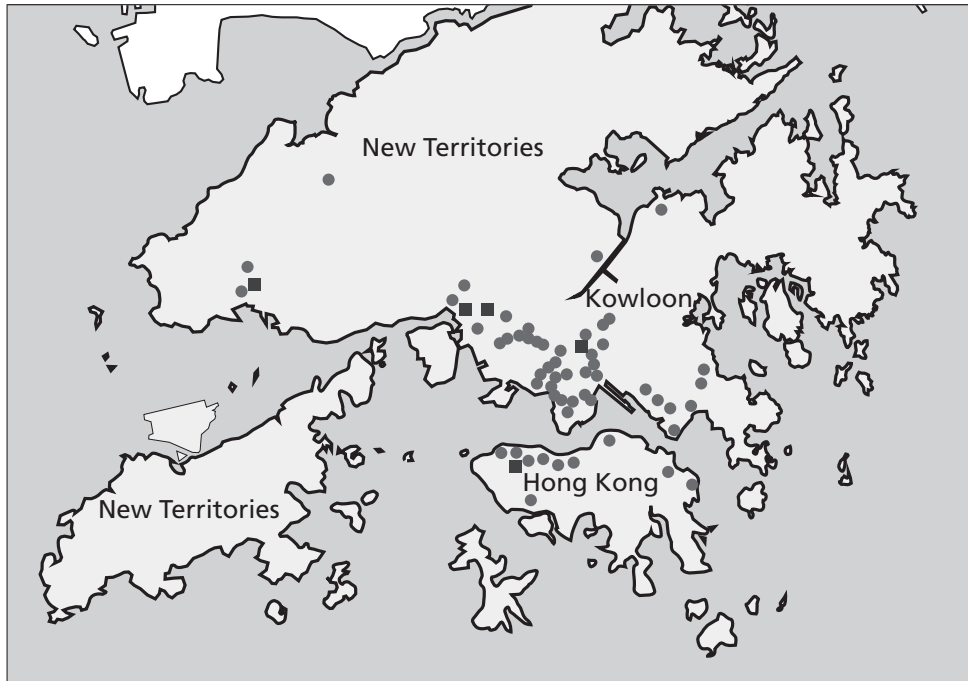
BUSINESS

<u>Location</u>	<u>Brand</u>	<u>Premises</u>
New Territories, Kwai Fong	Fulum Palace	shopping mall
New Territories, Ma On Shan	Fulum Palace	shopping mall
New Territories, Sha Tin	Fulum Fisherman's Wharf/ Pleasant Palace	shopping mall
New Territories, Tseung Kwan O	Fulum Palace	shopping mall
New Territories, Tseung Kwan O	Fulum Fisherman's Wharf	shopping mall
New Territories, Tseung Kwan O	Beijing Barbecue Cuisine	shopping mall
New Territories, Tsuen Wan	Sportful Garden	shopping mall
New Territories, Tsuen Wan	Fulum Fisherman's Wharf/ Pleasant Palace	shopping mall
New Territories, Tuen Mun	Fulum Palace	shopping mall
New Territories, Tuen Mun	Fulum Restaurant	shopping mall
New Territories, Yuen Long	Fulum Palace	upper floor store

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- (1) The restaurant closed in April 2012 as we were unable to secure renewals of the lease agreement.
 - (2) We closed the "Sportful Garden (陶源)" restaurant in November 2011 strategically and opened a "Fulum Fisherman's Wharf (富臨漁港)" restaurant in the same location.
 - (3) The restaurant closed in May 2014 as we were unable to secure renewals of the lease agreement.
 - (4) We closed the restaurant in March 2014 strategically as we considered their continued operations would not be able to meet our target performance.

Strategic locations of our restaurants

All of our restaurants are strategically located in densely populated residential and commercial areas in Hong Kong. The following map illustrates the locations of our restaurants in Hong Kong and locations of the planned new restaurants in which we have identified the restaurant sites in Hong Kong in the year ending March 31, 2015 as of the Latest Practicable Date:



- Our restaurants operating in Hong Kong as of the Latest Practicable Date
- Planned new restaurants in which we have identified the restaurant sites in Hong Kong in the year ending March 31, 2015.

EXPANSION PLANS, SITE SELECTION AND DEVELOPMENT

As part of our growth strategies, we intend to continue to open new restaurants to broaden our presence in Hong Kong. We also intend to expand further into the PRC by replicating our proven business model in Hong Kong. Our Directors are involved in implementing our expansion plans and new restaurant development.

BUSINESS

Recent and Planned Expansion in Hong Kong

We added 3, 8, 12 and 1 restaurants in Hong Kong in the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively. From July 1, 2014 to the Latest Practicable Date, we added three new restaurants. The following table sets out the number of new restaurants in each of our lines of business that we opened during the periods indicated.

	During the year ended March 31,			During the three months ended June 30,	From July 1, 2014 to the Latest Practicable Date
	2012	2013	2014	2014	
Number of restaurants added					
under "Fulum (富臨)" main brand	3	6	4	1	1
under "Sportful Garden (陶源)" main brand.	0	1	2	0	0
under "Fulum Concept (富臨概念)" main line	0	1	6	0	2
Total	3	8	12	1	3

We maintain a disciplined growth strategy in Hong Kong by seeking to balance increasing our market penetration in existing geographical locations on one hand and expanding into new geographic locations on the other hand. We also intend to continue to grow in Hong Kong by opening new restaurants under our multi-brand strategy.

Restaurants under "Fulum (富臨)" main brand

We intend to increase our market penetration in Hong Kong by replicating the success of our restaurants under our "Fulum (富臨)" main brand. We currently plan to open approximately four new restaurants under our "Fulum (富臨)" main brand in Hong Kong in each of the three years ending March 31, 2015, 2016 and 2017. These new restaurants are expected to be over 10,000 square feet each. As at the Latest Practicable Date, we have opened two new restaurants under our "Fulum (富臨)" main brand as part of our expansion plan for the year ending March 31, 2015.

We currently expect these planned "Fulum (富臨)" main brand restaurants will require, on average, a total capital expenditure per restaurant of approximately HK\$12.0 million to HK\$24.0 million to open depending on the size of the particular restaurant.

We are broadening our "Fulum (富臨)" main brand customer base in Hong Kong by offering our customers a wider selection of services to choose from, including providing upgraded wedding banquet services which we have actively been promoting with success. We plan to continue to upgrade our existing restaurants under the "Fulum (富臨)" main brand in Hong Kong, through new renovations, adding new equipment and/or changing the themes of our restaurants with the aim of providing our customers an elegant and comfortable environment suitable for dining and banquets. We currently plan to upgrade three of our existing "Fulum (富臨)" main brand restaurants in Hong Kong in the year ending March 31, 2015, and two and three of our "Fulum (富臨)" main brand restaurants in Hong

Kong in the two years ending March 31, 2016 and 2017, respectively. The estimated total annual capital expenditure for upgrading these restaurants is expected to be approximately HK\$11.0 million, HK\$9.0 million and HK\$11.0 million for the years ending March 31, 2015, 2016 and 2017, respectively.

Restaurants under “Sportful Garden (陶源)” main brand

We opened nil, one, two and nil restaurants under our “Sportful Garden (陶源)” main brand in Hong Kong in the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively. To cater to the mid-to-high end Chinese cuisine market segment, we currently plan to open one new restaurant under our “Sportful Garden (陶源)” main brand in Hong Kong in each of the three years ending March 31, 2015, 2016 and 2017. These new restaurants are expected to be approximately 5,000 to 10,000 square feet each.

We currently expect these planned “Sportful Garden (陶源)” main brand restaurants will require, on average, a total capital expenditure per restaurant of approximately HK\$10.0 million to HK\$13.0 million to open depending on the size of the particular restaurant.

Speciality cuisine restaurants under the “Fulum Concept (富臨概念)” line of business

We intend to attract different customer segments and broaden our customer base in Hong Kong by opening new restaurants serving Chinese and non-Chinese specialty cuisine restaurants under various brands under the “Fulum Concept (富臨概念)” line of business. As of the Latest Practicable Date, we were operating eight Chinese specialty cuisine restaurants and one Korean specialty cuisine restaurant in Hong Kong under our “Fulum Concept (富臨概念)” line of business. We currently plan to open approximately six, seven and seven new Chinese and non-Chinese specialty cuisine restaurants in Hong Kong in the years ending March 31, 2015, 2016 and 2017, respectively. Of the six, seven and seven new specialty cuisine restaurants planned to be opened for the years ending March 31, 2015, 2016 and 2017, respectively, two, four and four are expected to serve non-Chinese specialty cuisines, such as Korean cuisine, in the years ending March 31, 2015, 2016 and 2017, respectively. As at the Latest Practicable Date, we have opened one new restaurant serving Beijing cuisine and one new restaurant serving Korean cuisine under our “Fulum Concept (富臨概念)” line of business as part of our expansion plan for the year ending March 31, 2015.

Our specialty cuisine restaurants under the “Fulum Concept (富臨概念)” line of business are designed to use less restaurant space than our restaurants under our other two lines of business. We expect that our new specialty cuisine restaurants will have an average size of approximately 3,000 to 5,000 square feet each, which provides us with more flexibility in locating suitable venues. We plan to open specialty cuisine restaurants in areas or regions where we do not have restaurants as well as locations where we currently operate our other two main lines.

We expect these planned “Fulum Concept (富臨概念)” restaurants will have an average size of approximately 3,000 to 5,000 square feet and will require, on average, a total capital expenditure per restaurant of approximately HK\$3.5 million to HK\$4.5 million each.

Central Kitchen and Logistics Center

To support our growth, the expansion of our restaurant network in Hong Kong and the establishment of our new specialty cuisines restaurants under the “Fulum Concept (富臨概念)” line of business, we plan to acquire additional equipment and hire additional staff for our central kitchen and logistics center.

The total planned capital expenditure to expand our central kitchen and logistics center in Hong Kong for the years ending March 31, 2015, 2016 and 2017 is expected to be approximately HK\$ 3.1 million, HK\$2.8 million and HK\$5.0 million, respectively.

Expected Capital Expenditure for Planned Expansion in Hong Kong

The total planned capital expenditure for our network expansion in Hong Kong is expected to be approximately HK\$99.9 million, HK\$88.3 million and HK\$94.0 million for the years ending March 31, 2015, 2016 and 2017, respectively. From July 1, 2014 to the Latest Practicable Date, we incurred approximately HK\$17.9 million for our network expansion in Hong Kong.

Planned Expansion in the PRC

As one of the top two full-service restaurant chains in the Cantonese cuisine restaurant industry in Hong Kong based on sales revenue in 2013, according to the Frost & Sullivan Report, we intend to progressively expand into the PRC. The recent declining trend in high-end consumption paths in the PRC has opened an opportunity for us to cater to clientele that will continue frequenting restaurants they deem as high quality but with affordable prices. We believe we can leverage our experience and expertise in providing value-for-money quality food and services to cater for this clientele in the PRC.

As of the Latest Practicable Date, we did not have any restaurant operations in the PRC. We currently expect to open two restaurants serving Cantonese cuisine in the PRC with focus on the mass market segment in the PRC in each of the three years ending March 31, 2015, 2016 and 2017. We expect these new restaurants to be strategically located in major cities of the PRC, with a preference on tier one and tier two cities in the Pearl River Delta area. We expect to establish these new restaurants as flagship restaurants in densely-populated and high-traffic locations to increase brand recognition. These restaurants are also expected to be suitable venues to hold celebratory banquets and wedding banquets.

We do not currently have a central kitchen or a central logistics center in the PRC. We expect to open a central logistics center when the scale of our restaurant network in the PRC is large enough to be benefited from economies of scale.

BUSINESS

As at the Latest Practicable Date, we had not identified any acquisition target for our expansion plan. We will, however, receive an offer from Mr. Yeung and SGRL to acquire their interests in the Excluded PRC Restaurants once in each financial year commencing upon Listing pursuant to an option deed entered into between, among others, our Company and Mr. Yeung. See “Relationship with Controlling Shareholders — No competition and clear delineation of business — Annual Offer Arrangements and Right of First Refusal”.

Expected Capital Expenditure for Planned Expansion in the PRC

The total planned capital expenditure for our network expansion in the PRC is expected to be approximately HK\$30.0 million, HK\$30.0 million and HK\$30.0 million for the years ending March 31, 2015, 2016 and 2017, respectively. From July 1, 2014 to the Latest Practicable Date, we did not incur any capital expenditure for our network expansion in the PRC.

Variability, Capital Expenditure and Benefits

We plan to open new restaurants on a rolling basis, with the typical lead time from site selection to restaurant opening being approximately two months. Considering the cash flows derived from our operating activities and expected proceeds from the Global Offering, our Directors believe that our Company will have sufficient funds for our current expansion plan for the year ending March 31, 2015.

We expect our average time for new restaurants to achieve a breakeven point and investment payback point to be similar to the restaurants opened during the Track Record Period. We opened 18 new restaurants during the Track Record Period⁽¹⁾. As at June 30, 2014, 17 of these 18 new restaurants have achieved a breakeven point which is the first month in which the monthly revenue is at least equal to the monthly expenses of a restaurant. On average, these 17 new restaurants took approximately four months to reach the breakeven point. As at June 30, 2014, two of these 18 new restaurants opened during the Track Record Period have reached the investment payback point, which we consider when the accumulated net profit from a restaurant exceeds the costs of opening and operating the restaurants, including incurred capital expenditures and ongoing cash and non-cash operating expenses. The average investment payback period for these two new restaurants was approximately 13 months.

The actual timing, number and geographical location of new restaurant openings in any given period will be varied depending on a number of factors, such as competitive conditions, consumer preferences and business environments, and are subject to a number of uncertainties. We may make necessary adjustments to the timing, number and geographical location of planned new restaurant openings depending on the existing business environments and pre-operating activities and preparation for the relevant restaurants. For details, 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 — Our future growth depends on our ability to open and profitably operate new restaurants”.

Notes:

¹ Excludes the six restaurants acquired by us on March 1, 2014.

BUSINESS

For details regarding the estimated capital expenditure in connection with our expansion plan, please see the section headed “Financial Information — Capital Expenditure and Capital Commitments”.

Our Directors believe that the successful execution of our expansion plan will benefit us by:

- *Broadening our customer base.* The additions of new specialty cuisine restaurants under our “Fulum Concept (富臨概念)” line of business are expected to attract a variety of customer segments and broaden our customer base in our existing market and geographical locations in Hong Kong;
- *Increasing total sales and brand awareness.* The opening of more new restaurants in new and existing locations will increase total sales of our Company and increase brand awareness among consumers;
- *Increasing comparable restaurant sales by upgrading our existing restaurants.* Renovations of our restaurants are expected to increase frequency of visits from our existing customers as well as attract new customers; and
- *Increasing cost efficiency.* We believe that an expanding restaurant network will increase cost efficiency by (i) giving us greater bargaining power over our suppliers, and (ii) increasing our operating leverages.

Site Selection Process

We consider location to be a critical factor in determining a restaurant’s long-term success. Most of our existing restaurants are in heavily-trafficked locations and are close to activity centers such as office buildings, shopping malls, entertainment districts and residential areas. Our Directors carefully consider potential restaurant sites proposed by our management from time to time. Once our Directors identify a potential restaurant site, we devote a substantial amount of time and effort to prepare a detailed feasibility study of the potential site in terms of suitability for developing our expansion plans with regards to the following criteria:

- *Consumption demand.* The main criteria are consumption demand and preferences, population density of the local community, as well as the existence of a critical mass and spending power of our target customers;
- *Pedestrian traffic and convenience of location.* Convenience, pedestrian traffic level, accessibility for pedestrians and vehicles are also main criteria to be considered. Proximity to activity centers that draw large crowds, such as office buildings, shopping malls, entertainment districts, hotels and residential areas, are desirable, particularly those along the MTR lines. Accessibility for our target customers, such as the availability of parking and ease of entry, are also important;
- *Potential competition.* We will consider actual and potential competition, direct and indirect competition, numbers, locations and business records of competitors and proximity to other restaurants;

BUSINESS

- *Geographic coverage and distance to other branches.* We will review geographic coverage of the site compared to that of our existing restaurants so as to minimize any reduction of existing customer traffic; and
- *Size, lease and return on investment.* Lease economics and estimated return on investment are common criteria to be considered as well. We generally do not consider the size of a target site as a main factor that influences our site selection decision. As our restaurants under our various brands have different requirements for floor areas, we are able to deploy the right brand for a suitable location of a particular size, thereby enabling us to maximize the opportunity to secure locations favorable or suitable for restaurant operations.

The feasibility study of the potential site accompanied with the opinions from our Directors, our operations department and financial department is reviewed by our site selection committee, comprising our Executive Directors, operations director, chief financial officer, group business director, senior executive marketing manager, business director (Fulum) and senior general affairs manager. The site selection committee is responsible for evaluating, inspecting and approving each restaurant site prior to development.

Our members of site selection committee are required to act honestly in good faith, with a view to our best interests. In the event that any conflict of interest arises, a member who has a conflict is required to disclose the nature and the extent of the conflict promptly to the site selection committee and abstain from voting for or against the approval of such site selection. Further, after the Listing, if the conflict involves a Director, the site selection decision is required to be reviewed by our Independent Non-executive Directors. We believe that the remaining member of the Board can continue to function and discharge their duties properly.

We have implemented a systematic restaurant opening process, ranging from site selection to restaurant operation to marketing initiatives, to ensure the success of our newly opened restaurants. We choose each location strategically in order to increase our market penetration and attract customers from our competitors while minimizing dilution of customer traffic among our own restaurants. We also strategically establish restaurants under different brands to attract different customer groups in the same geographic area. See the section headed "Risk Factors — Risks Relating to Our Business — Opening new restaurants in existing markets may negatively affect sales at our existing restaurants".

New Restaurant Opening Process

Our systematic restaurant opening process from site selection to restaurant openings requires approximately two months and primarily consists of the following key steps:

- *Approval by site selection committee and lease negotiation.* The feasibility study of a target site of a new restaurant will be reviewed for approval by our site selection committee. We commence lease negotiations with the lessor upon approval of the target site by our site selection committee. We generally negotiate with the lessor for a new lease to have a term of approximately three to six years with a rent-free period ranging from three to six months at the beginning of the lease term, to allow sufficient time for us to renovate and decorate the premises. All of our new leases are subject to the final review and approval of our site selection committee.

BUSINESS

- *Design and renovation.* Upon signing a letter of intent with the lessor and taking possession of the premises, our designers commence designing our restaurant. The design generally requires approximately one month, which varies depending on the established themes of our brands. Upon approval of the design of the restaurant by our Directors and our operations director, our engineering team commences the refurbishment and renovation of the premises for the new restaurant in conjunction with an outside contractor.
- *Preparation.* Upon completion of refurbishment and renovation of the new restaurants, as well as successful application for all required licenses and permits, our human resources department generally takes one to two weeks to relocate restaurant management to a new site, train new staff and complete other pre-operating preparations. For more details, please see the section headed “— Employees — Training Programs”.

RESTAURANT OPERATIONS AND MANAGEMENT

Pricing Strategies

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

- cost of the menu items;
- cost structure of restaurants and target profit margins;
- geographical location and profile of the specific restaurant;
- extent of services provided;
- anticipated market trends and target consumers’ spending habits; and
- prices of similar products set by competitors.

Our restaurants under the same sub-brand under our “Fulum (富臨)” main brand are required to use a standard menu adopting similar pricing. We review the standard menus of our restaurants under the same sub-brand on a yearly basis. Based on our review, we adjust prices in accordance with factors such as our costs of sales, costs of our food ingredients, the location of our restaurants, the general market trend and prices set by our competitors. Other than our standard menu, restaurants under our “Fulum (富臨)” main brand introduce monthly “chef’s special” menus. The price and dishes offered in the monthly “chef’s special” menu are determined by our management in accordance with the same factors mentioned above. For details of the process to develop our monthly “chef’s special” menu items, see “— Product Development” in this prospectus. In addition, each of our restaurants introduces its own new and seasonal menu from time to time. The price and item of such new and seasonal menu are required to be approved by our management in accordance with the same factors mentioned above.

Our restaurants under the same sub-brand are expected to maintain a certain range of gross profit margin level. The range of targeted gross profit margins across our different sub-brands is approximately 60% to 70%.

BUSINESS

We currently charge customers a service fee of approximately 10% of the total check for our restaurants in Hong Kong.

Our menu prices were relatively stable during the Track Record Period. Please refer to the section headed "Financial Information — Factors Affecting Results of Operations and Financial Condition — Guest Traffic and Average Check per Guest" for an overview of our estimated average check per guest for comparable restaurants during the Track Record Period. Our Directors expect that the future trend of our menu price will remain relatively stable.

Central Kitchen and Logistics Center

As at the Latest Practicable Date, we had one central kitchen and logistics center in Hong Kong. We started using a small-scale central kitchen in San Po Kong, Kowloon, Hong Kong in 2005. In order to support our planned expansion in Hong Kong, we relocated the central kitchen and logistics center to Tsuen Wan, New Territories, Hong Kong in April 2012. Our current central kitchen and logistics center is of a size of approximately 110,000 square feet and occupies five stories of an industrial building in Hong Kong. Our central kitchen and logistics center is able to support an additional 10 to 20 restaurants in Hong Kong, and enables us to centralize our food ingredients and supplies purchasing, food processing, quality control of food ingredients, semi-processed or processed food ingredients, as well as packaging, warehousing and distribution functions.

The food processing functions currently assumed by our central kitchen primarily include, but are not limited to, preparing semi-processed food, processed food ingredients, meats, soups and sauces, food ingredients used in Dim Sum, proprietary seasonings and spices used in our dishes. For the year ended March 31, 2014, approximately 43% of our semi-processed or processed food ingredients used in our restaurants in Hong Kong are supplied by our central kitchen and logistics center.

Food ingredients are processed into semi-processed or processed ingredients at our central kitchen and are then delivered to each of our restaurants in Hong Kong for their use. This arrangement promotes standardization in the food preparation process and quality control, and also assists us in negotiating for bulk purchase discounts in our food ingredient purchases. With our central kitchen and logistics center in operation, we were able to reallocate part of the labor requirement on food preparation in our restaurants in Hong Kong to the central kitchen and logistics center.

Food hygiene and safety is one of our key success factors. We have implemented a comprehensive set of procedural guidelines on the entire production cycle from procurement of food ingredients and supplies, to preparation and processing, quality control and distribution of food.

BUSINESS

We believe the key benefits from the use of a central kitchen and logistics center include:

- *Standardization across our restaurant network.* Our central kitchen and logistic center allows us to standardize a significant portion of our food preparation process to ensure food quality consistency across various restaurants. Our centralized inventory storage facility also enables us to achieve a significant degree of centralization of quality inspection to ensure consistent quality of food ingredients.
- *Economies of scale.* We benefit from greater food production efficiency through higher economies of scale in production, such as economic use of food ingredients and specialization of labor in our central kitchen and logistics center. Our central kitchen and logistics center allows us to control costs efficiently by centralizing purchasing and food processing functions and reducing wastage of food ingredients.
- *Better utilization.* Our centralized storage facilities improve the space utilization of our individual restaurants by reducing the kitchen space and storage space required at our individual restaurants, as well as reduce the workload of our restaurant-level chefs in respect of the initial stages of food ingredients processing so they are able to focus their attention on the final stages of food preparation.
- *Reduced inventory management expense.* The use of centralized storage facilities helps us to reduce inventory management expenses by consolidating the inventory storage, monitoring and logistics functions.

Our restaurants in Hong Kong issue production orders to our central kitchen and logistics center twice a day, usually once in the morning and once in the evening. Each restaurant may issue a supplementary production order during the day if its pre-dinner inventory level is lower than expected or there has been an unexpected increase in reservations for the next day. Deliveries from our central kitchen and logistics center to our restaurants are made three times daily, including two in the morning and one in the afternoon, to ensure freshness of food. Deliveries of processed food from our central kitchen and logistics center to our restaurant locations in Hong Kong are made primarily using our seven refrigerated trucks, which we own and operate. During the Track Record Period, we did not experience any material vehicle malfunction which hindered the delivery of food.

We currently do not have any business in the PRC and do not have a central kitchen and logistics center in the PRC. We expect to open our first central logistics center when the scale of our restaurant network in the PRC is large enough to benefit from economies of scale.

Restaurant Management System and Structure

Operations standardization

Standardization allows management to apply well-developed operating procedures to our daily operations. We have developed and implemented a set of standard operating procedures for our central kitchen and logistics center as well as our restaurants, such as the risk and safety manual (危機及安全手冊), the cash management system internal control manual (資金管理制度內部控制手冊) and the procurement and payment process system internal control manual (採購及付款流程制度內部控制手冊), from our 20 years of operating experience.

We have further extended our standardized management system to our food preparation process. At our restaurants, we have implemented a detailed yet efficient organizational structure, allocating our chefs and staff within our production department into three different groups, namely the Chinese dishes group, Dim Sum group and Siu Mei group. For example, our chefs specializing in Dim Sum are separated from those preparing Siu Mei. In addition to improving productivity and ensuring quality consistency of our food across various restaurants, this high degree of task specialization enables us to protect our cooking techniques and proprietary recipes, and shorten our training cycles for chefs.

Management structure

We hold (i) a monthly strategy meeting among our Executive Directors and our senior management at the group level to discuss major operational issues, such as purchasing strategy, sales targets and human resources issues; (ii) a monthly meeting among our senior management and our district managers to discuss such strategies as determined by the senior management; and (iii) a monthly meeting among the district managers and the individual restaurant-level general managers to establish sales target for a particular restaurant. The sales target of a particular restaurant is then closely monitored by its restaurant-level general manager and other managers in each particular restaurant. We believe this structure will provide for a systematic platform to sustain our future growth.

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

- *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, production management and supervision and operational management and supervision, such as financial planning and analysis, staff recruitment, and sales and marketing.

BUSINESS

- *District management.* Our restaurant operations are operated under our three main lines separately. Our “Fulum (富臨)” main brand restaurants, “Sportful Garden (陶源)” main brand restaurants and our specialty cuisine restaurants under the “Fulum Concept (富臨概念)” line of business are currently sub-divided into five, two and one administrative districts, respectively. The district manager, in conjunction with the district human resources manager, the district production manager and the district general affairs manager, in each district oversees restaurant operations in the particular administrative district and reports to our headquarters.
- *Production management.* Our production director formulates and supervises the implementation of our standardized operation procedures manual and food standards manual, which are issued to chefs at each restaurant kitchen. Our production director also monitors any quality issue reported by the restaurant kitchens in connection with supplies of food ingredients, food processed by central kitchen and logistics center or dishes served to guests. Our production director oversees food hygiene and safety in restaurant kitchens, quality, quantity and cost of food ingredients consumed in restaurant kitchens.
- *Restaurant-level management.* Each of our restaurants is operated and managed by its own restaurant management team. The number of managers at each restaurant varies based on the sales volume of that particular restaurant. The restaurant-level general manager ensures that a particular restaurant operates efficiently and monitors sales targets set by our headquarters. We delegate certain management decisions, such as ordering fresh seafood, vegetable products and beverages, to our restaurant management teams, with a view to enhancing flexibility in responding quickly to daily restaurant demands.
- *Central kitchen and logistics center.* Our central kitchen and logistics center enables us to centralize our food ingredients and supplies, purchasing, food processing and quality control of food ingredients. Our central kitchen and logistics center prepares and distributes semi-processed and processed food ingredients to each of the restaurants in Hong Kong. For details, see “— Restaurant Operations and Management — Central Kitchen and Logistics Center” in this prospectus.
- *Corporate strategy.* Our corporate strategy department primarily focuses on capturing new market opportunities and expanding our restaurant network and strategic initiatives.
- *Finance and accounting.* Our finance and accounting department oversees the accounting system and handles other finance and accounting related matters.
- *Human resources.* Our human resources department handles administration, employee recruitment and the training of employees. For details, see “— Employees” in this prospectus.
- *Corporate communication.* Our corporate communication department manages our Group’s reputation and image through media sources and marketing materials. The corporate communication department is also responsible for handling complaints from customers in our restaurants.

BUSINESS

- *Information technology.* Our information technology department oversees the point-of-sale systems and the business and operational information management systems. For details, see “— Information Technology” in this prospectus.

Settlement and Cash Management

To ensure the accuracy of guest check amounts, we designate a selected group of trained staff at each restaurant to access and operate the point-of-sale system. We have implemented cash handling procedures for our point-of-sale system through our cash management system internal control manual which illustrates in detail the logistics with respect to collection of payment by way of cash. We conduct reconciliations between the cash receipts as recorded in our point-of-sale system against the cash kept at the cash register on a daily basis at each of our restaurants.

To prevent misappropriation and illegal uses of cash, we have implemented a cash management and delivery process in each of our restaurants. Spare cash for the purpose of sporadic procurement of supplies, cash received at a restaurant pending delivery to our banks and service tips are kept in separate safes located in each restaurant. Cash received from the previous day's operations in respect of each restaurant is delivered to our banks by the restaurant-level general manager every day (excluding Saturday, Sunday and public holiday). We maintain insurance in respect of cash kept at our restaurants as well as cash in transit to the banks delivered by our restaurant-level general manager.

A substantial majority of our guests pay by cash or credit card at the time of sale. For more details, please see the section headed “Financial Information — Principal Statements of Comprehensive Income Components — Revenue”.

During the Track Record Period, we experienced two incidents of burglary that took place in September 2013 and December 2013 which involved approximately HK\$105,165 and HK\$105,997, respectively. We reported both incidents to the police. We did not recover such amounts as at the Latest Practicable Date. Since then, we have made changes to our cash management and delivery process and have increased the strength of our safes located in each restaurant. Save as disclosed above, to the best of our knowledge, we did not encounter any material misappropriation or theft of cash by our staff, customers or other relevant third parties during the Track Record Period.

Customer Complaints

As soon as we receive a complaint from a customer in our restaurants, our relevant restaurant-level general manager will try to resolve the matter to the customer's satisfaction. If the customer is satisfied, the restaurant-level general manager will fill in a customer complaint record form with details of the complaint and send the form to our corporate communication department. If the restaurant-level general manager is unable to resolve the matter to the customer's satisfaction, we will provide the customer our hotline number. Once we receive a customer complaint from the hotline, our corporate communication department will classify the matter and refer the matter to the relevant department to follow up. The relevant department will investigate the matter. The relevant department will fill in a customer complaint record form with details of the complaint and send such record form back to our corporate communication department.

During the Track Record Period, we recorded approximately 336, 721, 1,002, 225 customer reviews (including suggestions and complaints) for the years ended March 31, 2012, 2013 and 2014 and three months ended June 30, 2014, respectively. There were also 64 complaints filed by our customers to the Consumer Council and Hong Kong Tourism Board. The complaints were generally regarding the service quality of our restaurant staff and promotion. We are not aware of any incidence of customer complaint claiming material compensation that could have a material adverse effect on our business, results of operations or financial condition during the Track Record Period and up to the Latest Practicable Date. As soon as we receive a customer complaint referred from the Consumer Council or Hong Kong Tourism Board, our corporate communication department will follow the customer complaint hotline handling procedure described above to handle the customer complaint. Our Directors confirmed that, to the best of their knowledge, as at the Latest Practicable Date, there was also one incident in which one of our restaurants was subject to the possibility of a 5 points deduction by the FEHD under the demerit points system due to non-compliance with the provision relating to food not of the substance demanded by the customer of the Public Health and Municipal Services Ordinance and the Food Business Regulations (the “**Relevant Restaurants**”). For details, see “— Non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date — Non-compliance of the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and related regulations” in this section. During the Track Record Period and as at the Latest Practicable Date, none of our restaurants had been subject to suspension for operation because of similar incidents and our Directors are of the view that the above incident do not have any material adverse effect on our business and financial position. The control measures implemented to prevent reoccurrence of similar incidents have been set out in the paragraphs headed “— Internal Control and Risk Management Measures” in this section. See the section headed “Risk Factors — Risk Relating to Our Business — Any significant liability claims or food contamination complaints from our customers could adversely affect our business and operations”.

Customer Service

We provide comprehensive training programs for all our employees, including our restaurant management personnel and restaurant staff, which focus on customer services. In 2012, we engaged a third-party independent consulting company to provide customer service training to our restaurant management personnel. For details of our training program, see the section headed “— Employees — Training Programs”.

We had also engaged a third-party independent consulting company to conduct a large-scale customer satisfaction survey in 2011 to obtain comments and feedback from our customers regarding their satisfaction level with our dishes, customer services and overall dining experience in order for us to identify and rectify potential issues with respect to service quality and areas of improvement for our restaurant-level employees.

We target a wide range of customers, including mainly locals and some tourists, in Hong Kong. Due to the nature and size of our business, there is no single customer that accounted for more than 5% of our total revenue for each of the three years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014.

Banquet Reservation Agreement

Generally, we enter into a written banquet reservation agreement with each of our banquet customers before the banquet. The major terms of our banquet reservation agreement includes the date of the banquet, the banquet venue, the number of tables, and also payment terms, payment method and payment cancellation clause. We typically require reservation deposits for securing a banquet venue in our restaurants under the banquet reservation agreement and the amount ranges from HK\$500 per table to HK\$1,500 per table. The reservation deposits made by the banquet customers are not refundable. We allow our banquet customers to change the banquet venue or the date of the banquet within three months of the date when the banquet customers made reservation deposits, with no additional charge provided that the new venue is a restaurant operated by the Group. We require our banquet customers to pay HK\$6,000 if such a request is made after three months of the date when the banquet customers made reservation deposits. In the event that the agreed minimum number of tables of a banquet is less than the number specified on the banquet reservation agreement, the banquet customers are required to pay at least 40% of the menu price for each of the remaining tables to compensate our loss.

Licensing

We are required to obtain certain licenses in relation to operating our restaurant operations in Hong Kong. For details, see “Laws and Regulations — Regulatory Framework” in this prospectus.

Save as disclosed in “— Hong Kong Regulatory Compliance”, our Directors have confirmed that we have obtained all relevant licences, approvals, certificates and permits that are material to our operations in Hong Kong and have complied with the applicable laws and regulations in all material aspects as set out in “Laws and Regulations” during the Track Record Period and up to the Latest Practicable Date.

PRODUCT DEVELOPMENT

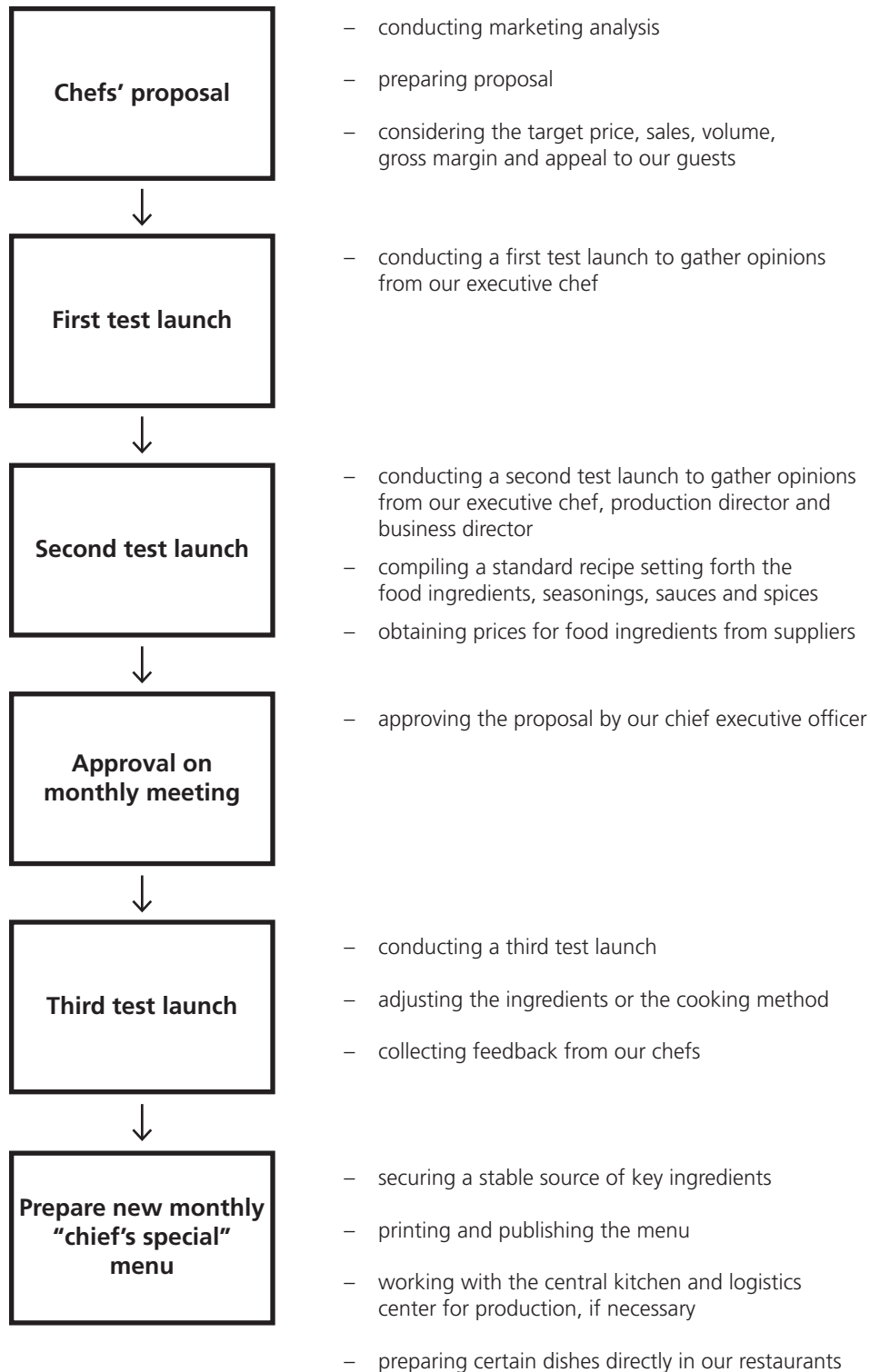
We target a wide range of guests, including family and business clientele, from the mass market customers to high-end customers. We update our menus in response to the changing taste of customers, shifting food trends, nutrition trends, seasonal factors and feedback from our customers. We continuously refine our signature dishes to attract frequent visits by our target customers and strive to exceed our customers’ expectations. With respect to our “Fulum (富臨)” main brand, other than our standard menu, we offer monthly “chef’s special” menus to attract frequent visits from our regular customers. In addition, each of our restaurants introduces its own new and seasonal menu to suit customers’ preferences from time to time. New and seasonal menus are reviewed, revised and approved by our business department. To ensure consistency and standardization, our operations department is responsible for the final approval of these new dishes, the ingredients used and the selling prices. In order to keep our chefs abreast of the development in cooking techniques, our chefs are encouraged to develop new dishes and participate in both internal and external cooking competitions.

BUSINESS

We have established a product development process under which we continuously develop our monthly “chef’s special” menu items. The development of each of our “chef’s special” menus generally requires approximately 20 days and primarily consists of the following key steps:

- *Chefs’ proposal.* The development process of our monthly “chef’s special” menu item commences with our chefs’ proposal based on the analysis provided by the marketing department. In addition to taste, we also take account of commercial viability of the dishes by considering the target price, sales volume, gross margin and appeal to our guests.
- *First test launch.* We conduct a first test launch to gather opinions from our executive chef. We will adjust ingredients or cooking method for the proposed dishes based on opinions provided by our executive chef. For detailed experience of our executive chef, see “Directors and Senior Management — General — Executive Directors”.
- *Second test launch.* We then conduct a second test launch to gather opinions from our executive chef, production director and business director. Our production department subsequently prepares a standard recipe setting forth the food ingredients, seasonings, sauces and spices needed for the proposed new dish. Our operations department then obtains prices for the food ingredients from our suppliers to determine the cost of food ingredients used.
- *Approval at monthly meeting.* The proposal will be reviewed and approved at the monthly meeting by our chief executive officer.
- *Third test launch.* Before launching a new dish in all restaurants, we conduct a third test launch to gather opinions from our chefs. We may adjust ingredients or cooking method for the new dish based on the opinions provided by the chefs of our restaurants during the test launch. The price of a proposed new dish will be reviewed and approved by our business director.
- *Prepare new monthly “chef’s special” menu.* Upon receiving positive feedback from the test launches and securing a stable source of key ingredients for the dish, we print and publish the monthly “chef’s special” menu and work with the central kitchen and logistics center to prepare for regular production and delivery to our restaurants. Certain dishes in our “chef’s special” menu are prepared directly in our restaurants.

The following diagram illustrates our project-based product development process of our monthly “chef’s special” menu:



MARKETING AND PROMOTION

We continue to promote our “Fulum (富臨)” and “Sportful Garden (陶源)” main brands to differentiate ourselves from our competitors in the Chinese cuisine restaurant market as well as to increase customer traffic through our marketing and promotional initiatives. We aim to increase sales by attracting both new and existing customers, assisting newly opened restaurants achieve financial targets, and promoting our corporate images and recognition of our main brands and sub-brands amongst our target customers. In addition to our in-house marketing and business teams, we also retain advertising agencies to assist us in launching effective advertising and promotion campaigns.

Group-wide Marketing Campaigns

We believe we have been able to differentiate ourselves from our competitors through effective marketing and promotional initiatives during our operating history. We have been able to promote our main brands and sub-brands through group-wide marketing campaigns as well as through special dishes designed and developed by our chefs from time to time at our individual restaurants taking into account the local customers’ preferences and tastes. In 2013, we launched the “King of Lobsters (龍蝦大王)” campaigns emphasizing our expertise in making lobster and seafood dishes. In 2012, we launched a promotional campaign of “Wood Barrel Chicken (木桶雞)” and “Perfect Taste Match (滋味絕配)” aiming to increase customer traffic.

Our group-wide marketing and promotional techniques for our brand generally include the following:

- targeting various traditional media channels to introduce our main brands, sub-brands, specialty cuisine, ambience and service;
- issuing press releases in relation to new promotional campaigns;
- utilizing new technologies, such as commercial websites, social network websites and taxi video advertising to distribute promotional information and pictures of core dishes to reach target customers; and
- advertising on outdoor billboards located adjacent to activity centers of target customers, such as residential and commercial buildings.

Restaurant Promotional Campaigns

Our restaurant promotional campaigns generally focus on promoting the sales of newly opened restaurants and specialty cuisine restaurants. Our marketing department prepares promotional campaigns for our restaurants from time to time. We take into account factors such as timing, promotions, spending habits and consumer preferences of different local communities to tailor each campaign to the requirements of each restaurant.

Our marketing department develops restaurant promotional campaigns which aim to shorten the ramp-up period required for a new restaurant to reach the expected performance level. For restaurants opening in new markets, we launch our restaurant promotional campaigns with the objective of promoting brand awareness and recognition of our dishes in the local community. For new openings in existing markets, we focus on the decor and ambience of the new restaurants.

Banquet Offerings

Our restaurant network under various brands provides our customers with suitable venues for banquets to hold wedding ceremonies, corporate events, community organization events, family events and other special occasions. Our banquet offerings include customized menus, furnished and equipped accommodations, and attentive services. To promote banquet offerings, we have a banquet sales team to focus on banquet sales of our restaurants under the “Fulum (富臨)” main brand and the “Sportful Garden (陶源)” main brand. We intend to increase banquet sales by:

- *Promoting wedding banquets.* We upgraded five of our restaurants in the year ended March 31, 2014, through renovations, adding new equipment and/or changing the theme of our restaurants with the aim of providing elegant wedding banquet experiences for our customers. We also participate in annual wedding fairs and use conventional media such as wedding magazines as well as new media such as social networking websites and microblogs to promote our wedding banquet services;
- *Attracting corporate customers and community organizations.* We establish long term relationships with potential corporate customers and community organizations to host events such as corporate functions and annual dinners; and
- *Targeting family event offerings.* Customers of our family event banquets are often repeat customers who return to our restaurants to hold annual and one-off celebratory events, such as baby showers and birthday parties. We focus on increasing market awareness of our banquet offerings and attracting more retail customers in the local community.

Planned Membership System

We believe that we have a loyal and diversified customer base. Through our diverse restaurant network, we are able to attract different groups of customers from a wide range of market segments, such as business dining, family and friends gatherings and banquets. We plan to launch our membership program for our restaurants under the “Sportful Garden (陶源)” main brand, which will help us locate and attract new guests, nurture and retain existing guests, and re-connect with former guests. Customers enrolled in our membership program will receive discounts and points for each of their visits to our restaurants.

Credit Card Promotional Campaigns

We have built strong working relationships with various credit card companies to access their established membership networks by offering promotions to their members to increase customer traffic. We choose our partners in these collaborative efforts based on the profile of their members, including income level, number of family members and dining out frequency for business, social or special occasions. These credit card companies are responsible for communicating our promotional campaigns to their members. We believe these collaborative efforts enable us to direct our marketing efforts to a highly targeted group of potential customers in a cost-effective manner.

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 also provide coupons, through print-based media, for savings on our selected dishes.

Participating in cooking competitions

We encourage our chefs to develop new dishes and participate in both internal and external cooking competitions from time to time to further develop their cooking skills and as a marketing strategy to draw public attention. For instance, our "Sportful Garden (陶源)" restaurant was awarded the "Gold with Distinction Award (至高榮譽金獎)" in the Best of the Best Culinary Awards (美食之最大賞)" by Hong Kong Tourism Board in 2011 and 2012. Our "Fulum (富臨)" restaurant was also awarded the "Open Fire Grand Cuisine Awards (Gourmand's Recommendation) (明火食神爭霸戰全城食家美味推介大獎至高榮譽金獎)" in 2011.

PURCHASING

Our ability to maintain consistently high quality standards throughout our restaurants depends upon our ability to procure high quality food ingredients in sufficient quantities from reliable sources. We have implemented a procurement process for food ingredients and supplies, including contingency plans for our major food ingredients and supplies, which is closely integrated with our food ingredient preparation process operated in our central kitchen and logistics center. During the Track Record Period, we did not experience any interruption of our food ingredients supply, early termination of supply agreements, or failure to secure sufficient quantities of irreplaceable food ingredients that had any material adverse impact on our business or results of operations.

Supplier Selection and Management

We purchase food and supplies from more than 100 suppliers. Generally, we prefer to work with larger suppliers with whom we have developed long and stable relationships over the years. On average, we have had approximately nine years of relationship with our major suppliers.

BUSINESS

During the Track Record Period, our five largest suppliers were principally engaged in the business of supplying (i) fresh seafood, (ii) seafood delicacies, (iii) meats and (iv) vegetables. We have purchased food and supplies for over five years from three of our five largest suppliers.

Our procurement team comprises four staff, and is led by our procurement director. Our procurement director has over 25 years of experience in food ingredients purchasing. Other staff in our procurement team generally have over 15 years of experience in food ingredients purchasing. We have been following a fair and open competitive process to select our suppliers. Our procurement team conducts detailed market research to select a supplier of food ingredients and supplies based on (i) capacity and business operations of the potential supplier and variety of the products or services offered by the potential supplier, (ii) quality and stability of the products or services offered by the potential supplier and overall reputation of the potential supplier, (iii) pricing of the products or services, and (iv) general supply terms and conditions, such as payment terms, delivery schedule and discount. Our procurement team generally conducts site visits of the potential supplier and conducts quality reviews of trial orders from the potential supplier at least two times when considering whether to include a potential supplier in our supplier list. Any decision in relation to selection of a new supplier requires approval by our operations director or product director. Our procurement team also conducts evaluations of our suppliers annually. Suppliers that fail to meet our standards in the annual evaluation are removed from our supplier list.

Each of the members of the procurement team confirms to us that he or she is independent from the suppliers in our suppliers' list and does not receive any kickback from these suppliers. Our five largest suppliers also confirm to us that they are independent from, and do not pay any kickbacks to, members of our procurement team.

We believe these standards and restrictions imposed by us are able to effectively prevent us from entering into kickback arrangements or bribery schemes with our suppliers.

Purchasing Procedures

We have established purchase procedures for all purchase orders of food ingredients and other supplies, including the centralized purchases made through our procurement department and localized purchases made by the restaurants. We have in place a monthly purchase plan for food ingredients and supplies. Our monthly purchase plan is based on anticipated sales levels. We select the suppliers of a particular food ingredient or supply largely based on the purchase prices offered by our suppliers. Our central kitchen and logistics center and each of our restaurants then make purchases of food ingredients and supplies from those selected suppliers. Our central kitchen and logistics center also makes purchases of food ingredients and supplies from our suppliers. Approval from our Executive Directors is required for purchase orders of substantial value and purchases for relative high value seafood delicacies, including but not limited to, sea cucumber and abalones.

Suppliers and Sources

Our procurement team may provide necessary information, including detailed descriptions of the food ingredients, to our suppliers and obtain samples of the food ingredients from our suppliers to ensure the food and supplies delivered meet the specified standards. Additionally, we emphasize the production sources of the food ingredients to help to ensure the quality and healthiness of the ingredients. We prefer to purchase ingredients from several large suppliers, as opposed to dealing with a multitude of smaller suppliers, as we believe this ensures better quality and consistency. We manage our suppliers and procurement strategy based on categories which primarily include the following:

- *Seafood.* We source seafood through a limited number of large suppliers rather than from a diverse range of producers, which we believe allows us to better control quality and consistency. We source seafood from overseas countries. For instance, we source lobster from Australia and Canada, which we believe are of better quality. During the Track Record Period and up to the Latest Practicable Date, the average purchase price of seafood fluctuated principally due to seasonality factors. It decreased by approximately HK\$1.3 per kg from the year ended March 31, 2012 to the year ended March 31, 2013, increased by approximately HK\$2.5 per kg from the year ended March 31, 2013 to the year ended March 31, 2014 and decreased by approximately HK\$4.9 per kg from April 1, 2014 to June 30, 2014. From July 1, 2014 to the Latest Practicable Date, the average purchase price of seafood during such period decreased by approximately HK\$1.2 per kg.
- *Seafood delicacies.* Because of the specialized standards and relatively high value per item, we adopt a centralized procurement strategy for seafood delicacies by primarily purchasing them directly from selected suppliers that we have established stable and long-term relationships with. We generally source abalones from both Japan and South Africa, which we believe are of better quality. We do not use any shark fins products which are classified as endangered species products in Hong Kong as food ingredient to prepare our dishes. We will ask our suppliers to provide certificates of origin from time to time to ensure that the shark fin products we purchased have been approved for exportation by the relevant authorities. Further, our procurement team will check the shape and size, among others, of the shark fins provided by our suppliers to ensure that the shark fins purchased and used by us are not shark fins products of endangered species as the shape and size of the shark fins products of endangered species are very different. The average purchase price of seafood delicacies decreased by approximately HK\$98.5 per kg from the year ended March 31, 2012 to the year ended March 31, 2013 and increased by approximately HK\$177.9 per kg from the year ended March 31, 2013 to the year ended March 31, 2014, principally due to fluctuations in the market price. The average purchase price of seafood delicacies was relatively stable for the period from April 1, 2014 to the Latest Practicable Date, increasing by approximately HK\$0.6 per kg during such period.

BUSINESS

- *Meat.* We source frozen pork and beef through importers who in turn source from other overseas countries. We generally source frozen pork and frozen beef from Germany and Brazil, respectively, where we find better quality. From the year ended March 31, 2012 to the year ended March 31, 2014, the average purchase prices of frozen pork and beef were relatively stable with the average purchase price of frozen pork increasing by approximately HK\$4.4 per kg, and the average purchase price of frozen beef decreasing by approximately HK\$2.2 per kg. From April 1, 2014 to the Latest Practicable Date, the average purchase price of frozen pork and the average purchase price of frozen beef fluctuated. The average purchase price of frozen pork decreased by approximately HK\$7.4 per kg from April 1, 2014 to June 30, 2014 and increased by approximately HK\$4.8 per kg from July 1, 2014 to the Latest Practicable Date, principally due to seasonality factors. The average purchase price of frozen beef increased by approximately HK\$16.0 per kg from April 1, 2014 to the Latest Practicable Date, principally due to our use of higher quality beef in our new dishes.
- *Vegetables.* Vegetables are supplied directly from local sources in the market to our restaurants. During the Track Record Period and up to the Latest Practicable Date, the purchase price of vegetables was relatively stable and increased by approximately HK\$1.8 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 business, financial condition and results of operations.

Seafood delicacies have a shelf life of three to five years. Frozen meat and frozen seafood each have a shelf life of approximately three months. Fresh seafood has a shelf life of approximately six to seven days. Vegetable have a shelf life of approximately three days. We turnover our inventory at a faster rate than their 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.

We purchase food ingredients and supplies from more than 100 suppliers. In the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, purchases from our largest supplier accounted for approximately 11%, 15%, 16% and 14% of our total purchases of the relevant period, respectively, and purchases from our five largest suppliers accounted for approximately 34%, 41%, 45% and 29% of our total purchases of the relevant period, respectively. Our Directors consider that it is generally not difficult to replace our existing suppliers given that there are a variety of alternative suppliers for the food ingredients required by us. During the Track Record Period, none of our major suppliers ceased or indicated that it would cease supply of food ingredients to us, and we did not experience any material delays or interruptions in securing the supply of food ingredients from our major suppliers. See “Risk Factors — Risks Relating to Our Business — If our suppliers do not deliver food and other supplies at competitive prices or in a timely manner, we may experience supply shortages and increased food costs”.

BUSINESS

In the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, Central International (HK) Limited, a company previously wholly-owned by our Controlling Shareholder, Mr. Yeung, was our largest supplier. Our purchases from Central International (HK) Limited amounted to HK\$76.1 million, HK\$87.4 million, HK\$105.0 million and approximately HK\$38.2 million in the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively. During the Track Record Period, our Group was a major customer of Central International (HK) Limited. Mr. Yeung disposed of Central International (HK) Limited to an independent third party in June 2014. Our Directors have confirmed that prior to such disposal, our business relationship with Central International (H.K.) Limited were conducted on normal commercial terms with bulk-purchase discounts and credit period commensurate with those offered by independent comparable seafood suppliers during the Track Record Period and thereafter. It is currently expected that our business relationships with Central International (HK) Limited will continue based on arm's length negotiations and normal commercial terms. Based on our Directors' and senior management's market knowledge, there are abundant industry participants and suppliers in the business of seafood procurement. Accordingly, in the unlikely event that our business relationship with Central International (HK) Limited became commercially unviable to us, our Directors are of the view that we would be able to seek alternative suppliers with comparable business terms, quality and reliability without undue delay or inconvenience.

On the basis that (i) our business relationship with Central International (H.K.) Limited have been, and is expected to continue to be, on normal commercial terms; (ii) our ability to seek alternative suppliers without undue delay or inconvenience; and (iii) the current owners of Central International (H.K.) Limited have established business relationship with our Group, our Directors are of the view that the impact of the change of ownership in Central International (H.K.) Limited on our financial position and business operations will be insignificant.

Except as disclosed above, none of our Directors, their respective close 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, 2012, 2013 and 2014 and the three months ended June 30, 2014.

We normally settle trade payable obligations with respect to our suppliers within 45 to 90 days after receipt of the invoice.

Purchase Cost Control

Generally, we enter into annual contracts with our frozen meat suppliers and quarterly or annual contracts with our beverages suppliers. For other food ingredients except fresh seafood, we generally enter into short-term contracts with our suppliers which allow us to set a fixed price for such food ingredients for one to three months. The purchase price of fresh seafood is typically set on a floating basis to track its market price.

BUSINESS

Food costs, as represented by cost of inventories sold, accounted for 36.8%, 30.3%, 28.7% and 31.7% of our revenue for the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively. We currently do not engage in futures contracts or other financial risk management strategies against potential price fluctuations in the cost of food, which we purchase at prevailing market or contracted prices. We attempt to anticipate the future price trends of the food ingredients based on the market information gathered by our procurement team. We expect (i) the average purchase price of seafood to increase by approximately 9.9%, (ii) the average purchase price of seafood delicacies to increase by approximately 4.5%, (iii) the average purchase price of frozen pork and frozen beef to increase by approximately 6% and 5%, respectively, and (iv) the average purchase price of vegetables to decrease by approximately 0.3%, from June 2014 to December 2014. Our Directors are of the view that the increase in average purchase prices of the major food ingredients, except vegetables, from June 2014 to December 2014 is principally due to seasonality factors. We may not be able to implement timely responses to changes in food costs including through our food ingredient purchasing practices and menu price adjustments in the future to pass on the increases in the cost of food ingredients to our customer. See “Risk Factors — Risks Relating to Our Business — Our operations are susceptible to increases in our purchase costs of food ingredients, which could adversely affect our margins and results of operations”. With respect to the sensitivity analysis in relation to the cost of food ingredients, please see the section headed “Financial Information — Factors Affecting Results of Operations and Financial Condition — Food Prices”.

Inventory Management

Leveraging our centralized purchasing function, our procurement department purchases most of the food ingredients, except vegetables and fresh seafood, and stores them in our central kitchen and logistics center to reduce inventory management expenses by consolidating the inventory storage, monitoring and logistics functions.

Our restaurants in Hong Kong place orders to either our central kitchen and logistics center or our approved suppliers. To keep the food ingredients and supplies fresh and reduce wastage, we keep a minimal level of fresh and perishable food ingredients on hand and generally for not more than one to two days. For non-perishable food ingredients, including frozen pork and beef, frozen seafood and seafood delicacies, we ensure an adequate level of stock is maintained in both our central kitchen and logistics center and our restaurants based on operational needs. We seek to minimize the amount of food that we must store in both our central kitchen and logistics center and our restaurants in accordance with our estimated food production volume.

If prices of certain food ingredients decrease significantly, we may consider using such food ingredients to develop promotional dishes for our customers. We may place a higher volume of orders with suppliers to secure sufficient food ingredients for our promotional dishes. In such situations, all such order placements must be approved by our Executive Directors.

QUALITY CONTROL

We have implemented a standardized quality control system to ensure the high quality and safety of our food in our restaurants through training and supervision of personnel and the establishment of standards relating to food preparation, maintenance of facilities and conduct of personnel. We implemented the “5-S (五常法)” management system throughout our entire operational process, including sourcing and processing of food ingredients, maintaining hygiene standards, staff training and daily management of our individual restaurants. Our quality control systems primarily comprise quality controls in supply chain, central kitchen and logistics center and restaurants.

Supply Chain Quality Control

We require all our suppliers to comply with quality standards imposed by regulatory authorities and our own internal quality standards covering food packaging, labeling, transportation and storage of food ingredients and other supplies. To ensure the quality of our supply chain, we annually evaluate the quality and quantity of purchases from our suppliers except the suppliers of seafood and livestock.

We carry out on-site inspections of our major suppliers between June and July every year. During the on-site inspections, we inspect the storage facilities, hygiene conditions and food handling procedures of our suppliers. For the procedures we adopt in selecting supplies, see “Business — Purchasing — Supplier Selection and Management” in this prospectus.

Central Kitchen and Logistics Center Quality Control

Food safety and quality are our highest priorities. We apply the food safety and quality management principles embodied in the various quality standards issued by the International Organization for Standardization in our central kitchen and logistics center quality control system.

Our central kitchen and logistics center has quality assurance personnel implementing quality control policies and procedures, primarily including:

- *Food ingredients inspection.* The quality assurance personnel inspect the quality of all food ingredients received by the central kitchen and logistics center based on our formulated quality inspection procedures and standards.
- *Operation quality control.* The quality assurance personnel and production personnel jointly oversee the quality control at each stage of food processing. Food that is not compliant with our formulated food processing procedures and requirements will be either re-processed or destroyed.
- *Production quality control.* The quality assurance personnel conduct laboratory sample testing of the processed food. Processed food ingredients that pass both tests are then delivered to our restaurants.

Our central kitchen and logistics center has obtained ISO 22000 accreditations for our food safety and quality management system in 2013, which is valid till January 11, 2016. We adopted specific food preparation, packaging, storage and distribution standards with respect to our semi-processed and processed food ingredients, in accordance with HACCP. The HACCP is a food safety process that has been established for minimizing and preventing the occurrence of identified hazards and risks during food processing.

Our central kitchen and logistics center has a specialized quality inspection team which is responsible for quality control of food ingredients. As of the Latest Practicable Date, the quality inspection team at our central kitchen and logistics center in Hong Kong comprised the production director and 14 members, all of whom are responsible for inspecting our food ingredients and supplies. Our production director oversees quality control at each stage of food processing in accordance with our formulated food processing procedures and HACCP standard. Our production director has over ten years of experience in food business, including experience in food quality control. On average, our quality inspection team has over eight years of experience in food quality control. We provide internal ISO 22000 training for food safety management systems to our quality inspection team at our central kitchen and logistics center. Our quality inspection team is well trained and well equipped with the knowledge and skills to inspect the quality of all food ingredients prepared in our central kitchen and logistics center.

The food samples are tested at laboratories located in the central kitchen and logistics center on a regular basis. During the Track Record Period, there were no material deficiencies in our food samples identified during the reviews and inspections.

We have adopted hygiene standards for our inventory management process in storage facilities at our central kitchen and logistics center as well as storage at our restaurants. The hygiene standards are implemented and closely monitored by our trained personnel.

Logistics Quality Control

We established our own delivery team to deliver the semi-processed and processed food ingredients from our central kitchen and logistics center to our restaurants in Hong Kong. As of the Latest Practicable Date, our delivery team owned and were operating seven refrigerated trucks. Deliveries from our central kitchen and logistics center are made at least twice a day to ensure freshness of food. We have formulated strict procedures and requirements with respect to the hygiene and temperature of the refrigerated trucks we use for transportation. Upon delivery of the food ingredients to the restaurants, restaurant staff stores the food ingredients under appropriate temperature and storage conditions in accordance with our formulated procedures.

Restaurant Quality Control

To keep a high standard in restaurant quality control, we adopt the same quality control standards for our restaurants as that in the central kitchen and logistics center. While inspecting food ingredients and supplies, our restaurant-level staff will check all food delivery and suppliers on site and report to the production director any deviation or irregularity in the quality of food ingredients. Food ingredients and supplies which do not meet our standard will be rejected.

We have established operating procedures and quality standards to regulate the stages of food preparation done at our restaurants. We require our restaurant staff to strictly adhere to the procedures and standards to ensure the consistent taste and quality of our dishes. We believe consistent taste and quality of our food across various restaurants can help us to retain existing customers and attract new customers by ensuring customer satisfaction.

Our restaurants quality control policies and procedure primarily include the following aspects:

- *Independent inspection.* We engage an independent inspection and testing company, SGS Limited, to conduct checks against our water supply pursuant to relevant health, safety and regulatory standards. SGS Limited is an inspection, verification, testing and certification company with over 1,650 offices and laboratories around the world. SGS Limited provides services, including, among others, food testing and water sampling and monitoring services covering multiple chemical, microbiological, physical and sensory examinations to analyze the safety and quality of food and water. We believe certification by SGS Limited enables us to demonstrate that our products are in compliance with applicable standards.
- *Training programs.* We continually provide training programs to our restaurant staff on the operating procedures and quality standards.
- *Food safety and hygiene.* We implement a hygiene protocol for the overall hygiene and cleanliness of our restaurants. We appoint trained personnel to monitor strict compliance of the operating procedures and quality standards to ensure food safety and hygiene at our restaurants.
- *Secret customers.* We have engaged a third-party independent consulting company to conduct spot-checks of our restaurants to identify and rectify potential issues with respect to service quality and areas of improvement for our restaurant-level employees.

“Gutter oil” Incident

In early September 2014, the widely reported “gutter oil” incident affected the food industry businesses in Taiwan, Hong Kong and Macau, including our Group. Although the relevant authorities are still carrying out investigations, it is suspected that the incident involved a Taiwanese manufacturer who supplied substandard lard products produced since March 1, 2014 to various distributors, restaurants, bakeries and food manufacturers throughout Taiwan, Hong Kong and Macau. As soon as we became aware of the incident, we conducted an internal investigation and confirmed that only an insignificant amount of our product offerings, namely, two of our Dim Sum dishes offered at our restaurants under our “Fulum (富臨)” main brand, used the lard products that are being investigated (the “Lard Products”). Our Directors confirm that 38 restaurants⁽¹⁾ under our “Fulum (富臨)” main brand offered the subject Dim Sum dishes since March 1, 2014 and up to the Latest Practicable Date. Although it has not been confirmed by the FEHD and/or the CFS that the Lard Products we used were contaminated, we have taken various precautionary measures to discontinue

Notes:

(1) Two of these restaurants under our “Fulum (富臨)” main brand had been closed as at the Latest Practicable Date.

BUSINESS

the use of such Lard Products in our restaurant business and on September 4, 2014 we withdrew and destroyed the two Dim Sum dishes made with such Lard Products. On the same date, we replaced the Lard Products with lard products of another brand originated from the Netherlands.

From March 1, 2014 to September 10, 2014, we purchased 20,925 kilograms of the Lard Products for use in two of our Dim Sum dishes, from a reputable and large-scale distributor in Hong Kong. From March 1, 2014 to the Latest Practicable Date, we consumed 19,905 kilograms of the Lard Products in our operations. We returned unused stock of 1,020 kilograms of the Lard Products to the distributor on September 10, 2014. As at the Latest Practicable Date, we have not received any customer feedback or complaints in relation to this incident and no customer has filed any complaints to the Consumer Council. As at the Latest Practicable Date, our Directors confirm that, since the two Dim Sum dishes made with the Lard Products represented a very insignificant portion of the product offerings of our Group, such incident has not had a material adverse impact on the business operations or the financial condition of our Group. Our Directors further confirm that, as at the Latest Practicable Date, our Group has not received any letter and/or notice from the FEHD and/or CFS in relation to any potential suspension or revocation of any of our material licences. Therefore, our Directors are of the view that such incident has not had a material adverse impact on our Group's material licences. For more details regarding the risks relating to this incident, see the section headed "Risk Factors — Risk Relating to Our Business — Any significant liability claims or food contamination complaints from our customers could adversely affect our business and operations".

In response to this incident, our Group has strengthened our food ingredient quality control. In addition to the internal inspection of the quality of all food ingredients received by our central kitchen and logistics center, we also request and review the food safety certificates and import license of all imported food ingredients, whether imported by us directly or purchased by us through distributors in Hong Kong. Our Directors and the Sole Sponsor are of the view that they have no reasonable ground to question the adequacy and effectiveness of the enhanced quality control measures in relation to our food ingredients quality.

INFORMATION TECHNOLOGY

We seek to distinguish ourselves in the restaurant industry in part by implementing advanced information technology to support our development. We have implemented a modern business and operational information management system to standardize and centralize restaurant management. The computerized point-of-sale system at all our restaurants captures extensive consumer spending data, including guest count, time and date of meal, location of the guest's seat, quantities of each menu item sold, drinks consumption, and cash and credit card receipts which are sent to our centralized database and are closely monitored and analyzed by our management through the business and operational information management system. Our senior management selects certain key performance indicators, such as sales revenue, guest traffic and average spending per guest, and closely monitors and analyzes the data on a regular basis. Accordingly, we are able to make swift management decisions to respond to fluctuations on these key performance indicators on a regular basis.

BUSINESS

We plan to upgrade our existing business and operational information management systems and establish an ERP system in 2015. We believe that such upgrades will enable us to increase our efficiency in inventory management and logistics controls by providing a comprehensive assessment of the performance of our entire food preparation process which we can distribute to our restaurant networks in Hong Kong. We also intend to establish a bar-coding control system to ensure accuracy of inventory data flows and enable real-time searches of our inventory in the central kitchen and logistics center and our restaurant networks in Hong Kong.

COMPETITION

The restaurant industry is intensely competitive with respect to food quality and consistency, price-value relationships, ambience, service, location, supply of quality food ingredients and employees. The entry barriers for restaurant businesses in Hong Kong are (i) large initial capital investment, (ii) difficulties in locating suitable restaurant sites, (iii) time-consuming to establish connections in the restaurant business, and (iv) lack of full-service restaurant management experience. Many existing restaurants compete with us at each of 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 the ambience of the facilities. According to the Frost & Sullivan Report, the total sales revenue of the Cantonese cuisine full-service restaurants in Hong Kong amounted to approximately HK\$17.4 billion in 2013. Frost & Sullivan expects Cantonese full-service restaurants in Hong Kong to continue to experience robust growth at a CAGR of 4.5% in terms of sales value from 2014 to 2017.

According to the Frost & Sullivan Report, there are only a limited number of branded Cantonese cuisine full-service restaurant chains in Hong Kong and there are no significant players dominating the entire restaurant market. The ten largest Cantonese full-service restaurant chains in Hong Kong in terms of the sales value in 2013 are (in alphabetical order) Federal Restaurant Group (聯邦酒樓集團), Fulum Group (富臨集團), Lei Garden Restaurant (利苑酒家), Maxim's Group (美心集團), Ming Garden Restaurant (名苑酒家), Paramount Banquet Hall (百樂門宴會廳), Star Seafood Restaurant (明星海鮮酒家), Super Star Group (鴻星集團), Tao Heung (稻香集團) and U Banquet Group (譽宴集團). See the section headed "Industry Overview".

We believe we are competitively positioned based on our operating history of more than two decades, our diversified customer base, our standardized and efficient operation model, our experienced and professional management and our high quality cuisine and innovative dishes with wide customer appeal. See the section headed "Risk Factors — Risks Relating to Our Industry — Intense competition in the restaurant industry could prevent us from increasing or sustaining our revenues and profitability".

EMPLOYEES

We had a total of approximately 4,243, 4,397 and 4,593 and 4,503 full-time employees as of March 31, 2012, 2013 and 2014 and June 30, 2014, respectively. As of June 30, 2014, approximately 126 of them were headquarters personnel and approximately 4,377 of them were restaurant and central kitchen and logistics center staff.

BUSINESS

We seek to create a distinct corporate culture that promotes responsibility, achievement, cooperation, team work and career development of employees. We advocate a fair, healthy, caring and balanced corporate culture that will inadvertently create a synergistic result to facilitate employee retention and improve productivity. We are also committed to promoting employee engagement to improve the efficiency and sustainability of our organization. We intend to continue assessing our employees' engagement and creating a responsive environment to create a high engagement workplace within our Group.

The salary level of employees in the restaurant industry in Hong Kong has been steadily increasing in recent years due to changes in labor law and local labor market trends. We offer competitive wages and other benefits to our restaurant staff, and make salary adjustments in response to the local labor market conditions. The lowest starting salaries offered by our restaurants to our restaurant staff in Hong Kong steadily rose upward during the Track Record Period, and were higher than the then applicable minimum wage requirements in Hong Kong. The staff costs of our Group represented 28.9%, 29.7%, 30.8% and 32.1% of our revenue in the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively. We expect our labor costs to continue to increase as inflationary pressures in Hong Kong drive up wages. We believe the resulting upward pressure on our total labor costs as a percentage of total revenue could be partially mitigated by (i) further consolidating food preparation processes into our central kitchen and logistics center to reduce our reliance on restaurant-level staff, and (ii) training our own chefs to minimize our need to hire chefs externally at high costs.

During the Track Record Period, we did not receive or experience material labor disputes with our employees.

Employee Safety

We are committed to providing a safe working environment to our employees. We have established a safety policy committee to develop and implement safety procedures and guidelines which set out our work safety policies and promote 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. We encourage our staff in the restaurants to follow our work safety policies by giving bonus each month to the restaurants that have no injuries within three consecutive months. We believe these measures help reduce the number and seriousness of work-related injuries of our employees and are adequate and effective to prevent serious work injuries.

When an accident occurs in our restaurant or our central kitchen and logistics center, we will report the accident to our headquarters immediately. Our Directors confirm that there was no material accident at our restaurant or central kitchen and logistics center during the Track Record Period. Based on our internal record, we have recorded 16 work-related injuries of our employees during the Track Record Period where compensation paid for each is above HK\$0.1 million. The total compensation paid for of these worked-related injuries was approximately HK\$2.8 million in aggregate.

Training Programs

We have established a human resources department to oversee our employee training. Our human resources department develops and provides comprehensive training programs for all our employees, including our headquarters office personnel, restaurant management personnel and restaurant staff. Successful completion of the relevant training programs is required for promotion and career advancement at each level. For instance, we provide training programs for our staff in the Chinese dishes group of our restaurants to equip them with the knowledge and skills required to be a chef. We believe our training programs also help promote internal upward movement, which increases our employee retention rate and at the same time produces the management personnel needed for our rapidly expanding restaurant network. Our training program provides specific training and career guidance to our current restaurant staff in order to identify promising candidates as future managers. For instance, one of our restaurant receptionists has been promoted through the ranks to become a probationary restaurant human resources manager through a mixture of personal diligence and progressive capability building fostered by our training programs.

Another fundamental objective of our training programs is to ensure the quality of our employees at all levels and to secure a stable supply of well-trained employees for newly opened restaurants. Generally, we relocate the restaurant-level general manager from an existing restaurant to a new restaurant, where the restaurant-level general manager is able to transfer his knowledge and know-how to the new restaurant staff within approximately one to two weeks before the expected opening. Our human resources department personnel from the headquarters, with assistance of our restaurant human resources manager, arrange a training program and introduce our standards, procedures and corporate culture to the new restaurant staff. We also offer a mentoring program which gives guidance and support to our new restaurant staff.

Recruiting

The recruiting market is highly competitive in the restaurant industry. We believe we are able to hire the best available candidates in the market by offering competitive wages and benefits with rewards for performance, growth opportunities, ongoing training and internal promotion opportunities. We actively facilitate the recruitment of our restaurant staff by adopting a variety of initiatives, such as participating in job fairs, communicating with local employment agencies periodically and encouraging current employees to refer suitable candidates to us.

We believe our continuous efforts will help us attract suitable personnel. For details, see the sections headed "Risk Factors — Risks Relating to Our Business — Our business could be adversely affected by difficulties in recruitment and retention of our employee".

Employee Retention

We have implemented a number of tactics to retain our employees, including (i) offering a competitive benefits package that fits our employees' needs; (ii) establishing an employee orientation and mentoring program to instill our corporate values and culture in the new employees; and (iii) conducting employee training programs to improve their job skills with the aim of providing upward movement within our Company.

BUSINESS

See the section headed “Risk Factors — Risks Relating to Our Business — Our business could be adversely affected by difficulties in recruitment and retention of our employee”.

Share Option Schemes

We have conditionally adopted both Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme. For further details, see “Appendix IV — Statutory and General Information — F. Pre-IPO Share Option Scheme” and “Appendix IV — Statutory and General Information — G. Post-IPO Share Option Scheme”.

HONORS AND AWARDS

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

Award	Year(s)	Brand	Issuer of Awards
ERB Manpower Developer Award (ERB人才企業嘉許獎)	2011–2013	“Fulum (富臨)”	The Employees Retraining Board (僱員再培訓局)
Caring Company Award (商界展關懷獎)	2009–2014	“Fulum (富臨)”	The Hong Kong Council of Social Service (香港社會服務聯會)
Hong Kong Famous Brand — Golden Award (香港名牌金獎)	2011–2013	“Fulum (富臨)”	China Enterprise Reputation and Credibility Association (Overseas) Limited (中華(海外)企業信譽協會)
2013 U Favourite Food Awards — Cantonese Restaurant (2013我最喜愛食肆 — 廣東菜館)	2013	“Sportful Garden (陶源)”	U Magazine (U週刊)
Chinese Cuisine — Silver Medal (中式佳餚銀獎)	2013	“Fulum (富臨)”	CLP Group (中華電力有限公司)
2013 Best of the Best Culinary Awards — Signature Chinese Barbecue (<i>Cha Siu</i>) nominated dishes (2013美食之最大賞招牌燒味 (叉燒))	2013	“Sportful Garden (陶源)”	Hong Kong Tourism Board (香港旅遊發展局)
2013 Best of the Best Culinary Awards — Signature Dim Sum (<i>Cheung Fen</i>) nominated dishes (2013 美食之最大賞招牌點心 (腸粉))	2013	“Sportful Garden (陶源)”	Hong Kong Tourism Board (香港旅遊發展局)
Groupies’ Choice Best Restaurant (我最喜愛食府)	2013	“Fulum (富臨)”	Groupon

BUSINESS

Award	Year(s)	Brand	Issuer of Awards
Famous Brands Hong Kong 2013 (香港最受歡迎品牌2013)	2013	“Fulum (富臨)”	Famous Brands Asia (亞洲品牌發展協會)
Famous Brands Hong Kong 2013 (香港最受歡迎品牌2013)	2013	“Sportful Garden (陶源)”	Famous Brands Asia (亞洲品牌發展協會)
Best of the Best Culinary Awards — Gold with Distinction Award (美食之最大賞至高榮譽金獎)	2011–2012	“Sportful Garden (陶源)”	Hong Kong Tourism Board (香港旅遊發展局)
Open Fire Grand Cuisine Awards Gourmands’ Recommendation (明火食神爭霸戰全城食家美味推介 大獎)	2011	“Fulum (富臨)”	Metro Radio Finance (新城財經台)




All of our restaurants in Hong Kong under the “Fulum (富臨)” main brand and the “Sportful Garden (陶源)” main brand 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 2013.


INTELLECTUAL PROPERTY

We believe that the success of our business and our competitive position depend on our brands and customer awareness of our brands. We recognize the importance of protecting and enforcing our intellectual property rights. We take appropriate steps to protect our intellectual property rights. Details of our intellectual property rights which we consider material to our business operation are more particularly set out under the section headed “Statutory and General Information — C. Further Information about the Business of Our Company — 2. Our material intellectual property rights” in Appendix IV to this prospectus. We may take necessary legal action if any infringement of our Group’s trademarks and/or business names or any misappropriation of our Group’s intellectual property rights, brand names and/or goodwill is found.

Hong Kong



We have two registered trademarks in respect of our “Fulum (富臨)” brand and one registered trademark under our “Sportful Garden (陶源)” brand in Hong Kong. We also have a number of trademarks that are material to our business operations in Hong Kong under application for registration, including the marks for “富臨酒家”, “富臨皇宮”, “”, “ Fulum Group Holdings Limited”, “ 富臨漁港” and “ 富臨漁港” (the “Hong Kong Material Marks”). As at the Latest Practicable Date, applications for registration of “ 富臨漁港”, “ 富臨漁港” and “” have been examined by the Trade Marks Registry of the Intellectual Property Department (the “TMR”) and proceeded to the three-month publication period. These marks will be successfully registered if no objections have been received upon expiration of the publication period.

As at the Latest Practicable Date, the TMR is objecting to the registration of three of our applications for the Hong Kong Material Marks, “ Fulum Group Holdings Limited, 富臨集團控股有限公司”, “ 富臨皇宮” and “ 富臨酒家” (the “Subject Marks”). The TMR stated that the Subject Marks are considered to be similar to trademarks already registered with the TMR and the services are similar to those goods and services of the earlier trademarks (the “Earlier Trade Marks”) and use of the Subject Marks in relation to the restaurants services that we applied for are likely to cause confusion on the part of the public.

There were a total of six Earlier Trade Marks cited by the TMR, one of which is owned by an independent third party, which is an international hotel chain currently operating a few hotels in Hong Kong (the “Third Party Mark”), and the rest are owned by Forum Restaurant (1977) Limited (the “Forum Marks”). Only the Forum Marks were cited against the “ Fulum Group Holdings Limited, 富臨集團控股有限公司” mark. All of the Earlier Trade Marks consist of either the Chinese characters “富臨” or English letters “Forum” or both.

The Forum Marks

In June 2014, 35 of our subsidiaries and nine entities currently or previously controlled by some of our Controlling Shareholders entered into a settlement agreement and we, together with all such 44 entities, entered into a co-existence agreement with Forum Restaurant (1977) Limited, pursuant to which we have obtained consent from Forum Restaurant (1977) Limited in relation to our past, present and future use and/or application for registration of any company names, trade names and/or trade marks consisting of the Chinese characters “富臨” and/or English letters “FULUM,”, “FU LUM”, “FOOLUM” and/or “FOO LUM” in Hong Kong and China. For details of the settlement agreement and the co-existence agreement, see “— Legal Proceedings” in this section below.

As at the Latest Practicable Date, we have submitted all relevant documents applicable in support of such applications (including, evidence of use of the “ 富臨皇宮” and “ 富臨酒家” marks and a letter of consent issued by Forum Restaurant (1977) Limited in relation to the said three applications) to the TMR for consideration.

Our Directors have obtained advice that it is likely that the applications of our Subject Marks will be accepted by the TMR and we will be able to secure the registration of the Subject Marks in Hong Kong. The grounds of such advice are:

- (1) with the consent letter issued by Forum Restaurant (1977) Limited, it is highly likely that we will be able to overcome the citations of the Forum Marks;
- (2) the chance of a third-party giving notice to oppose the applications of our Subject Marks is slim as (i) the absolute grounds for refusal of registration as stipulated under section 11 of the TMO do not exist; (ii) according to an online search conducted in October 2014, there is no trade mark already registered with the TMR that is identical or similar to any of the Subject Marks for an entity providing identical or similar goods/services, other than the Earlier Trade Marks Cited by the TMR. As such, the chance of success of a third party’s opposition based on the relative grounds stipulated under section 12 of the TMO is low; and

BUSINESS

- (3) the chance of Forum Restaurant (1977) Limited filing a notice of opposition is completely removed. Pursuant to the co-existence agreement, Forum Restaurant (1977) Limited has agreed not to oppose the registration and use of any of the Subject Marks in Hong Kong by us.

The Third Party Mark

In October 2014, we made submissions to the TMR arguing that (i) the “富臨酒家”^{Forum Restaurant} and “富臨皇宮”^{Forum Palace} marks were not similar to the Third Party Mark and the co-existence will not cause confusion; and (ii) alternatively, the said two Subject Marks can co-exist on the ground of honest concurrent use with the Third Party Mark and that the use of the Subject Marks is not likely to cause confusion on the part of the public.

Our Directors have obtained advice that it is likely that the applications of our “富臨酒家”^{Forum Restaurant} and “富臨皇宮”^{Forum Palace} marks will be accepted by the TMR and we will be able to secure the registrations of the same in Hong Kong. The grounds of such advice are:

- (1) there is a good chance of success in overcoming the citation of the Third Party Mark through our submissions based on dissimilarity and/or honest concurrent use;
- (2) the chance of the relevant independent third party filing a notice of opposition is extremely low because it has been independently ascertained that the Third Party Mark has never been used in Hong Kong. As such, even in the event that the relevant independent third party files such notice, the chance of success of such opposition is low because we can attack the validity of the registration of the Third Party Mark on the grounds of non-use for three years. Once the registration of the Third Party Mark is revoked, the Third Party Mark owner no longer has any legitimate grounds to block the registration of the Subject Marks. The chance of success of such non-use revocation proceedings is high because, according to our research and investigation firm, the Third Party Mark has never been put into use in Hong Kong; and
- (3) the chance of any other third-party giving notice to oppose the applications of these marks is slim as (i) the absolute grounds for refusal of registration as stipulated under section 11 of the TMO do not exist; (ii) according to an online search conducted in October 2014, there is no trade mark already registered or applied for registration with the TMR that is identical or similar to any of these marks for an entity providing identical or similar goods/services, other than the Earlier Trade Marks cited by the TMR. As such the chance of success of a third party's opposition based on the relative grounds stipulated under section 12 of the TMO is low.

As at the Latest Practicable Date, the TMR has acknowledged receipt of our submissions made in relation to our Subject Marks and no further enquiries have been raised by the TMR. Our Directors currently expect the examination of our submissions and the subsequent registration process to be completed by mid-2015.

BUSINESS

Given the above stated advice, our Directors are of the view that we are likely to succeed in securing the registration of our Hong Kong Material Marks as (i) Forum has consented to our use and registration of the Subject Marks and relevant material trademarks and (ii) there has been honest concurrent use with the Third Party Mark. However, in the unlikely event that the TMR disagrees and rejects our submission regarding the Third Party Mark, as advised, we will proceed to initiate a non-use revocation proceeding against the Third Party Mark. Our Directors are confident that the chance of success in such revocation is high as independent investigation has shown that the Third Party Mark has never been put into use in Hong Kong. During the course of the proceeding, we are of the view that there will not be any material impact on our Group's business operation and financial position as we will maintain the operation of our restaurants.

Our Directors have been advised that, based on the above mentioned, the infringement risk of our Group's use of marks containing the Chinese characters “富臨” and/or English letters “FULUM”, “FU LUM”, “FOOLUM” or “FOO LUM” in Hong Kong is extremely low, particularly considering the long history of our brands and extensive use of our Hong Kong Material Marks in Hong Kong and our major conflict with Forum Restaurant (1977) Limited has been fully and satisfactorily resolved. For details of infringement claims related risks, please see “Risk Factors — If we fail to secure the registration of our Group's material trademark, we may be subject to infringement claim by third party and our business and results of operations may be adversely affected”. But such risk is remote because we are advised that (i) the Forum Marks and the Third Party Mark are the only prior registrations in Hong Kong which may cause real infringement risks; (ii) the conflict with the Forum Marks has been resolved; and (iii) there will be no infringement if we revoke the registration of the Third Party Mark.

During the Track Record Period, we were briefly involved in legal proceedings initiated by Forum Restaurant (1977) Limited over our “Fulum 富臨” brand in respect of alleged infringement of intellectual property rights. See the section headed “Business — Legal Proceedings” below for further details.

PRC

We currently do not have any registered trademark in the PRC. We are considering to register marks which we intend to use for our expansion in the PRC. These marks may or may not contain the Chinese characters “富臨” and/or English letters “FULUM”, “FU LUM”, “FOOLUM” and/or “FOO LUM”.

Nevertheless, to the knowledge of our Directors, Forum Restaurant (1977) Limited is the registered owner of a number of trademarks consisting of the Chinese characters “富臨” in the PRC. Hence, similar to our Hong Kong Material Marks, pursuant to the co-existence agreement that we have entered into with Forum Restaurant (1977) Limited in June 2014, we have obtained consent from Forum Restaurant (1977) Limited in relation to our past, present and future use and/or application for registration of any marks consisting of the Chinese characters “富臨” and/or English letters “FULUM”, “FU LUM”, “FOOLUM” and/or “FOO LUM” in the PRC. We may submit such consent where appropriate and applicable.

BUSINESS

Further, our Controlling Shareholders, collectively as indemnifiers, have entered into a Deed of Indemnity in favor 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 claims of infringement by the relevant independent third party or Forum in relation to the use of the Subject Marks by our Group at any time prior to the Listing Date. Further details of the Deed of Indemnity are set out in “H. Other Information — 14. Indemnities” given by the Controlling Shareholders in “Appendix IV — Statutory and General Information” to this prospectus.

During the Track Record Period, we are aware that there are certain restaurants operating under the “富臨” brand, the “陶源” brand or similar brands in certain regions in the PRC by unrelated third parties. 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”.

PROPERTIES

We do not own any property. We lease all of our restaurant sites, central kitchen and logistics center, headquarters and warehouses. We believe this leasing strategy reduces our capital investment requirements. Currently, we do not intend to acquire any property for our restaurant sites in the future. Our property rentals and related expenses amounted to HK\$203.6 million, HK\$236.9 million, HK\$301.5 million and HK\$84.0 million for the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively.

Our leases typically have a term of three to six years. Some of the leases provide for a renewal option if we could agree to the renewal terms and conditions with the lessor. Most of our restaurant leases provide for a fixed rent. Some of our restaurant leases require the rent to be determined as a sum of a specified fixed amount and a contingent amount calculated based on a certain percentage of the monthly turnover if monthly turnover exceeds a certain amount, depending on the specific terms of the relevant lease agreements. Our current restaurant leases have expiration dates ranging from 2014 to 2020.

As at Latest Practicable Date, we leased 60 properties in Hong Kong. Fifty-five of these properties were used as restaurant sites. Some other sites were used as our central kitchen and logistic center, headquarters and warehouses.

BUSINESS

The following table sets out a summary of the properties leased by us, including our operating restaurants, central kitchen and logistic center, headquarters and warehouse, as at the Latest Practicable Date.

Location	Brand	Our use of property	Landlord	Rental ⁽¹⁾
Hong Kong				
Aberdeen	Fulum Fisherman's Wharf/Pleasant Palace	restaurant	Aberdeen Hsin Kuang Restaurant (06) Limited	Fixed or contingent ⁽²⁾
Chai Wan	Fulum Palace	restaurant	Excel Source Investment Limited	Fixed
North Point	Fulum Palace	restaurant	Chung Shek Enterprises Company Limited	Fixed
Sai Wan	Sportful Garden	restaurant	China Body Limited	Fixed
Sai Wan	Fulum Restaurant	restaurant	Yan Yan Motors Limited	Fixed
Sheung Wan	Sportful Garden	restaurant	Wichita Investment Limited	Fixed and contingent ⁽³⁾
Sheung Wan	Fulum Cantonese Taste	restaurant	Top Sino Holdings Limited	Fixed
Siu Sai Wan	Fulum Palace	restaurant	Silver Link Investment Limited	Fixed and contingent ⁽⁴⁾
Wan Chai	Sportful Garden	restaurant	Foo Shing Loan and Mortgage Company Limited; Tak Shing Development Company Limited; Luckytime Development Limited	Fixed
Wan Chai	Fulum Restaurant	restaurant	Yan Yan Motors Limited	Fixed
Kowloon				
Cheung Sha Wan	Fulum Restaurant	restaurant	Pine and Crane Company Limited	Fixed
Cheung Sha Wan	Fulum Fisherman's Wharf/Pleasant Palace	restaurant	Lai Sun Development Company Limited	Fixed

BUSINESS

<u>Location</u>	<u>Brand</u>	<u>Our use of property</u>	<u>Landlord</u>	<u>Rental⁽¹⁾</u>
Cheung Sha Wan	Fulum Fisherman's Wharf/Pleasant Palace	restaurant	Spring Luck Hong Kong Limited	Fixed
Hung Hom	Sportful Garden	restaurant	Glenfuir Investments Limited	Fixed and contingent ⁽⁴⁾
Hung Hom	Fulum Fisherman's Wharf	restaurant	Excel Source Investment Limited	Fixed
Jordan	Fulum Fisherman's Wharf/Pleasant Palace	restaurant	Bermuda Investments Limited	Fixed
Jordan	Banquet Palace	restaurant	Upcentre Investments Limited	Fixed
Kowloon Bay	Sportful Garden	restaurant	China Hall Enterprises Limited	Fixed
Kowloon Bay	Fulum Fisherman's Wharf	restaurant	China Hall Enterprises Limited	Fixed
Kowloon City	Fulum Fisherman's Wharf	restaurant	Wong Chung Ming Development Fund Company Limited	Fixed
Kwun Tong	Sportful Garden	restaurant	Benson Development Company Limited	Fixed
Kwun Tong	Fulum Fisherman's Wharf	restaurant	Yan Yan Motors Limited	Fixed
Kwun Tong	—	warehouse	China Sky Industrial Limited	Fixed
Lok Fu	Fulum Palace	restaurant	The Link Properties Limited	Fixed or contingent ⁽²⁾
Mei Foo	Sportful Garden	restaurant	China Crown Industrial Limited	Fixed
Mei Foo	Fulum Palace	restaurant	Sino Billion Development Limited	Fixed
Mong Kok	Sportful Garden	restaurant	Tachit Investment Company Limited	Fixed

BUSINESS

Location	Brand	Our use of property	Landlord	Rental ⁽¹⁾
Mong Kok	Fulum Restaurant/ Pleasant Palace	restaurant	Yue Tung Ching Kee Company Limited	Fixed
Mong Kok	Winter Steam Pot	restaurant	Champion Master Limited	Fixed
Prince Edward	Fulum Fisherman's Wharf/Pleasant Palace	restaurant	Hang Land Company Limited; United Overseas Bank Limited	Fixed
Prince Edward	Treasure City Hot Pot	restaurant	Wo Yiu Company Limited	Fixed
Prince Edward	Winter Steam Pot	restaurant	Great Profit Resources Limited	Fixed
Prince Edward	MeokBang Korean BBQ & Bar	restaurant	Parfair Investments Limited	Fixed
San Po Kong	Fulum Fisherman's Wharf	restaurant	Foo Lum Hot Pot Restaurant Limited	Fixed
San Po Kong	—	Office premise	Central Steel Limited	Fixed
San Po Kong	—	Office premise	China Crown Industrial Limited	Fixed
Sham Shui Po	Treasure City Hot Pot	restaurant	Central Big Enterprises Limited	Fixed
Sham Shui Po	The Orient Barbecue Cuisine	restaurant	Kingdom Power Development Limited	Fixed
To Kwa Wan	Fulum Palace	restaurant	Hong Kong Housing Society	Fixed or contingent ⁽²⁾
To Kwa Wan	Fulum Fisherman's Wharf/Pleasant Palace	restaurant	Spring Luck Hong Kong Limited	Fixed
To Kwa Wan	Treasure City Hot Pot	restaurant	Wo Kee Catering Company Limited; Unisoft Development Limited	Fixed
Tsim Sha Tsui	Sportful Garden	restaurant	Sino Billion Development Limited	Fixed
Tsim Sha Tsui	Fulum Fisherman's Wharf/Pleasant Palace	restaurant	Auto Plaza Limited	Fixed

BUSINESS

<u>Location</u>	<u>Brand</u>	<u>Our use of property</u>	<u>Landlord</u>	<u>Rental⁽¹⁾</u>
Wong Tai Sin	Fulum Palace	restaurant	Wong Tai Sin Hsin Kuang Restaurant Limited	Fixed
Wong Tai Sin	Treasure City Hot Pot	restaurant	China Label Industries Limited	Fixed
Wong Tai Sin	—	warehouse	Ding Jinxiang (丁進祥)	Fixed
Yau Tong	Fulum Restaurant	restaurant	China Spring Development Limited	Fixed
New Territories				
Kwai Chung	Fulum Restaurant	restaurant	China Spring Development Limited	Fixed
Kwai Fong	Fulum Palace	restaurant	Hang Luen Chong Investment Company Limited	Fixed or contingent ⁽²⁾
Man On Shan	Fulum Palace	restaurant	Dorfolk Investments Limited; Loi Hing Investment Company Limited; The World Realty Limited; Yau Fook Hong Company Limited; Ying Ho Company Limited	Fixed or contingent ⁽²⁾
Sha Tin	Fulum Fisherman's Wharf/Pleasant Palace	restaurant	China Crown Industrial Limited	Fixed
Tseung Kwan O	Fulum Palace	restaurant	Bright Region Enterprise Limited; Cloud Fort Development Company Limited; Goldstead Properties Limited; Kin Fung Garments and Investments Limited; Lok Choy Limited; Marvel And Company Limited; Nan Fung Textiles Limited	Fixed and contingent ⁽⁴⁾
Tseung Kwan O	Fulum Fisherman's Wharf	restaurant	The Link Properties Limited	Fixed or contingent ⁽²⁾

BUSINESS

<u>Location</u>	<u>Brand</u>	<u>Our use of property</u>	<u>Landlord</u>	<u>Rental⁽¹⁾</u>
Tseung Kwan O	Beijing Barbecue Cuisine	restaurant	Shung King Development Company Limited; Millap Limited; Evercot Enterprise Company Limited; Egeria Investment Limited; Join Fortune Development Limited	Fixed and contingent ⁽⁴⁾
Tsuen Wan	Sportful Garden	restaurant	Ying Ho Company Limited; Cheong Ming Investment Company Limited; Dorfolk Investments Limited; Kwong Fook Investors & Developers Limited; The World Realty Limited; On Lee Investment Company Limited; Yau Fook Hong Company Limited; Tsing Lung Investment Company Limited	Fixed and contingent ⁽³⁾
Tsuen Wan	Fulum Fisherman's Wharf/Pleasant Palace	restaurant	Shung King Development Company Limited; Join Fortune Development Limited; The Yin Nin Savings, Mortgage Loan & Land Investment Company Limited	Fixed
Tsuen Wan	—	Central kitchen and logistics centre	China Hall Enterprises Limited	Fixed
Tuen Mun	Fulum Palace	restaurant	Ronfit Investments Limited	Fixed
Tuen Mun	Fulum Restaurant	restaurant	Central Big Enterprises Limited	Fixed
Yuen Long	Fulum Palace	restaurant	On Health Enterprises Limited	Fixed

Notes:

- (1) As at the Latest Practicable Date, the average monthly rent of our restaurants per gross floor area (calculated based on the size of the premises as shown in the relevant general restaurant licenses) and the average monthly rent of our central kitchen and logistics center, office premises and warehouses per gross floor area (calculated based on the measurement of our independent property valuer) was approximately HK\$314.4 per square meter and approximately HK\$96.1 per square meter, respectively.
- (2) Monthly fixed rent or a specified percentage of the turnover, whichever is higher.
- (3) Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds a specific amount.
- (4) Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly rent.

Building orders and fire safety directions registered against our leased premises

As at the Latest Practicable Date, there were 34 unreleased building orders (including two fire safety directions) issued by the Building Authority pursuant to the Buildings Ordinance against our leased premises for our office and operating restaurants. Five of the 34 unreleased building orders were issued against two of our leased premises used as our office and warehouse, which we leased from connected person(s) of our Company (the "Five Building Orders"). The remaining 29 unreleased building orders were issued against the leased premises in which 15 of our restaurants are located (the "29 Building Orders"). As at the Latest Practicable Date, out of the 34 unreleased building orders, there were 14 unreleased building orders registered against nine of our premises (including our office and restaurant premises) which we leased from connected persons of our Company.

All of the 34 unreleased building orders (including the two fire safety directions) were served against the landlords and/or incorporated owners of our lease premises. Under section 40 of the Buildings Ordinance, any person who does not comply with a building order on whom such building order is served is liable to a maximum penalty, on each occasion, of (a) a fine of HK\$200,000 and to imprisonment for one year; and (b) a fine of HK\$20,000 for each day during the non-compliance until it is provided to the satisfaction of the court that the offence has discontinued. Further, under section 5(7)(a) of the Fire Safety (Commercial Premises) Ordinance (Chapter 502 of the Laws of Hong Kong), the maximum penalty for non-compliance with fire safety directions shall be (a) a fine of HK\$25,000 and (b) a further fine of HK\$2,500 for each day during which the offence has continued, on each occasion.

We have been advised by our Hong Kong legal advisers that as all of the 34 unreleased building orders were served against the landlords and/or incorporated owners of our leased premises, any fine or penalty that is going to be levied (if any) in relation to these building orders shall only be directed at the relevant landlords and/or incorporated owners on which these building orders were served. Nevertheless, our Controlling Shareholders, collectively as indemnifiers, have entered into a Deed of Indemnity in favor of our Company, whereby they jointly and severally covenant and undertake with our Company to indemnify our Group from and against losses and cost incurred by our Group in relation to these building orders, including the loss of business resulting from any further removal or reinforcement work is required to be carried out upon the request of the Buildings Department. Further details of

the Deed of Indemnity are set out in “Appendix IV — Statutory and General Information — H. Other Information — 14. Indemnities given by our Controlling Shareholders” to this prospectus.

Building orders registered against our office

We lease our office and warehouse from connected persons of our Company. Among the Five Building Orders, two were in relation to the common parts of the premises (including residual metal structures attached to the external wall, loose and worn out debris of tiles and damaged parts of the external wall of the building) and were not a result of our Group’s erection of any unauthorized building structures. Based on information provided by the relevant incorporated owners, authorized persons have been engaged as at the Latest Practicable Date and relevant rectification works are expected to complete around December 2015. The remaining three building orders were a result of our Group’s unapproved alterations as to the fire doors carried out at our relevant leased premises. In relation to these three building orders, the rectification works were completed and relevant completion reports were submitted to the Buildings Department in August 2014. Our Directors confirmed that the operational impact of the unauthorised buildings works under these Five Building orders is insignificant to our Group.

Building orders (including two fire safety directions) registered against our restaurant premises

Building orders as a result of our Group’s unauthorized modifications

In relation to the 29 Building Orders, our Directors have confirmed that 10 of them were related to unauthorized building works being erected by our Group (including signboards) at the leased premises at which five of our restaurants are located. We lease two of these restaurant premises from connected persons of our Company. As at the Latest Practicable Date, we have removed the relevant unauthorized building works and reinstated the conditions of these premises as required by the Buildings Department. Relevant reports prepared by authorized persons as required under the Buildings Ordinance have been filed with the Buildings Department. Under the tenancy agreements of these five premises of our restaurants, there are relevant indemnity clauses whereby our Group shall keep the relevant landlords or incorporated owners indemnified of any losses or damages arising from these 10 building orders. As at the Latest Practicable Date, to the best of our Directors’ knowledge, none of the relevant landlords had effected the relevant indemnity provision in the tenancy agreement(s). In addition, our Controlling Shareholders, collectively as indemnifiers, have entered into a Deed of Indemnity in favor of our Company, whereby they jointly and severally covenant and undertake with our Company to indemnify our Group from and against losses and cost incurred by our Group in relation to these building orders, including the loss of business resulting from any further removal or reinforcement work is required to be carried out upon the request of the Buildings Department. As all relevant structures in relation to these 10 building orders were carried out by our Group but not the landlord(s) or incorporated owner(s), no indemnity shall be paid by us in relation to the cost of rectification works. Regarding the maximum potential indemnity that may be prepaid to the landlord(s) or incorporated owner(s) as a result of any penalty being leased or then by the Building Authority, please refer to the maximum potential liability as stated in the above. However, based on our Directors’ past experiences, the likelihood of the imposition of a maximum penalty in relation to building orders under section 24 of the Buildings Ordinance is relatively low. Therefore, our Directors are of the view that, coupled with the Deed of

Indemnity given by our Controlling Shareholders, the provision of indemnities (if any) by our Group under these five tenancy agreements shall have no significant impact on our Group's business operations and financial condition.

The aggregated revenue contribution of these five restaurants during the Track Record Period amounted to 10.4%, 10.2%, 8.0% and 7.9% for the years ended March 31, 2012, March 31, 2013, March 31, 2014 and the three months ended June 30, 2014.

Building orders not as a result of our Group's unauthorized modifications

As to the remaining 19 building orders (including the two fire safety directions) in relation to the leased premises at which 12 of our restaurants are located, to the best of knowledge of our Directors, these unauthorized building works included unapproved erection of roller shutters and unauthorized door opening, all of which did not relate to any unauthorized building works carried out by our Group. Our Directors confirmed that, the permitted seating capacity and the kitchen area of these 12 restaurants have not been affected by the unauthorized building works and we are in the course of liaising with our respective incorporated owners and landlords to carry out the rectification works; however, we are unable to guarantee that each of our incorporated owners and landlords will be willing to carry out the rectification works. As at the Latest Practicable Date, we understand from the relevant landlords or incorporated owners of 10 of these 19 building orders (including one fire safety related building order) that the relevant rectification works had been completed and the completion reports were in the process of being prepared or were prepared for submission to the relevant regulatory body. The relevant landlords or incorporated owners should be responsible for arranging the submission of the relevant reports. As the rectification works in relation to these 10 building orders were completed, our Directors believe that there should be no significant potential risk posed to our employees or customers in relation thereto. We lease four of these restaurant premises from a connected person of our Company.

Fire safety related building orders and fire safety directions

Among these 12 restaurant premises, there were two restaurants premises being registered with fire safety directions and/or fire-related orders. Based on the response from the Fire Services Department ("FSD") in relation to our enquiry on fire safety directions, fire safety directions are directions usually served against the incorporated owners or landlords of buildings which were constructed on or before March 1 1987. These directions serve the purpose of improving the building and should not be interpreted as rendering the building unsafe.

In respect of the two restaurants, one of them had a fire safety related order issued prior to renovation carried out by our Group in 2013. The fire safety related order included structures such as smoke vents. Subsequent to the issue of the fire safety related order, renovation plan and licensing plan in respect of this restaurant was submitted and approved by the relevant regulatory bodies at the time. Further, we obtained a certificate from an authorised person (as defined under the Buildings Ordinance) to certify that the relevant building structures stated in the fire safety related order were either rectified or no longer exist in the premises and relevant completion reports and documents have been submitted to the Buildings Department. We lease these restaurant premises from a connected person of our Company. The revenue contribution of this restaurant for the years ended March 31, 2012, March 31, 2013, March 31, 2014 and the three months ended June 30, 2014 was nil,

0.9%, 1.5% and 1.4%. If release of the relevant order has not been obtained before Listing, we will suspend the operation of this restaurant upon Listing and will resume its operation upon the release of the relevant order by the Building Authority.

In respect of the remaining premises, there were two fire safety directions. Fire safety directions in general may include further improvements as to fire fighting and rescue environment and facilities. We liaised with the relevant incorporated owners and failed to obtain co-operation to comply with the fire safety directions. We have recently made an application for a restaurant license under the Food Business Regulations. In compliance with the relevant application procedures, our Group has obtained a certificate from the Director of Fire Services certifying that the premises of this restaurant has complied with the requirements issued by the Director of Fire Services regarding smoke extraction systems, fire shutters, combustible materials used as false ceilings partitions or wall furnishings and polyurethane foam filled furniture. Further, as at the Latest Practicable Date, we have engaged an authorized person who has certified that the fire safety directions relate to the common parts of the building and no fire related installation or equipment needs to be implemented at the premises. Having considered the certificates and confirmation issued by the Director of Fire Services and the authorized person and the result of the verbal enquiry, our Directors are of the view that operation of our restaurant on the relevant premises is not likely to pose any significant risk of personal safety to our employees and customers. Our Directors confirm that we were not involved in and are not responsible for (i) the erection or modification of any structures contravening fire safety; and (ii) the repair and maintenance of the relevant structures; and we have no control over the relevant structures. On such basis, the Hong Kong legal advisers of our Company are of the view that our Group should not be liable as a result of the fire safety directions, and if any claim on occupier's liability or negligence arises from such fire safety directions, it shall be borne by the relevant third parties. The revenue contribution of this restaurant for the years ended March 31, 2012, March 31, 2013, March 31, 2014 and the three months ended June 30, 2014 was nil, nil, 0.2% and 0.9%.

The remaining building orders

In respect of the remaining seven building orders as at the Latest Practicable Date, they were registered against four of our leased restaurant premises. We lease one of these restaurant premises from a connected person of our Company ("CP Premises") and the other three premises from independent third parties ("ITP Premises"). We attempted to liaise with the relevant landlord (in respect of the ITP Premises) or incorporated owners (in respect of the CP Premises), however, we were unable to obtain co-operation from them in carrying out the relevant rectification works as at the Latest Practicable Date.

In relation to one of the ITP Premises, there is an unauthorized door opening leading to a storage space at the premises of our restaurant. Our Directors confirmed that the storage space was no longer in use and we have taken measures to prevent employees or customers from approaching the door opening. While our Directors will actively liaise and negotiate with the relevant landlord to take remedial measures, we cannot guarantee that the landlord will be co-operative. Nevertheless, as the storage space is no longer in use and we have taken measures to prevent employees or customers from approaching the door opening, we believe that there should be no significant potential risk posed to our employees or customers arising from it.

BUSINESS

Further, based on publicly available information and representations from relevant landlords and incorporated owners, to the best of our Directors' knowledge, the relevant unauthorized structures in relation to the remaining building orders include in respect of the three ITP Premises: structures on the roof of the building, structures on the backyard and structures in relation common drains, respectively; and in respect of the CP Premises: ventilation system of the common area of the relevant building. These structures include metal racks and shades.

Our Directors have confirmed that we were not involved in and are not responsible for (i) the erection of or modification to the relevant unauthorized structures and (ii) the repair and maintenance of the relevant unauthorized structures; and we have no control over the relevant unauthorized structures. On such basis, our Hong Kong legal advisers are of the view that our Group should not be liable for any claim on occupiers' liability or negligence arising from the relevant structures of these relevant building orders, which shall be borne by the relevant third parties. In respect of these unauthorized structures, our Directors confirmed that to the best of their knowledge after reasonable enquires, (i) there has been no dangerous order issued in respect of these structures, (ii) the unauthorized structures were situated at locations which were not generally accessible to the general public and (iii) they have not identified any material building structure which is likely to pose imminent and significant safety issues (including fire safety) to its employees and customers. The aggregate revenue contribution of our restaurants located on these four premises was 6.7%, 8.6%, 7.5% and 8.4% for the years ended March 31, 2012, March 31, 2013, March 31, 2014 and the three months ended June 30, 2014.

The aggregated revenue contribution of these 12 restaurants during the Track Record Period amounted to 15.6%, 19.8%, 19.1% and 20.5% for the years ended March 31, 2012, March 31, 2013, March 31, 2014 and the three months ended June 30, 2014.

In any event, if any rectification work has to be carried out by the incorporated owners and/or landlord regarding these 19 building orders, our Directors are of the view that the business and operational impact on these restaurant premises will be minimal as the relevant structures do not locate within the premises of our restaurants. Nevertheless, our Controlling Shareholders, collectively as indemnifiers, have entered into a Deed of Indemnity in favor of our Company, whereby they jointly and severally covenant and undertake with our Company to indemnify our Group from and against losses and cost incurred by our Group in relation to these building orders, including the loss of business resulting from any further removal or reinforcement work is required to be carried out upon the request of the Buildings Department. Further details of the Deed of Indemnity are set out in "Appendix IV — Statutory and General Information — H. Other Information — 14. Indemnities given by our Controlling Shareholders" to this prospectus.

Furthermore, to the best of our Directors' knowledge, none of the unauthorized building works resulted in any injuries to the public during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

Our Hong Kong legal advisers confirmed that upon all required rectifications works being completed in accordance with these 34 building orders (including the two fire safety directions), there should be no legal impediment for the release of the relevant building orders. Based on our Directors' past experience, it will generally take six to nine months after the submission of the completion report for the relevant regulatory body to release a building order.

We confirm that, despite the 29 Building Orders, we have obtained all material licenses, permits or approval for all the relevant restaurant premises as at the Latest Practicable Date. For details, see "— Licenses of our Group's operation in Hong Kong" in this section. Our Directors believe that we have maintained sufficient insurance coverage that is customary for restaurant businesses of our size and type for protection against reasonable losses incurred (if any) by our Group in relation to the 34 unreleased building orders. We have obtained verbal confirmation from our insurance service provider that the 34 unreleased building orders do not affect the validity of our Group's insurance. For details of our insurance policies, see "Insurance" in this section.

Further, we will provide status update(s) on these 34 building orders (including the two fire safety directions) in our upcoming interim report(s) and/or annual report(s).

INSURANCE

We maintain (i) public liability insurance, (ii) accidental damages (property) insurance for decoration, furniture, fixtures, fittings, fish tanks, trade utensils, tools and machinery, neon sign boards, business equipment and dried seafood, (iii) fire insurance, (iv) insurance for employee's compensation for injuries, illness or death in the course of employment, and (v) cash in transit insurance for loss of money in transit or kept in a locked safe, drawer or cash register on business premises for our restaurants. For more information, see "Risk Factors — Risks relating to our business — Our insurance policies may not provide adequate coverage for all claims associated with our business operations".

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

ENVIRONMENTAL MATTERS

We are subject to environmental protection laws and regulations promulgated by the government of Hong Kong. Once we open our restaurants in China, we will also be subject to the PRC environmental protection laws and regulations. We will devote operating and financial resources to environmental compliance whenever we are required by Hong Kong or PRC laws to do so in the future.

During the Track Record Period, we recorded insignificant amounts of expenses in compliance with applicable rules and regulations for environmental matters, including water sampling expenses. Our Directors expect the cost of compliance with such rules and regulations to be approximately HK\$20,000 for the year ending March 31, 2015. We also engaged third-party independent companies to collect garbage, including, among others, food waste, used cooking oil and kitchen grease, from our restaurants and our central kitchen and logistics center.

LEGAL AND REGULATORY COMPLIANCE

As at the Latest Practicable Date, save as disclosed in “— Non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date” below, we had been in compliance in all material aspects with the applicable laws and regulations in Hong Kong and have obtained all necessary approvals, permits, license 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) a food business license, including a general restaurant license, a food factory license and/or a restricted food permit, issued by the FEHD, (ii) a water pollution control license issued by the Environmental Protection Department (“EPD”) and (iii) a liquor license issued by the Liquor Licencing Board. A food business license is generally granted for a term of one year and is 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 were operating 55 restaurants in Hong Kong. Save as disclosed in “— Non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date” below, we have obtained all material licenses required for all of our restaurants in Hong Kong.

BUSINESS

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 include restaurant licenses and/or restricted food permits for our restaurant operations and a food factory license for our central kitchen, all of which are issued by the FEHD. We are also required to obtain a water pollution control license issued by the EPD for each of our restaurants (save and except for one of our restaurant that is located within a location which adopts a central discharge system). 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 and in the paragraph headed “— Non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date” in this section, we had obtained the restaurant licenses, food factory license, restricted food permits and water pollution control licenses required for all of our operations in Hong Kong as at the Latest Practicable Date. We have also obtained liquor licenses for all of our restaurants where alcoholic beverages are served. The following table sets forth the remaining validity period of the licenses for our operating restaurants in Hong Kong as at the Latest Practicable Date. We will apply to renew the relevant licenses in due course.

Types of License	Remaining validity period	
	Within one year (number)	More than one year (number)
Restaurant license ^(Note 1)	56	Nil
Food factory license	1	Nil
Water pollution control license ^(Note 2)	2	49
Liquor license ^(Note 3)	53	Nil
Restricted food permit ^(Note 4)	46	Nil

Notes:

1. As at the Latest Practicable Date, we were operating 55 restaurants. One of our restaurants required two restaurant licenses each due to the expansion of the existing premises to another floor as a result of which a restaurant license is required of each floor at the premises of these two restaurants.
2. Water pollution control license is required for our central kitchen and all of our restaurants except for one of our restaurants that is located within a premises which adopts a central discharge system. We are in the process of applying for the water pollution control licenses for 4 of our restaurants.
3. Liquor license is only required for our restaurants where alcoholic beverages are served.
4. Restricted food permit is only required for our restaurants which offer sashimi, sushi or oysters to be consumed in a raw state or meat to be eaten in a raw state.

To ensure that we are able to timely obtain and maintain all necessary licenses for our operations in Hong Kong, our administration committee has been designated to keep track of the expiry dates of all relevant licenses and apply for timely renewal since June, 2014. We will carry out our activities only when the relevant licenses and/or permits have been obtained or renewed.

Restaurant licenses of 12 of our restaurants

Each of our restaurants in Hong Kong requires the relevant food business license(s) (including restaurant licenses and restricted food permits) from the FEHD to operate. For details, see “Laws and Regulations” in this prospectus.

Background

During the Track Record Period, the restaurant licenses of 12 of our restaurants were held by individuals, namely, (i) Mr. Yeung, our Controlling Shareholder and Executive Director; (ii) Mr. LAM Chi Kui 林子駒, our operations director and a long-serving employee of our Group; or (iii) Mr. LIU Chi-Yuen 廖志遠, the landlord of a restaurant of our Group. In addition, the restaurant licenses of five of our restaurants were held by non-Group companies, two of which were directly controlled by our Controlling Shareholders and three of which were directly controlled by the respective landlords of the relevant premises, each an independent third party.

We have successfully renewed the relevant food business licenses every year since the relevant individuals or non-Group companies first obtained such licenses and have not experienced any license-related disputes arising from such arrangements in the past. As the relevant individual license holders are our Controlling Shareholder/Executive Director or a long-serving employee with whom we have established a business relationship, our Directors believe that it is very unlikely that these arrangements will become commercially unviable for us in the foreseeable future. These individuals and non-Group companies 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.

In March 2014, in order to streamline the corporate structure of our Group in preparation for the Listing and to minimize our business risks where the relevant licensees become unable to hold the relevant food business licenses, we arranged for the transfer of the relevant licensee of 11 of our restaurants as mentioned above from their respective licensee to our Group companies. As at the Latest Practicable Date, all of the 11 restaurants had completed the license transfer.

In respect of the remaining one restaurant, the license is held by our landlord, an independent third party and we have currently renewed the lease of the restaurant for a term of six years. This restaurant contributed 1.6%, 1.9%, 1.4% and 1.3% to our total revenue for the years ended March 31, 2012, 2013, 2014 and the three months ended June 30, 2014, respectively.

The landlord of this restaurant has been the food business license holder of the premises since we first leased the premises as the landlord preferred to better manage the licenses application, maintenance and/or compliance matters of restaurants operating on its own premises. Our Directors have accepted this arrangement as they believe that this is a common industry norm. Based on a verbal consultation with the FEHD, our Directors confirmed that such arrangement is acceptable to the FEHD. Our Directors see no immediate cause to arrange for the transfer of the license from the landlord to our Group, however, for the purpose of better administration of our business, we will arrange for such transfer subject to the landlord’s consent. As at the Latest Practicable Date, we have not yet obtained the landlord’s consent.

BUSINESS

As at the Latest Practicable Date, there were building orders registered against the premises of this restaurant, the relevant removal and reinforcement works have been completed. Relevant reports have been submitted to the Building Authority for their approval. Our Directors currently expect the relevant building orders to be released by the end of 2014. For details, see “— Properties — Building orders and fire safety directions registered against our leased premises” in this section.

We have been advised by our Hong Kong legal advisers that, assuming there is no change on the current relevant laws and regulations, there is no legal impediment to transferring the license of the abovementioned restaurant subject to the conditions that (i) the premises of this restaurant are free from unauthorized building works as defined under section 14 of the Buildings Ordinance; (ii) the use of the relevant premises are in compliance with government lease conditions and (iii) the use of the relevant premises are in compliance with the zoning restrictions under the statutory plan.

License agreements

In addition, our Group entered into license agreements for nil consideration with each of the relevant license holders who have transferred the relevant licenses to our Group (except for one, which is our landlord, an Independent Third Party) which provide that, among other things, the license holder (i) will use his/its best efforts 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.

Deed of Indemnity

Our Group has also established an administration committee to monitor the renewal of the food business licenses of our restaurants before their expiration. Further, our Controlling Shareholders, collectively as indemnifiers, have entered into a Deed of Indemnity in favor 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 “H. Other Information — 14. Indemnities given by our Controlling Shareholders” in “Appendix IV — Statutory and General Information” to this prospectus.

Non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date

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.

BUSINESS

Pursuant to the Deed of Indemnity, our Controlling Shareholders have undertaken to indemnify and keep fully indemnified our Group, amongst others, against any claims, demands, costs, expenses, fines, penalty, charges and losses including but not limited to:

- Non-compliance of the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) and its relevant subsidiary regulations;
- Non-compliance of the the Fire Services (Fire Hazard Abatement) Regulations (Chapter 95F of the Laws of Hong Kong) and related regulations; and
- Non-compliance of the Public Health and Municipal Services Ordinance (Chapter 132 of the Law of Hong Kong) and related regulations as detailed below.

During the Track Record Period and up to the Latest Practicable Date, our Group has failed to comply with certain applicable laws and regulations in Hong Kong, a summary of such material non-compliances are set out below:

<u>Summary of non-compliance incidents and reasons</u>	<u>Remedial measures, current status and provisions</u>	<u>Legal consequences, the potential maximum penalty and financial impact</u>	<u>Analysis of the risk to the Company</u>
<p><i>Non-compliance of the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) ("APCO") and its relevant subsidiary regulations</i></p> <p>Pursuant to section 30 of the APCO and its relevant subsidiary regulations, the air pollution control authority may serve a notice to the owner or occupier of a relevant chimney or equipment which has been identified as evolving air pollutant by reason of improper operation or the lack of maintenance, to require rectification actions to be carried out within a prescribed period. In addition, no occupier shall carry out or shall caused to be carry out any work in relation to alteration of any oven or chimney on his premises without obtaining the required prior approval.</p> <p>During the Track Record Period and up to the Latest Practicable Date, our Group contravened the relevant provisions on five occasions. The non-compliances were caused as our Directors were not familiar with the relevant laws and regulations by then.</p>	<p>We have completed all the rectification works as required by the relevant government authority.</p>	<p>The relevant government authority has fined our Group for an aggregate amount of HK\$210,000. The full sum was settled by March 2013.</p> <p>Our Directors confirmed that the amount of penalty was not material to our Group and there is no material impact on our Group's financial position.</p>	<p>None</p>

BUSINESS

Summary of non-compliance incidents and reasons	Remedial measures, current status and provisions	Legal consequences, the potential maximum penalty and financial impact	Analysis of the risk to the Company
<p><i>Non-compliance of the Fire Services (Fire Hazard Abatement) Regulations (Chapter 95F of the Laws of Hong Kong) ("FSR") and related regulations</i></p> <p>Pursuant to section 14 of the FSR and its relevant subsidiary regulations, any person in charge of premises shall not permit any article to obstruct the means of escape from such premises and the owner of any fire service installation or equipment which is installed in any premises shall (a) keep such fire service installation or equipment in efficient working order at all times; and (b) have such fire service installation or equipment inspected by a registered contractor at least once in every 12 months.</p> <p>During the Track Record Period and up to the Latest Practicable Date, our Group contravened with the relevant provisions on 12 occasions. The non-compliances were caused due to the inadvertent omission by our then manager of our public affairs department.</p>	<p>We have completed all the rectification works as required by the Fire Services Department.</p>	<p>The relevant government authority has fined our Group for an aggregate amount of HK\$133,000. The full sum was settled by March 2014.</p> <p>Our Directors confirmed that the amount of penalty was not material to our Group and there is no material impact on our Group's financial position.</p>	<p>None</p>

BUSINESS

<u>Summary of non-compliance incidents and reasons</u>	<u>Remedial measures, current status and provisions</u>	<u>Legal consequences, the potential maximum penalty and financial impact</u>	<u>Analysis of the risk to the Company</u>
<i>Non-compliance of the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and related regulations</i>			
<p>Pursuant to the Public Health and Municipal Services Ordinance and the Food Business Regulations (i) no person shall carry on a restaurant business unless the relevant food business licenses have been obtained; (ii) the sale of food on the relevant restaurant premises shall be of the substance demanded by the purchaser and (iii) no alteration or addition shall be made to matters specified in the approved layout plan prior to obtaining the permission from the director of the Food and Environmental Hygiene Department.</p> <p>During the Track Record Period and up to the Latest Practicable Date, our Group contravened the relevant provisions on eight occasions. The non-compliances were caused due to the inadvertent omission by our then manager of our public affairs department.</p>	<p>We have subsequently applied for and obtained the required licenses and settled all penalties in full by April 2014.</p> <p>We have rectified the relevant alterations or additions as required by the FEHD.</p>	<p>The relevant government authority has fined our Group for an aggregate amount of HK\$53,640. The full sum was settled by April 2014.</p> <p>There was one occasion on which five demerit points may be registered against our relevant restaurant.</p>	None

Internal Control and Risk Management Measures

Our Directors are responsible for formulation and overseeing the implementation of the internal control measures and effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

In order to manage our external and internal risks and to ensure the smooth running of our business, we have engaged an independent internal control reviewer (the "IPO Internal Control Reviewer") in February 2014 to assist our Group and the Sole Sponsor to review our internal control system and provide recommendations for improving our internal control system. The IPO Internal Control Reviewer provides a wide range of professional services including corporate governance assessment and design, enterprise risk assessment, internal audit and compliance consultancy and advisory services and is experienced in providing consultancy services in internal controls and performing independent reviews on internal control and risk management systems. The IPO Internal Control Reviewer has conducted certain agreed-upon review procedures on our internal control system in certain aspects, including revenue, purchases, fixed assets management, human resources, financial reporting process and information technology. Based on its review, the IPO Internal Control Reviewer has not identified any material deficiencies regarding our Group's internal control system.

BUSINESS

We have adopted the following measures to ensure on-going compliance with all applicable laws and regulations after the Listing and to strengthen our internal controls:

- (i) since June 2014, we have been implementing the following internal control and risk management measures to ensure compliance with the Listing Rules and the relevant Hong Kong laws and regulations:

<u>Focus areas</u>	<u>Measure to ensure compliance</u>
<i>Building orders-related matters and lease agreement-related matters</i>	<p>The following internal control and risk management measures have been adopted by our Group:</p> <ul style="list-style-type: none">(a) Internal control committee <p>We established an internal control committee (the “Internal Control Committee”) which currently comprises of four members, namely Mr. LAM Chi Kui 林子駒 (a member of our senior management), Mr. WONG Kwun Chung 王冠聰, Ms. LAM Ping Lok 林平樂 and Mr. LOCK Kwok On Anthony 駱國安 (our Independent Non-executive Director). The internal control committee is co-headed by Mr. Lock and Mr. Lam. For biographical details of Mr. Lock, see the section headed “Directors and Senior Management”. Mr. Lam has over 10 years of relevant experience, while Mr. Wong and Ms. Lam both have over eight years of relevant industry experience. The primary duties of our internal control committee are the oversight of all compliance-related matters of our Group including restaurants operations.</p> <p>Both Mr. Wong and Ms. Lam are generally responsible for the day-to-day management of our various departments. Mr. Wong is responsible for managing various administrative work, including maintenance, crisis management and resources sourcing for all our restaurants. Ms. Lam is responsible for managing (i) marketing and branding promotion, (ii) licence-related matters and compliance matters and (iii) information technology-related matters. Mr. Wong and Ms. Lam report to our senior management and/or Executive Directors on a regular basis.</p>

BUSINESS

Focus areas

Measure to ensure compliance

(b) Careful selection of leased premises

All of our Executive Directors and four members of our senior management are designated to handle and monitor the process of new restaurant development, including ascertaining the title and ownership of the relevant target restaurant premises, registration of lease agreements and obtaining any necessary approvals (where applicable).

Our property department will assist the personnel above with performing the duties as set out in the above. Mr. LAM Chi Kui 林子駒, a member of our senior management and Ms. WU Tai Kum 胡棣琴, our legal assistant, who has over five years of relevant experience, are members of our property department.

(c) Engagement of professional advisers

We will engage external professional advisers when appropriate to ensure that the properties to be leased comply with the Buildings Ordinance.

BUSINESS

Focus areas

Measure to ensure compliance

Fire services-related matters

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

(a) Internal control committee

We established an Internal Control Committee. The primary duties of our internal committee are the oversight of all compliance-related matters of our Group including fire services-related compliance matters.

(b) Regular checks

Our general department will assist the internal control committee in carrying out regular checks on our restaurants to ensure on-going compliance with the fire services-related laws and regulations. Our general department will directly report to Mr. Yeung, our Executive Director and notify him upon identification of any irregularities.

Food business license and food safety-related matters

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

(a) Internal control committee

We established an Internal Control Committee. The primary duties of our internal control committee are the oversight of all compliance-related matters of our Group including food business license and food safety-related compliance matters.

BUSINESS

Focus areas

Measure to ensure compliance

(b) Administration committee

We established an administration committee, headed by Mr. YC Yeung, our Executive Director, with three other supporting members.

Mr. Yeung has over 30 years of relevant experience in the food and beverage industry in Hong Kong during which he has handled license and permit related-matters within our Group and in other institutions. See “Directors and Senior Management — Executive Directors” for the biographical details of Mr. YC Yeung.

Our administration committee 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 the relevant license renewal applications.

(c) Food safety committee

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 headed by Mr. Leung, our Executive Director, with two other members, namely Mr. LAM Chi Kui 林子駒 and Ms. LAM Ping Lok 林平樂. Each committee member has over ten years of relevant working experience in food safety and quality control related-matters.

- (ii) we established our Audit Committee on October 28, 2014 which comprises three Independent Non-executive Directors, namely Mr. WU Kam On Keith 鄔錦安 (chairman), Mr. LOCK Kwok On Anthony 駱國安 and Mr. FAN Chun Wah Andrew 范駿華, all of whom possess extensive experience in financial and general management. Our Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, our Audit Committee is empowered to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal controls or other matters;

BUSINESS

- (iii) in order to further enhance the effectiveness of our internal control system, we will engage external professional advisers to ensure our leased properties comply with the Buildings Ordinance and our business operations comply with the relevant laws and regulations where appropriate and applicable to our Group from time to time;
- (iv) we have currently engaged two external professional advisers to provide training to our Directors, senior management and personnel overseeing our Group's compliance matters on laws and regulations applicable to our restaurant operations;
- (v) our Directors and other members of our senior management attended a training session in June 2014, which was 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 Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures Ordinance and the Listing Rules; and
- (vi) we established in June 2014 an internal control committee to oversee, among others, compliance status of our restaurants and any new restaurants of our Group.

Based on the above, our Directors are of the view that the Company has taken reasonable steps to establish an internal control system and procedures to enhance the control environment at both the working and management levels, and hence, our Directors and the Sole Sponsor are of the view that the enhanced internal control measures adopted by our Group are adequate and effective for the Group's business operations.

Corporate Governance

We continually strive to strengthen the role of our Board as a body responsible for decision-making concerning our Company's fundamental policies and upper-level management issues, and supervising the execution of business. Our Board includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The Independent Non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialized knowledge.

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 and up to the Latest Practicable Date, save and except for the incidents disclosed below, we were not involved in any litigation or 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, reputation, financial condition or results of operations.

Settled legal dispute over our intellectual property rights




Thirty-five of our subsidiaries, along with nine entities currently or previously controlled by some of our Controlling Shareholders (together, the “Discharged Defendants”) were the defendants of a settled legal proceeding (the “Settled Action”) initiated by an industry peer over our “Fulum 富臨” brand. The Settled Action was fully settled in June, 2014 upon execution of a settlement agreement and a co-existence agreement. We are in the process of applying to the court for discontinuance of the legal proceeding.

Description of the Settled Action

In late March 2014, the Settled Action was commenced against the Discharged Defendants by Forum Restaurant (1977) Limited (“Forum”), in which Forum applied for injunctions (i) to restrain our Group from infringing, attempting to infringe, authorizing or causing others to infringe the Forum’s registered trademarks; (ii) to restrain our Group from passing off, attempting to pass off, authorizing or causing others to pass off our business, trade, products or services as Forum’s without its approval or licences; (iii) to restrain our Group from commencing or continuing with any trademark applications which contain the Chinese characters “富臨”, or in English letters “Forum”, “Fulum” or “Foo Lum” or any similar marks in respect of all the goods and/or services relating to the Plaintiff’s business in Hong Kong, which include restaurant services, provision of food and drinks, shellfish and seafood.

Historical background

Forum is an industry peer that operates a high-end⁽¹⁾ Chinese restaurant serving premium cuisine and with a particular focus on abalone since 1974. Based on the information available to our Directors, Forum operated one single restaurant in Hong Kong throughout the Track Record Period. Forum is the registered owner of five trademark registrations containing the Chinese characters “富臨” and/or English letters “Forum”, which were registered in 2003, 2005 and 2012, respectively.

Notwithstanding the Chinese restaurant operated by Forum, our Group has, since 2002, operated a number of restaurants under several sub-brands derived from our “Fulum 富臨” brand, namely “ 富臨 海港”, “ 富臨 酒家”, “ 富臨 皇宮” and “富臨 皇宮” (together, the “**Relevant Fulum Brands**”). We provide a wide variety of food items including Dim Sum, Cantonese dishes, roasted pork, seafood dishes and banquet services at an affordable price under these Relevant Fulum Brands.

Note:

¹ We consider restaurants in Hong Kong with an average guest check of more than HK\$800 in Hong Kong as “high-end” restaurants.

Our Directors are of the view that our restaurants under the Relevant Fulum Brands are clearly delineated from Forum in terms of affordability and variety of food dishes, as well as the geographical spread and scale of operation. Throughout our operating history, we have opened a considerable number of restaurants under the Relevant Fulum brands and other sub-brands containing the characters/letters “富臨”, “Fulum” or “Foo Lum” and these characters/letters, along with our logos which contain the same, have been applied across our chain operations on our utilities and promotional materials such as signboards, leaflets, menus, utensils, and restaurant decor. Our Directors are of the view that, based on the extensive coverage of our “Fulum富臨” restaurants across Hong Kong, the Relevant Fulum Brands and other materials containing the characters/letters “富臨”, “Fulum” or “Foo Lum” have been used honestly and concurrently with Forum’s operation, and the public should be reasonably be aware of the differences between our Group and Forum.

Our Directors have confirmed that, save and except for the Settled Action, no legal proceeding had been brought against our Group or our Controlling Shareholders over the use of “Fulum富臨” and the Relevant Fulum Brands by Forum or any other independent third parties. Based on our market intelligence and information available to our Directors, having made all reasonable enquiries, we also believe that there is no material public confusion over operation of our Group vis-a-via Forum’s.

Settlement agreement

On June 15, 2014, Forum and the Discharged Defendants reached a settlement over the Settled Action, the salient terms of which are set out below:

- Terms of settlement
 - (a) The dispute between Forum and the Discharged Defendants were fully resolved and settled; and
 - (b) All claims and/or legal proceedings (including the subject claim or any past, existing or potential claims) in relation to the use of any marks, company names and/or trade names which contain the Chinese characters “富臨” or English letters “FULUM”, “FU LUM”, “FOOLUM” and/or “FOO LUM” in Hong Kong against our Group, Directors, shareholders, person-in-charge, agents and employees were withdrawn and waived.

- Discontinuance of legal proceedings

The parties to the Settled Action shall apply to the court to wholly discontinue the legal proceedings with no order as to cost.

The consideration had been fully settled in cash.

Co-existence agreement

On June 15, 2014, Forum on one part and we and the Discharged Defendants on the other part reached a co-existence agreement over the past, existing and future use and/or registration of the respective marks, company names and/or trade names, the salient terms of which are set out below:

- Terms of co-existence
 - (a) Usage of marks, company names and/or trade names

Both parties mutually agreed not to object to the other's past, existing and future use and/or registration of any trade names, company names and/or marks which contain the characters "富臨", and/or English letters "FULUM", "FU LUM", "FOOLUM" and/or "FOO LUM" for the Discharged Defendants or its related parties and those which contain the Chinese characters "富臨" and/or English letters "FORUM" for Forum or its related parties in Hong Kong and the PRC.

- (b) Issuance of consents

Both parties mutually agreed to issue consent letters to the other or its related entities and/or personnel to facilitate the other's existing trademark applications and any other future application in relation to trademarks which contain the characters "富臨" and/or English letters "FULUM", "FU LUM", "FOOLUM" and/or "FOO LUM" for the Discharged Defendants and those which contain the Chinese characters "富臨" and/or English letters "FORUM" for Forum in Hong Kong and/or the PRC.

- (c) Co-existence of brands

Forum and the Discharged Defendants (including any members of our Group, Directors, shareholders, person-in-charge, agents and employees) shall enjoy independently the goodwill associated with their respective trade names, company names and/or marks which contain the Chinese characters "富臨".

The consideration has been separated into two installments. The first installment has been fully settled in cash and the second installment will be settled within seven working days upon the successful registration of one of the agreed material marks of the Company or one year after the date of this agreement, whichever is earlier.

Our Directors considered that the total consideration in relation to the settlement agreement and co-existence agreement was insignificant to the business operation and financial condition of the Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Upon Listing, each of Mr. Yeung, China Sage, Mr. YC Yeung and Mr. YK Yeung will be a Controlling Shareholder of our Company under the Listing Rules. The table below sets forth the information regarding the ownership of our Shares immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options):

	Number of Shares	Approximate percentage of voting rights
Mr. Yeung (through China Sage)	452,075,000	34.8%
Mr. YC Yeung	272,025,000	20.9%
Mr. YK Yeung	184,275,000	14.2%
Other Shareholders	391,625,000	30.1%
Total	1,300,000,000	100%

Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung founded our Group in 1992. For more details on the founding of our Group, see “History and Corporate Structure — Business development”. For more details on the biographical information and experience of Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung, who are Executive Directors of our Company, see “Directors and Senior Management — Directors — Executive Directors”. China Sage is an investment holding company wholly-owned by Mr. Yeung which has no business interest apart from our Group.

Mr. Yeung (through China Sage), Mr. YC Yeung and Mr. YK Yeung, each being a sibling and associate (as defined under the Listing Rules) of each other, will together be entitled to exercise and control approximately 69.9% of our entire issued share capital immediately upon completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options).

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group can function, operate and carry on our business, and is financially and operationally independent from our Controlling Shareholders and their respective close associates based on the following reasons:

No competition and clear delineation of business

Our Directors, including our Independent Non-executive Directors, are of the view that to the best of their knowledge and belief, none of our Controlling Shareholders and none of their respective close associates have interests in businesses which compete, or are likely to compete, either directly or indirectly, with our business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our business

We are a top three full-service restaurant chain in the Chinese cuisine restaurant industry in Hong Kong, based on sales revenue in 2013, according to the Frost & Sullivan Report. In particular, we are a top two full-service restaurant chain in the Cantonese cuisine restaurant industry in Hong Kong, based on sales revenue in 2013, according to the Frost & Sullivan Report.

As at the Latest Practicable Date, we owned and were operating 55 restaurants in Hong Kong under different brands serving a variety of cuisines. Our restaurants can be categorized into three main categories or lines of business: (1) restaurants under our “Fulum (富臨)” main brand focusing on Cantonese cuisine targeting the mass market, (2) restaurants under our “Sportful Garden (陶源)” main brand focusing on Cantonese cuisine targeting mid-to-high-end market, and (3) specialty cuisine restaurants under our “Fulum Concept (富臨概念)” line of business, which are generally of a smaller size, under various other brands serving Chinese and non-Chinese specialty cuisines. See “Business” for further details.

Excluded PRC Restaurants

Our Controlling Shareholders have interests in, or control of, five Excluded PRC Restaurants which are mid-to-high end restaurants located in Guangdong Province, the PRC, under the brand “Sportful Garden (陶源)”. These Excluded PRC Restaurants were not transferred to our Group during our Reorganization and, though related to the food and beverage industry, are separate, distinct and clearly delineated from our current restaurant business on the basis set out below. Our Controlling Shareholders currently have no immediate intention to transfer the Excluded PRC Restaurants to our Group.

As at the Latest Practicable Date, Mr. Yeung owned four, and SGRL owned one, Excluded PRC Restaurants. The Excluded PRC Restaurants are held through China Best, Faith Linkage (both wholly-owned by Mr. Yeung) and United Team (wholly-owned by SGRL).

As at the Latest Practicable Date, we did not operate any restaurant in the PRC and our Controlling Shareholders did not own any restaurant in Hong Kong other than the restaurants of our Group. As such, these Excluded PRC Restaurants are clearly delineated from our business because of their different geographical locations. As part of our corporate business strategy, we currently plan to open approximately two new restaurants serving Cantonese cuisine in the PRC, targeting the mass market segment, under an existing sub-brand of, or a new sub-brand derived from, our “Fulum (富臨)” main brand in the years ending March 31, 2015, 2016 and 2017, respectively, subject to the then market conditions in the restaurant industry in the PRC. The Excluded PRC Restaurants are clearly delineated from

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

the new restaurants to be opened under our current business plan to progressively expand into the PRC through mass market segment in the following aspects:

- ***different target clientele and market positioning:*** the Excluded PRC Restaurants under the “Sportful Garden (陶源)” brand are positioned as mid-to-high end restaurants serving the consumption segments with higher spending power, whilst our future restaurants in the PRC will focus on the mass market segment in the PRC, offering value-for-money food items at affordable prices. The market positioning of our planned new restaurants and that of the Excluded PRC Restaurants can be differentiated as follows:
 - (i) ***different menu:*** the Excluded PRC Restaurants under the “Sportful Garden (陶源)” brand offer mid-to-high end Cantonese cuisine, with an emphasis on delicacies and luxury food ingredients such as abalone. In contrast, our future PRC restaurants under an existing sub-brand of, or a new sub-brand derived from, our “Fulum (富臨)” main brand will provide value-for-money food at affordable prices. The average check per guest of the Excluded PRC Restaurants as a whole for the year ended December 31, 2013 was approximately RMB302, which is more than three times of the expected check per guest of our future PRC restaurants, which is currently projected to be approximately RMB80. Further, Frost & Sullivan has compared the check per guest of each Excluded PRC Restaurant for the most recent financial year and the industry peers in their respective locations and has concluded that the Excluded PRC Restaurants are positioned as mid-to-high end Chinese restaurants in these locations.
 - (ii) ***different decoration:*** we strive to provide a different dining experience from the Excluded PRC Restaurants by providing affordable food items in a modest, neighbourhood-friendly ambience. This is different from the more elaborate and luxurious decoration of the Excluded PRC Restaurants, which we believe our customers will be able to easily identify the differences. The following images show the exquisite decoration of the Excluded PRC Restaurants:



RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- **separate locations:** the Excluded PRC Restaurants under the “Sportful Garden (陶源)” brand are located in luxury hotel premises or high-end shopping malls targeting the higher spending hotel guests and business clientele market. Our planned PRC restaurants under an existing sub-brand of, or a new sub-brand derived from, our “Fulum (富臨)” main brand will focus on premises with high pedestrian traffic in more densely populated areas such as street shops, neighbourhood shopping malls and budget hotels. This will allow us to capture the mass market segment which is looking for value-for-money food items at affordable price.
- **different brand names:** the Excluded PRC Restaurants are operated under the brand of “Sportful Garden (陶源)”, while we intend to operate our planned PRC restaurants targeting the mass market segment in the PRC under an existing sub-brand of, or a new sub-brand derived from, our “Fulum (富臨)” main brand; and
- **independent management:** Mr. Yeung and SGRL have employed a separate PRC management team to manage the Excluded PRC Restaurants since their respective dates of establishment and none of our Directors or members of our senior management has been involved in the daily management and operations of the Excluded PRC Restaurants. This separate PRC management team will not manage our future PRC restaurants. We currently do not expect any management overlap between our Group and the Excluded PRC Restaurants when we expand into the PRC mass market segment.

We will consider a number of parameters when selecting suitable sites for our planned PRC restaurants including, amongst others, (i) geographical locations, which are expected to be premises with high pedestrian traffic in more densely populated areas with steady flow of mass market clientele; and (ii) size of restaurants, which are expected to be in the range of 1,800 sq.m. to 2,000 sq.m.. It is expected that our planned PRC restaurants will generally be opened in smaller premises, such as street shops, neighborhood shopping malls and budget hotels to cater to the mass market segment, compared to the Excluded PRC Restaurants which are located in larger premises of approximately 6,000 sq.m. on average within luxury hotels premises and high-end shopping malls. While our planned PRC restaurants may be located within the same cities and towns as the Excluded PRC Restaurants, we do not plan to open any new PRC restaurants in close proximity to the existing sites of the Excluded PRC Restaurants and the currently proposed sites of the new PRC restaurants of our Group are all located outside of a one kilometer radius of the existing sites of the Excluded PRC Restaurants. We will, from time to time, compare our proposed locations against available market data obtained from third party consultant(s) to ensure the viability of our mass market position and clear delineation from the mid-to-high end position of the Excluded PRC Restaurants.

According to the information provided by our Controlling Shareholders, the consolidated revenue of the Excluded PRC Restaurants was approximately RMB113.4 million, RMB135.2 million and RMB131.7 million, respectively, for each of the three financial years ended December 31, 2011, 2012 and 2013, and their loss before tax was approximately RMB2.5 million, RMB4.0 million and RMB15.5 million, respectively, for the same periods.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Due to the recent state policy against high-end consumption sentiments in the PRC, our Directors have confirmed that our Group have no current intention to tap into the mid-to-high-end segment in the PRC. Our Controlling Shareholders have also, pursuant to the Deed of Non-competition, further undertaken to our Company not to open, enter into, engage in or otherwise invest in any new restaurant in the PRC. Accordingly, for the time being, all future investments of our Controlling Shareholders into the PRC market are expected to focus on the mass market segment and form part of our Group. In the event that there is an uplift of or change to the state policy against high end consumption sentiment in the PRC, our Group will first consider acquiring the Excluded PRC Restaurants under the Deed of Annual Offer and ROFR described in “— Annual Offer Arrangements and Right of First Refusal” below before tapping into the mid-to-high end market in the PRC on our own venture to avoid direct or indirect competition with our Controlling Shareholders.

Based on clear differences in the focus of business and targeted customers between our PRC expansion plan and the Excluded PRC Restaurants, our Directors consider that the Excluded PRC Restaurants do not compete, and are not likely to compete, either directly or indirectly, with our Group.

Certain trademarks in the PRC containing the Chinese character “陶源” and English letters “Sportful Garden” (the “PRC Sportful Garden Trademarks”) are held or currently being applied for by a wholly-owned PRC established-subsiary of United Team and used in operating the Excluded PRC Restaurants. Mr. Yeung and SGRL, being the owners of the Excluded PRC Restaurants, have, pursuant to the Deed of Annual Offer and ROFR, undertaken to our Company to (i) use its best endeavour to maintain the validity and continuance of the PRC Sportful Garden Trademarks; (ii) forbid the Excluded PRC Restaurants and their employees to commit any act which may have a negative impact on the reputation or image of the “Sportful Garden (陶源)” brand; and (iii) refrain from transferring, assigning and/or licensing the PRC Sportful Garden Trademarks to any natural person or legal entity other than our Group.

Annual Offer Arrangements and Right of First Refusal

Mr. Yeung, SGRL and our Company have entered into an option deed dated October 28, 2014 (the “Deed of Annual Offer and ROFR”), pursuant to which Mr. Yeung and SGRL agreed to offer, on an exclusive basis, an option to our Company to, at our sole and absolute discretion, acquire (i) all or part of their respective interests in China Best, Faith Linkage and United Team, the holding companies of the Excluded PRC Restaurants; and/or (ii) the PRC Sportful Garden Trademarks or any one of them, once in each financial year upon Listing (the “Annual Offer Arrangements”), subject to compliance with the necessary government approvals, board approvals and shareholders’ approval requirements (as required by the Listing Rules, if applicable). The consideration of such transfer will be the average appraised value under the valuation reports to be conducted by two independent valuers, who shall be appointed by our Independent Non-executive Directors. Under the Deed of Annual Offer and ROFR, Mr. Yeung and SGRL will make the annual offer once on January 31 in each financial year by giving a written notice of offer (the “Annual Offer Notice”) to our Company. Our Independent Non-executive Directors shall, subject to the corporate measures set out under “— Corporate measures in relation to the Annual Offer Arrangements and ROFR” below and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

within 30 business days of receipt of the Annual Offer Notice, inform Mr. Yeung and/or SGRL in writing on behalf of our Company their decision whether to accept or decline the annual offer. Such offer period can be extended if mutually agreed in writing. The Annual Offer Arrangements are made on January 31 in each financial year to allow our Controlling Shareholders to evaluate on the financial and operational performance of the five Excluded PRC Restaurants in the most recent financial year (which ends on December 31 each year) and make an informed decision on the potential acquisition.

If our Company (i) elects to accept any of the offers but the acquisition is not completed by our Group for any reason; or (ii) does not accept any of the offers or does not respond to any of the offers within the specified acceptance period under the Annual Offer Notice, Mr. Yeung and SGRL will remain subject to the Annual Offer Arrangements in subsequent years.

Under the Deed of Annual Offer and ROFR, Mr. Yeung and SGRL have further granted to our Company a right of first refusal (the "ROFR"), pursuant to which, in the event that Mr. Yeung and/or SGRL receive an offer from any independent third party to purchase, or contemplate to dispose to any independent third party of, the whole or any part of their respective interests in any of the Excluded PRC Restaurants and/or any of the PRC Sportful Garden Trademarks (the "Third Party Disposal"), our Company shall have the right to acquire the relevant Excluded PRC Restaurant(s) and/or the relevant PRC Sportful Garden Trademark(s) at the average appraised value under the valuation reports to be conducted by two independent valuers, who shall be appointed by our Independent Non-executive Directors, within 30 business days.

In order for us to exercise the ROFR, Mr. Yeung and/or SGRL, as the case may be, shall give written notice (the "ROFR Notice") to our Company. Our Independent Non-executive Directors shall, subject to the corporate measures set out under " — Corporate measures in relation to the Annual Offer Arrangements and ROFR" below and within 30 business days of receipt of the ROFR Notice, inform Mr. Yeung and/or SGRL in writing on behalf of our Company their decision whether to exercise or decline the ROFR. Such notice period can be extended if mutually agreed in writing. Mr. Yeung and/or SGRL shall be entitled but not obliged to proceed with the Third Party Disposal if they have received a notice from our Independent Non-executive Directors declining the ROFR or if our Independent Non-executive Directors have failed to respond within such 30 business days period (or the extended period, where applicable) stated above.

The Annual Offer Arrangements and ROFR in respect of the Excluded PRC Restaurants will be terminated only upon Mr. Yeung and/or SGRL have, subject to the ROFR, disposed of their respective interests in the Excluded PRC Restaurants to an independent third party. Given that our Controlling Shareholders are, pursuant to the Deed of Non-competition, deterred from opening, entering into, engaging in or otherwise investing in any new restaurant in the PRC, the Annual Offer Arrangements are not applicable to any such new restaurant.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Corporate measures in relation to the Annual Offer Arrangements and ROFR

Our Company will adopt the following additional corporate measures to protect the rights of our minority Shareholders in considering the Annual Offer Arrangements and/or ROFR:

- (i) decision for the acceptance of the offer under the Annual Offer Arrangements and/or ROFR shall be determined by our Independent Non-executive Directors only;
- (ii) our Independent Non-executive Directors are empowered to engage professional advisors at our costs for advice on matters relating to the Annual Offer Arrangements and/or ROFR; and
- (iii) our Company will disclose in its annual reports on the decision, with basis, of our Independent Non-executive Directors to accept or reject the offers under the Annual Offer Arrangements and/or ROFR.

The Annual Offer Arrangements and/or ROFR will be considered in the best commercial interests of our Shareholders as a whole and will be determined by our Independent Non-executive Directors upon taking appropriate professional advice as mentioned above, and taking into account, as a minimum, (i) our Company's management resources; (ii) the competitive strengths and prospects of the Excluded PRC Restaurants; (iii) the value of the PRC Sportful Garden Trademarks to our overall corporate strategy in the PRC; and (iv) the financial positions of the Excluded PRC Restaurants. If the offers under the Annual Offer Arrangements and/or ROFR were accepted in the future, the acquisition would be financed through our internal resources or through obtaining external financings, or a combination of both, depending on the financial positions of our Group at the relevant time. Our Directors have been advised that there is no legal impediment restricting Mr. Yeung and SGRL from transferring China Best, Faith Linkage and United Team, the holding companies of the Excluded PRC Restaurants, to our Group under the Annual Offer Arrangements and/or ROFR. Our PRC legal advisers have also confirmed that there is no legal impediment in the PRC for our Group to own and operate the Excluded PRC Restaurants upon such transfer.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Disposed food and beverage operations of Mr. Yeung

During the Track Record Period, Mr. Yeung had previously owned certain businesses in the food and beverage industry in Hong Kong which were distinct from our mainstay operations of Chinese restaurants. These operations, which were private business ventures of Mr. Yeung unrelated to our other Controlling Shareholders, had been disposed of by Mr. Yeung to independent third parties as of June, 2014 and the financials of these businesses had never been consolidated into our financial statements during the Track Record Period. These disposed businesses include:

- *food production plant*: a food production plant operated by Foo Lum Food Limited (a company previously directly wholly-owned by Mr. Yeung) which produce and process Chinese pastry products, Chinese packaged festival items and western pastry items. Foo Lum Food Limited supplied packaged festival items (such as mooncake) and pastry products (such as wedding cake) to our Group. Foo Lum Food Limited is expected to continue supplying pastry products to our Group while we, since April 2013, have started to produce packaged festival items with our own facilities. Our business relationship with Foo Lum Food Limited is expected to continue based on arm's length negotiation and normal commercial terms. It is currently expected that Foo Lum Food Limited will be traded under a new name that is not associated with our "Foo Lum (富臨)" brand by December, 2014;
- *pastry shops*: two Hong Kong-styled pastry shops operated by Sunny Boulangerie Et Patisserie Limited (a company previously directly wholly-owned by Mr. Yeung) under "Sunny Bakery (陽光麵包西餅)" in Hong Kong, which has no business relationship with our Group;
- *seafood procurement business*: a trading business operated by Central International (HK) Limited (a company previously directly wholly-owned by Mr. Yeung) that procures seafood from PRC and overseas for restaurants in Hong Kong. Central International (HK) Limited supplies seafood and seafood delicacies to our Group and was our largest supplier for the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014. Our Directors have confirmed that prior to such disposal, our business relationship with Central International (H.K.) Limited were conducted on normal commercial terms with bulk-purchase discounts and credit period commensurate with those that would have been offered by independent comparable seafood suppliers during the Track Record Period and thereafter. Upon its disposal by Mr. Yeung, our business relationship with Central International (HK) Limited is expected to continue based on arm's length negotiation and normal commercial terms. See "Business — Purchasing — Suppliers and Sources" in this prospectus for further details;
- *chocolate shop*: a cafe kiosk under the brand "Master Chocolatier — Belgium" in Hong Kong operated by China Saint Investment Limited (a company previously directly wholly-owned by Mr. Yeung), which has no business relationship with our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on our Directors' and senior management's market knowledge, there are abundant industry participants and suppliers in the business of seafood procurement and pastry production in Hong Kong. Accordingly, in the unlikely event that our business relationship with Foo Lum Food Limited and Central International (HK) Limited became commercially unviable to us, our Directors are of the view that we would be able to seek alternative suppliers with comparable business terms, quality and reliability without undue delay or inconvenience.

Independence of management and directorship

Our Board of Directors and members of senior management function independently from our Controlling Shareholders and their respective close associates. Our Board comprise four Executive Directors and three Independent Non-executive Directors. Our senior management consists of four members. On the basis of the following reasons, our Directors believe that our Directors and members of our senior management are able to manage our business independently from our Controlling Shareholders:

- (i) with three Independent Non-executive Directors out of a total of seven Directors in our Board, which exceeds the requirements under the Listing Rules, there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving a conflict of interest and protect the interests of our independent Shareholders;
- (ii) all members of our senior management are full-time employees of our Group and most have, for the entire or substantially the entire Track Record Period, undertaken senior management supervisory responsibilities in our business. The responsibilities of our senior management team include managing operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategies of our Group. This ensures the independence of the daily management and operations of our Group from those of our Controlling Shareholders;
- (iii) instances of actual or potential conflict have been identified (see "Continuing Connected Transactions" in this prospectus) and minimized (by virtue of the Deed of Non-competition);
- (iv) each of our Directors is aware of his fiduciary duties as a Director of our Company, which require, among other things, that he acts for the benefit and in the best interests of our Shareholders as a whole and does not allow any conflict between his duties as a Director and his personal interests to affect the performance of his duties as a Director;
- (v) notwithstanding that Mr. Yeung is a director of China Best, Faith Linkage and United Team and Mr. YC Yeung is a director of United Team, they will have no on-going executive or management duties in the Excluded PRC Restaurants. Hence, Mr. Yeung and Mr. YC Yeung will devote full-time capacity to take care of our Company's interests. All of our Executive Directors and members of our senior management will devote full-time capacity to our Group;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (vi) connected transactions between our Company and companies controlled by our Controlling Shareholders are subject to the rules and regulations under the Listing Rules including rules relating to announcement, reporting and independent Shareholders' approval (where applicable);
- (vii) all of the businesses that are related to the operation of restaurants in Hong Kong held by our Controlling Shareholders have been consolidated into our Group as part of our Reorganization. Therefore, there is no competition that would adversely affect the management independence of our Group; and
- (viii) a number of corporate governance measures are in place to avoid any potential conflict of interest between our Company and our Controlling Shareholders, and to safeguard the interests of our independent Shareholders. See "— Corporate Governance Measures" in this section below.

Save and except for Mr. Yeung's and Mr. YC Yeung's directorship in China Best, Faith Linkage and United Team, our Directors have confirmed that there is no overlap in the directors and senior management between our Company and the Excluded PRC Restaurants.

Operational independence

Our Company makes business decisions independently. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and other companies controlled by our Controlling Shareholders:

- (i) our Company is not reliant on trademarks owned by our Controlling Shareholders, or other companies controlled by our Controlling Shareholders;
- (ii) save as disclosed in "Business — Legal and Regulatory Compliance" in this prospectus, our Group is the holder of all relevant licenses material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;
- (iii) our Company has its own administrative and corporate governance infrastructure (including its own accounting, legal and human resources departments);
- (iv) except for certain restaurant, office and logistic/catering premises which are leased from entities controlled by our Controlling Shareholders (details of which are set out in "Continuing Connected Transactions" in this prospectus), all of the properties used as our principal place of business, offices premises and restaurants are leased from independent third parties by our Company or our subsidiaries;
- (v) all external services and/or procurement required by our Company or our subsidiaries are provided by independent third parties; and
- (vi) our Company has established a set of internal control procedures to facilitate the effective operation of our business.

Based on the above-mentioned arrangements, our Directors are of the view that our Company will be able to operate independently from our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Continuing connected transactions between our Group and entities controlled by our Controlling Shareholders

During the Track Record Period, certain entities controlled by our Controlling Shareholders entered into related party transactions with our Group in the ordinary course of our business and on normal commercial terms. Such related party transactions are disclosed in Note 33 to the Accountants' Report set out as Appendix I to this prospectus. Such transactions, if continued upon Listing, will constitute continuing connected transactions of our Company under the Listing Rules.

Details of these continuing connected transactions are set out in "Continuing Connected Transactions" in this prospectus.

Our Directors confirm that, save and except for the continuing connected transactions set out in "Continuing Connected Transactions" in this prospectus, all non-trade related party transactions with our Controlling Shareholders will be discontinued upon Listing. Our Directors (including our Independent Non-executive Directors) consider that such continuing connected transactions have been entered into in the ordinary and usual course of our business and are based on arm's length negotiation and on normal commercial terms that are in the interests of our Group and our Shareholders as a whole.

These continuing connected transactions between our Group and entities controlled by our Controlling Shareholders are not material in value as far as our Group is concerned. On an aggregated annual basis, the amounts paid or payable by our Group to such entities in the financial year ended March 31, 2014 did not exceed 2.6% of our Group's revenue during the same period.

Financial independence

Our Directors are of the view that our Group will be financially independent of our Controlling Shareholders and any of their respective close associates upon Listing. All loans, advances and balances due to and from our Controlling Shareholders and their respective close associates (e.g., the shareholder loan) have already been fully settled and that all share pledges and guarantees provided by our Controlling Shareholders and their respective close associates on our Group's borrowing will be fully released upon Listing. In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing. Our Directors are satisfied that we are capable of conducting our business independently from any of our Controlling Shareholders (including their respective close associates) after our Company is listed on the Stock Exchange.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

DEED OF NON-COMPETITION

For the purpose of the Listing, the Controlling Shareholders have entered into the Deed of Non-competition, pursuant to which each of the Controlling Shareholders has irrevocably undertaken to our Company (for itself and on behalf of each other member of our Group) that he/she/it would not, and would procure that his/its associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any Restricted Business (whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person).

The "*Restricted Business*" stated in the Deed of Non-competition refers to any activity or business which competes, or is likely to compete, either directly or indirectly, with:

- (a) the restaurant operations business in Hong Kong referred to in "Business" in this prospectus;
- (b) the operations of restaurants and other food and beverage related business in the PRC; and
- (c) any other business from time to time conducted, engaged in or invested in by any member of our Group or which any member of our Group has otherwise publicly announced its intention to conduct, enter into, engage in or invest in on the Stock Exchange pursuant to the Listing Rules and the Securities and Futures Ordinance.

Each of the Controlling Shareholders has also undertaken to our Company the following:

- (a) to provide all information requested by our Company (including a quarterly update on their current business ventures in writing) which is necessary for the annual review by our Independent Non-executive Directors and the enforcement of the Deed of Non-competition; and
- (b) to make an annual declaration on compliance with his/its undertaking under the Deed of Non-competition in the annual reports of our Company as the Independent Non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Controlling Shareholders have further undertaken to procure that, during the restricted period, any business investment or other commercial opportunity which competes or is likely to compete either directly or indirectly with the restaurant business of the Group (the "New Opportunity") identified by or offered to him/it or any entity controlled by him/it, is first referred to us in the following manner:

- (a) the relevant Controlling Shareholder is required to refer, or to procure the referral of, the New Opportunity to us, and shall give written notice (the "Offer Notice") to us of any New Opportunity containing all information reasonably necessary for us to consider whether (i) such New Opportunity would constitute competition with our core business, and (ii) it is in the interest of our Company and our Shareholders as a whole to pursue such New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs; and
- (b) upon receiving the Offer Notice, the Company shall seek approval from a board committee (comprising, among others, all the Independent Non-executive Directors who do not have an interest in the New Opportunity) (the "Independent Board") as to whether to pursue or decline the New Opportunity. Any Director who has actual or potential interest in the New Opportunity shall not be a member of the Independent Board and shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, or count towards the quorum for, any meeting or part of a meeting convened to consider such New Opportunity;
 - (i) the Independent Board shall consider the financial impact of pursuing the New Opportunity offered, whether the nature of the New Opportunity is consistent with our Group's strategies and development plans and the general market conditions; if appropriate, the Independent Board may appoint independent financial and legal advisers to assist in the decision-making process in relation to such New Opportunity;
 - (ii) the Independent Board shall, within 20 business days of receipt of the written notice referred to in (a) above, inform the relevant Controlling Shareholder in writing on behalf of our Company its decision whether to pursue or decline the New Opportunity. Such notice period can be extended if mutually agreed in writing;
 - (iii) the relevant Controlling Shareholder shall be entitled but not obliged to pursue such New Opportunity if he or it has received a notice from the Independent Board declining such New Opportunity or if the Independent Board failed to respond within such 20 business days period (or the extended period, where applicable) pursuant to (b)(ii) above; and
 - (iv) if there is any material change in the nature, terms or conditions of such New Opportunity pursued by the relevant Controlling Shareholder, he or it shall refer such New Opportunity as so revised to our Company in the manner as outlined in the Deed of Non-competition as if it were a New Opportunity.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

For the avoidance of doubt, the arrangements set out above for the New Opportunity are not applicable to the Excluded PRC Restaurants, which are otherwise governed by the Deed of Annual Offer and ROFR. See “— Independence from our Controlling Shareholders — Annual Offer Arrangements and Right of First Refusal” in this section above.

Our Independent Board will also review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders, the results of which will be disclosed in our annual reports.

The Deed of Non-competition does not apply to:

- (a) any interests in the shares of any member of our Group. Moreover, none of the Controlling Shareholders currently has any intention to hold shares directly in any member of our Group;
- (b) the Excluded PRC Restaurants; and
- (c) interests in the shares of a company other than our Group which shares are listed on a recognized stock exchange provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or
 - (ii) the total number of the shares held by the relevant Controlling Shareholder and/or his/its associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling Shareholder and his/its associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company (together, where appropriate, with its associates) whose shareholdings in that company should be more than the total number of shares held by the Controlling Shareholder and his/its associates in aggregate.

For the avoidance of doubt, item (b) above applies only to the existing five Excluded PRC Restaurants. Our Controlling Shareholders have, pursuant to the Deed of Non-competition, further undertaken to refrain from opening, entering into, engaging in or otherwise investing in any new restaurant in the PRC. Our Controlling Shareholders currently have no intention to expand the Excluded PRC Restaurants.

The “restricted period” stated in the Deed of Non-competition refers to the period during which (i) the Shares of our Company remain listed on the Stock Exchange; (ii) the relevant Controlling Shareholder and his/its associate holds an equity interest in our Company; and (iii) the relevant Controlling Shareholder and/or his/her/its associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company. In other words, if our Company were no longer listed on the Stock Exchange or the relevant Controlling Shareholder came to hold less than 30% of the Shares then issued, the Deed of Non-competition would not apply. We believe the 30% threshold is justifiable as it is equivalent to the thresholds applied under the Listing Rules and the Takeovers Code for the concept of “control”.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Upon Listing, our Company will continue to enter into continuing connected transactions with certain companies controlled by our Controlling Shareholders. Each of our Controlling Shareholders has also undertaken to our Company under the Deed of Non-Competition that he/it shall not, and shall procure that his/its subsidiaries (other than our Company) shall not, own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes, or may compete, with our business. Our Company will further adopt the following measures to manage the conflict of interests arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our independent Shareholders:

- (i) in preparation for the Listing, our Company has amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, except for certain exceptions permitted under the Listing Rules or the Stock Exchange, a Director shall not vote on any board resolution approving any contract in relation to which he has a material interest, nor shall such Director be counted in the quorum present at the meeting. Furthermore, a Director who holds directorship and/or senior management positions in the Controlling Shareholders or any of its close associates (other than our Company or any member of our Group) shall not vote on any board resolution regarding any transactions proposed to be entered into between any member of our Group and the Controlling Shareholders or any of its close associates (other than our Company or any member of our Group), nor shall such Director be counted in the quorum present at such meeting;
- (ii) we have appointed Fortune Financial Capital Limited as our compliance adviser, which will provide advice and guidance to us with respect to compliance with the applicable laws and the Listing Rules, including but not limited to various requirements relating to Directors' duties and internal controls;
- (iii) our Independent Non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- (iv) each of our Controlling Shareholders has undertaken to provide all information necessary for the annual review by our Independent Non-executive Directors and the enforcement of the Deed of Non-competition;
- (v) we will disclose decisions on matters reviewed by our Independent Non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition either through an annual report, or by way of announcement to the public;
- (vi) each of our Controlling Shareholders will make an annual declaration of compliance with the Deed of Non-competition in the annual reports of our Company;
- (vii) the management structure of our Group includes our Audit Committee, our Remuneration Committee, and our Nomination Committee, the terms of reference of each of which will require them to be alert to prospective conflict of interest and to formulate their proposals accordingly;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (viii) pursuant to the Corporate Governance Code in Appendix 14 to the Listing Rules, our Directors, including our Independent Non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs; and
- (ix) our Independent Non-executive Directors will also review, on an annual basis, the implementation of the Deed of Non-competition and any decisions in relation to new business opportunities referred to us, and state their basis and reasons in our Company's annual reports.

Our Company expects to comply with the Corporate Governance Code in Appendix 14 to the Listing Rules which sets out principles of good corporate governance in relation to, among others, Directors, chief executive, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communication with our Shareholders. Our Company will state in our interim and annual reports whether we have complied with such code, and will provide details of, and reasons for, any deviation from it in the corporate governance reports attached to our annual reports.

In the event that our Company decides not to proceed with any particular projects or business opportunities and that our Controlling Shareholders decide to proceed with such a project or business opportunity, we will announce such decision by way of an announcement setting out therein the basis for us not taking the project or the business opportunity.

CONTINUING CONNECTED TRANSACTIONS

OVERVIEW

Prior to the Listing Date, we entered into certain transactions with parties who will, upon Listing, become our connected persons within the meaning given in Chapter 14A of the Listing Rules. These transactions will therefore constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules. Details of these transactions as well as the waivers granted by the Stock Exchange from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in this section below.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the Listing Date, the following transactions will be regarded as non-exempt continuing connected transactions subject to the written agreement, announcement, Shareholders' approval, circular (including independent financial advice), annual reporting, terms of an agreement, annual caps and annual review requirements under Chapter 14A of the Listing Rules.

Connected Tenancy Agreements

Description of the transactions

Members of our Group have entered into various tenancy agreements with various entities controlled by our Controlling Shareholders or their associates (the "Connected Landlord Entities") to lease certain properties from the Connected Landlord Entities in accordance with the respective terms of the relevant tenancy agreements (the "Connected Tenancy Agreements"). Our Group has entered into 22 Connected Tenancy Agreements with the Connected Landlord Entities in respect of the lease of certain properties owned by the Connected Landlord Entities to our Group for our restaurant operations, as office premise/warehouse or as our central kitchen/logistics centre and these Connected Tenancy Agreements were entered into by our Group after having considered, among others, the prime location of these properties and the terms offered by the Connected Landlord Entities. The Connected Tenancy Agreements were entered into in the ordinary and usual course of our Group's business. The following table summarizes the Connected Tenancy Agreements between our Group and the Connected Landlord Entities:

Landlord	Tenant	Location	Monthly rental	Term	Use
1. Foo Lum Hot Pot Restaurant Limited ⁽¹⁾	Sino Rainbow Development Limited	Restaurant 501, 5/F, Yue Xiu Plaza, 9 Ning Yuen Street, Kowloon	HK\$345,000	May 1, 2014 to March 31, 2017	Restaurant operation
2. Excel Source Investment Limited ⁽²⁾	Sino Major Company Limited	G/F (portion), Lux Theatre Building, 2-20 Ming On Street, 103-105 Baker Street and 2J-2K Bulkelley Street, Kowloon	HK\$317,400	May 1, 2014 to March 31, 2017	Restaurant operation

CONTINUING CONNECTED TRANSACTIONS

Landlord	Tenant	Location	Monthly rental	Term	Use
3. China Hall Enterprises Limited ⁽³⁾	Mid Well Investments Limited	Restaurant A & Shop 1A, 1/F, Tower 1 Enterprise Square, 9 Sheung Yuet Road, Kowloon	HK\$312,000	May 1, 2014 to March 31, 2017	Restaurant operation
4. Spring Luck Hong Kong Limited ⁽³⁾	Sino Talent Investment Limited	Shops 1-12 & 18-25, 1/F Phase I, Shops 13, 14, 14A, 15, 16 & 17, 1/F Phase II, Florence Plaza, 23 Cheung Wah Street, Kowloon	HK\$250,000	May 1, 2014 to March 31, 2017	Restaurant operation
5. Spring Luck Hong Kong Limited ⁽⁷⁾	Mid Well Investments Limited	G/F (portion) & 1/F (portion) Honour Building, 70-80 Tokwawan Road, Tokwawan, Kowloon	HK\$360,000	May 1, 2014 to March 31, 2017	Restaurant operation
6. Sino Billion Development Limited ⁽³⁾	China Start Limited	85C (G/F-2/F) & 85B-C (2/F), Broadway, Mei Foo Sun Chuen, Kowloon	HK\$690,000	May 1, 2014 to March 31, 2017	Restaurant operation
7. Excel Source Investment Limited ⁽²⁾	China Professional Asia Limited	Level 6, Shops 1A & 6B on Level 5, The Commercial Block of Greenwood Terrace, 16 Tai Man Street, Hong Kong	HK\$380,000	May 1, 2014 to March 31, 2017	Restaurant operation
8. China Spring Development Limited ⁽⁴⁾	China Talent Asia Limited	Shop A, G/F, Kwai Chung Car Park and Shopping Centre, 26-30 Wo Yip Hop Road, Kwai Chung, New Territories	HK\$322,000	May 1, 2014 to March 31, 2017	Restaurant operation
9. Central Big Enterprises Limited ⁽⁷⁾	Luck China International Trading Limited	Restaurant on 1/F, Tuen Mun Central Square, 22 Hoi Wing Road, Tuen Mun, New Territories	HK\$312,500	May 1, 2014 to March 31, 2017	Restaurant operation
10. Sino Billion Development Limited ⁽³⁾	Central Champion Limited	Unit G16, G/F, Units B105-B122, B131-B132 & Coffee Shop A on B1/F, East Ocean Centre, 98 Granville Road, Kowloon	HK\$370,000	May 1, 2014 to March 31, 2017	Restaurant operation
11. China Sky Industrial Limited ⁽⁵⁾	Chung Chun Enterprises Limited	Shop G30 (portion), G/F, Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong, Kowloon	HK\$20,700	May 1, 2014 to March 31, 2017	Warehouse
12. China Crown Industrial Limited ⁽³⁾	China Topworld Investment Limited	4/F, Shatin Fun City, 7 Lek Yuen Street, Shatin, New Territories	HK\$299,000	May 1, 2014 to March 31, 2017	Restaurant operation
13. China Spring Development Limited ⁽⁴⁾	China Mutual Development Limited	Shops 5-6, G/F, Shop 8, 1/F, Canarside, 8 Shung Shun Street, Kowloon	HK\$300,000	May 1, 2014 to March 31, 2017	Restaurant operation

CONTINUING CONNECTED TRANSACTIONS

Landlord	Tenant	Location	Monthly rental	Term	Use
14. Central Steel Limited ⁽⁴⁾ . . .	Foo Lum Management Limited	Unit E, 14/F, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon,	HK\$49,500	May 1, 2014 to March 31, 2017	Office premise
15. China Hall Enterprises Limited ⁽³⁾	Central Group (Hong Kong) Limited	Unit G1, G/F, Enterprise Square, 9 Sheung Yuet Road, Kowloon	HK\$288,000	May 1, 2014 to March 31, 2017	Restaurant operation
16. China Body Limited ⁽⁴⁾ . . .	Central Loyal Limited	G/F(portion), Elegant Garden, 409 Queen's Road West, Hong Kong	HK\$322,000	May 1, 2014 to March 31, 2017	Restaurant operation
17. Central Big Enterprises Limited ⁽⁷⁾	China Kings Development Limited	Shops 1, 2, 5 & 6, G/F, Furama Building, 15 Castle Peak Road, Kowloon	HK\$120,000	May 1, 2014 to March 31, 2017	Restaurant operation
18. China Hall Enterprises Limited ⁽³⁾	Sino Rank Limited	1-5/F, Sandoz Centre, 178-182 Texaco Road, Tsuen Wan, New Territories	HK\$750,000	May 1, 2014 to March 31, 2017	Central kitchen and logistics centre
19. China Crown Industrial Limited ⁽³⁾	Foo Lum Management Limited	15/F, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon	HK\$270,000	May 1, 2014 to March 31, 2017	Office premise
20. China Crown Industrial Limited ⁽³⁾	China Weal (HK) Limited	Shops 129, 130, 131, 132 and 133, 2/F, 114 Broadway, Mei Foo Sun Chuen Kowloon	HK\$287,500	May 1, 2014 to March 31, 2017	Restaurant operation
21. China Label Industries Limited ⁽⁶⁾	China Harvest (Hong Kong) Limited	Shop B5, G/F and Shop B3, Cockloft, Fung Cheung House, 33 Wan Fung Street, Kowloon	HK\$92,000	May 1, 2014 to March 31, 2017	Restaurant operation
22. China All Enterprises Limited ⁽⁴⁾	Luck China International Trading Limited	Unit A on G/F and Unit A & canopy on 1/F, Kin Wing Commercial Building, 24-30 Kin Wing Street, Tuen Mun, New Territories	HK\$162,900	November 1, 2014 to October 31, 2017	Restaurant operation

Notes:

- (1) Foo Lum Hot Pot Restaurant Limited is owned as to 31.25%, 31.25% and 18.75%, respectively, by Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung, our Executive Directors and Controlling Shareholders, and is hence an associate of a connected person of our Company under the Listing Rules.
- (2) Excel Source Investment Limited is indirectly owned as to 41%, 31% and 21%, respectively, by Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung, our Executive Directors and Controlling Shareholders, and is hence an associate of a connected person of our Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

- (3) Each of China Hall Enterprises Limited, Sino Billion Development Limited, China Crown Industrial Limited and Central Big Enterprises Limited is directly owned as to 1% by Mr. Yeung and as to 99% by Foo Lum Properties Limited, which is indirectly owned as to 41%, 31% and 21%, respectively, by Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung, our Executive Directors and Controlling Shareholders, and hence is an associate of a connected person of our Company under the Listing Rules.
- (4) Each of China Spring Development Limited, Central Steel Limited, China Body Limited and China All Enterprises Limited, is directly wholly-owned by Mr. Yeung, an Executive Director and a Controlling Shareholder of our Company, and hence is an associate of a connected person of our Company under the Listing Rules.
- (5) China Sky Industrial Limited is directly wholly-owned by Mr. YC Yeung, an Executive Director and a Controlling Shareholder of our Company, and hence is an associate of a connected person of our Company under the Listing Rules.
- (6) China Label Industries Limited is directly owned as to 49% by Mr. YEUNG Chun Nin 楊振年, the son of Mr. YC Yeung, an Executive Director and a Controlling Shareholder of our Company, and as to 51% by Mr. YC Yeung, and hence is an associate of a connected person of our Company under the Listing Rules.
- (7) Each of Central Big Enterprises Limited and Spring Luck Hong Kong Limited is directly wholly-owned by Foo Lum Properties Limited, which is indirectly owned as to 41%, 31% and 21%, respectively, by Mr. Yeung, Mr. YC Yeung, and Mr. YK Yeung, our Executive Directors and Controlling Shareholders, and hence is an associate of a connected person of our Company under the Listing Rules.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, our independent property valuer, has confirmed that the terms and conditions of the Connected Tenancy Agreements are on normal commercial terms and conditions and are fair and reasonable. Jones Lang LaSalle Corporate Appraisal and Advisory Limited is also of the view that the current monthly rental paid by our Group under each of the Connected Tenancy Agreements is no less favorable than that offered by an independent third party and reflects prevailing market rates.

Connected person relationship

See the notes to the table under “— Description of the transactions” above.

Historical transaction amounts

For each of the financial years ended March 31, 2012, 2013, 2014 and the three months ended June 30, 2014, the aggregate annual rental payment made to the Connected Landlord Entities by our Group under the Connected Tenancy Agreements was approximately HK\$31.7 million, HK\$40.3 million, HK\$57.1 million and HK\$17.9 million, respectively. The increase in the annual rental payment was due to the increase in number of leases our Group has entered into in each financial year as a result of the gradual expansion and growth of our restaurant network over the Track Record Period.

Tenancy Framework Agreement with the Connected Landlord Entities

Our Group expects to enter into transaction(s) of this nature between the Connected Landlord Entities and members of our Group following the Listing Date. To ensure that all tenancy transaction(s) between the Connected Landlord Entities and our Group comply with Rule 14A.34 of the Listing Rules, our Company entered into a tenancy framework agreement with Mr. Yeung, Mr. YK Yeung, Mr. YC Yeung and Mr. YEUNG Chun Nin 楊振年 (the “Tenancy Framework Agreement”) on October 28, 2014 with effect from the Listing Date. The Tenancy

CONTINUING CONNECTED TRANSACTIONS

Framework Agreement stipulates that all tenancy transactions between our Group and entities controlled by Mr. Yeung, Mr. YK Yeung, Mr. YC Yeung and/or Mr. YEUNG Chun Nin 楊振年 must be, among others, (i) in writing; (ii) in the ordinary and usual course of business of our Group; (iii) on normal commercial terms; and (iv) in compliance with all applicable provisions of the Listing Rules. The Tenancy Framework Agreement expires on March 31, 2017 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the applicable provisions of the Listing Rules, unless it is terminated earlier by either party giving 30 business days' prior notice.

Annual caps on future transaction amounts

In accordance with the Listing Rules, our Company has set annual caps for the maximum aggregate rental amount payable under the Tenancy Framework Agreement for each of the financial years ending March 31, 2015, 2016 and 2017. It is anticipated that the aggregate annual value of rental payments made to the Landlord Entities by our Group for each of the financial years ending March 31, 2015, 2016 and 2017 will not exceed HK\$80 million, HK\$80 million and HK\$80 million, respectively.

The above-mentioned annual caps have been estimated primarily based on the annual rental payable by our Group under the Connected Tenancy Agreements.

Our Directors consider that the above-mentioned annual caps are reasonably determined in accordance with Rule 14A.53(2) of the Listing Rules. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, our independent property valuer, has reviewed the Tenancy Framework Agreement and is of the opinion that (i) the terms and conditions thereunder are on normal commercial terms and fair and reasonable; and (ii) the above-mentioned annual caps reflect prevailing market rates and are no less favourable than that offered by an independent third party.

Listing Rules implications

Based on the annual caps that have been proposed, we expect that the highest relevant percentage ratios in respect of the Connected Tenancy Agreements with the Connected Landlord Entities will, on an annual basis, exceed 5% and the total consideration for these transactions will, on an annual basis, exceed HK\$10 million. Accordingly, the Connected Tenancy Agreements with the Connected Landlord Entities will constitute non-exempt continuing connected transactions of our Company subject to the the written agreement, announcement, Shareholders' approval, circular (including independent financial advice), annual reporting, terms of an agreement, annual caps, changes to cap or terms of agreement and annual review requirements in Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

INTERNAL CONTROL MEASURES IN RESPECT OF THE CONTINUING CONNECTED TRANSACTIONS

Our Audit Committee, which is comprised entirely of our Independent Non-executive Directors, will continuously monitor our Group's continuing connected transactions on an on-going basis. An annual review report on continuing connected transactions will be compiled by our Audit Committee. This report will be reproduced in the annual reports for each financial year after the Listing. Our Audit Committee will carefully consider whether all of the continuing connected transactions of our Group are entered into under ordinary and usual course of business of our Group, on normal commercial terms or, if applicable, on terms no less favorable to our Group than those available to or from (as appropriate) independent third parties, conducted in accordance with the terms of the Tenancy Framework Agreement, and are fair and reasonable to our Group and in the interests of our Company and our Shareholders as a whole.

In particular, the terms of reference of our Audit Committee stipulates that it must ensure that (i) any additional Connected Tenancy Agreement under the Tenancy Framework Agreement will be subject to a valuation being obtained from an independent valuer to ascertain whether the rental payable by our Group will be higher than prevailing market rental and whether the terms of the relevant Connected Tenancy Agreement are fair and reasonable to our Group; and (ii) alternate properties in similar location other than properties owned by our connected persons is identified and considered for new restaurants opened by our Group.

Our Audit Committee also has the following functions to safeguard the annual review of the continuing connected transactions:

- (i) meetings every six months to review the reports on continuing connected transactions;
- (ii) power to request further information with respect to our Group's continuing connected transactions to be provided by the senior management of our Company as it deems to be appropriate for its review;
- (iii) authority to appoint any financial or legal advisor as our Audit Committee considers necessary for its review;
- (iv) decision-making in relation to the continuance or discontinuance of any of our Group's continuing connected transactions in accordance with the results of its review;
- (v) the committee's approval being a condition precedent to the convening of a Board meeting to approve any new continuing connected transactions or the renewal of any continuing connected transactions, as the case may be;
- (vi) formation of its own opinion regarding the enforcement of the continuing connected transaction agreements and disclosure of such opinion in our Company's annual report for each financial year;

CONTINUING CONNECTED TRANSACTIONS

- (vii) initiation of legal proceedings against the respective connected persons in the event any of the connected transaction agreements has been materially breached; and
- (viii) the power to require alterations, modifications or changes to the terms of the continuing connected transactions in whatever manner as our Independent Non-executive Directors see fit to ensure all connected transactions are carried out on an arm's length basis.

Our Directors who may be perceived to have conflicts of interests, such as Directors who hold controlling interests in the relevant connected persons, will not participate in any meetings or discussions of our Board and our Audit Committee, or be included in any decision-making processes relating to such conflicting matters.

WAIVER

Application for Waiver

We expect to continue to enter into or carry out the transactions described above after the Listing and these transactions will constitute continuing connected transactions of our Company under the Listing Rules following the Listing.

Scope of Waiver

Under the Listing Rules, the Connected Tenancy Agreements are considered non-exempt continuing connected transactions subject to the written agreement, announcement, Shareholders' approval, circular (including independent financial advice), annual reporting, terms of an agreement, annual caps and annual review requirements in Chapter 14 of the Listing Rules.

As the Connected Tenancy Agreements described above are and will continue to be entered into in the ordinary and usual course of business of our Group on a continuing basis, our Directors are of the view that compliance with the announcement requirement under Rule 14A.35 of the Listing Rules, the Shareholders' approval requirement under Rule 14A.36 to Rule 14A.45 of the Listing Rules and the circular (including independent financial advice) requirement under Rule 14A.46 to 14A.48 of the Listing Rules would impose unnecessary administrative costs and burden to our Group and would at times be impracticable. Accordingly, the Sole Sponsor and our Directors have applied for, and the Stock Exchange has granted our Company, a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules, the Shareholders' approval requirement under Rule 14A.36 to Rule 14A.45 of the Listing Rules and the circular (including independent financial advice) requirement under Rule 14A.46 to 14A.48 of the Listing Rules as may otherwise be required of our Company in respect of the Connected Tenancy Agreements pursuant to Rule 14A.102 and Rule 14A.105 of the Listing Rules. The waiver is valid provided that the total consideration from the Connected Tenancy Agreements does not exceed the respective proposed annual caps for the relevant periods aforementioned.

CONTINUING CONNECTED TRANSACTIONS

Our Company will comply with the written agreement requirement under Rule 14A.34 of the Listing Rules, the annual reporting requirement under Rule 14A.49 of the Listing Rules, the terms of an agreement requirement under Rule 14A.51 to Rule 14A.52 of the Listing Rules, the annual cap requirement under Rule 14A.53 of the Listing Rules, the changes to cap or terms of agreement requirement under Rule 14A.54 of the Listing Rules and the annual review requirements under Rule 14A.55 to Rule 14A.59 of the Listing Rules in respect of the Connected Tenancy Agreements.

In addition, we will comply with the reporting requirements and disclose the details of the transactions in our subsequent annual reports for each of the three years ending March 31, 2015 pursuant to Rule 14A.49 of the Listing Rules. Upon expiry of the waiver after March 31, 2017, we will comply with the applicable provisions of Chapter 14A of the Listing Rules as amended from time to time or apply for relevant waivers.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of this prospectus on the non-exempt continuing connected transactions referred to in this section including, but not limited to, a requirement that these transactions be made conditional upon our independent Shareholders' approval, we will take immediate steps to ensure compliance with such requirements.

Opinion of our Directors

Our Directors (including our Independent Non-executive Directors) are of the opinion that (i) the non-exempt continuing connected transactions described above has been entered into and will be carried out in the ordinary and usual course of business and on normal commercial terms, (ii) the terms of each of the non-exempt continuing connected transactions described above are fair and reasonable and in the interests of our Shareholders as a whole, and (iii) the proposed annual caps for these non-exempt continuing connected transactions (where applicable) are fair and reasonable and in the interests of our Shareholders as a whole.

Confirmation from our Independent Non-Executive Directors

Our Independent Non-executive Directors are of the opinion that (i) the pricing mechanism and the terms under the Connected Tenancy Agreements and, the Tenancy Framework Agreement are clear and specific; (ii) the proposed annual caps of the non-exempt continuing connected transactions described above is reasonable taking into account historical transaction and management projections; (iii) the methods and procedures established by our Company are sufficient to ensure that these transactions will be conducted on normal commercial terms and not prejudicial to the interests of our Company and our minority Shareholders; and (iv) appropriate internal control procedures are in place, and our internal audit department will review these transactions; and (v) they are provided by the management of our Company with sufficient information for the discharge of their duties.

CONTINUING CONNECTED TRANSACTIONS

Confirmation from the Sole Sponsor

The Sole Sponsor is of the view that (i) the non-exempt continuing connected transactions described above has been entered into and will be carried out in the ordinary and usual course of business and on normal commercial terms, (ii) the terms of each of the non-exempt continuing connected transactions described above are fair and reasonable and in the interests of our Shareholders as a whole, and (iii) the proposed annual caps for these non-exempt continuing connected transactions are fair and reasonable and in the interests of our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Directors

Our Board of Directors is responsible and has general powers for the management and conduct of our business. The following table shows certain information in respect of the members of our Board of Directors:

Name	Age	Position/Title	Date of Appointment	Date of Joining our Group	Role and Responsibility
<i>Executive Directors</i>					
YEUNG Wai ⁽¹⁾ 楊維	50	Executive Director; chairman; chief executive officer	February 24, 2014	December 15, 1992	Our Group's overall corporate strategies, management and business development; member of our Nomination and Remuneration Committees
YEUNG Yun Chuen ⁽¹⁾ 楊潤全	57	Executive Director; co-chief operating officer	June 10, 2014	December 15, 1992	Strategic development and management of our restaurants under the "Sportful Garden (陶源)" brand
YEUNG Yun Kei ⁽¹⁾ 楊潤基	52	Executive Director; co-chief operating officer	June 10, 2014	December 15, 1992	Strategic development and management of our restaurants under the "Fulum (富臨)" brand
LEUNG Siu Sun 梁兆新	53	Executive Director; executive chef	June 10, 2014	July 1, 1995	Oversight of our production and procurement departments, central kitchen and logistics centre
<i>Independent Non-executive Directors</i>					
FAN Chun Wah Andrew 范駿華	36	Independent Non-executive Director	October 28, 2014	October 28, 2014	Supervising the management of our Company; chairman of our Nomination Committee; member of our Audit and Remuneration Committees
LOCK Kwok On Anthony 駱國安	53	Independent Non-executive Director	October 28, 2014	October 28, 2014	Supervising the management of our Company; chairman of our Remuneration Committee; member of our Audit and Nomination Committees
WU Kam On Keith 鄧錦安	39	Independent Non-executive Director	October 28, 2014	October 28, 2014	Supervising the management of our Company; chairman of our Audit Committee

Note:

⁽¹⁾ Mr. YEUNG Wai, Mr. YEUNG Yun Chuen and Mr. YEUNG Yun Kei are siblings and associates of each other under the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Our senior management consists of our Executive Directors and certain employees listed in the following table:

Name	Age	Position/Title	Date of joining our Group and Appointment	Role and Responsibility
LEUNG Ka Lok 梁家樂	44	Chief financial officer; company secretary	January 2, 2014	Oversight of our finance functions and company secretarial matters; financial management and control
LAM Wai Kan 林慧勤	42	General manager, business development	March 3, 2014	Oversight of our brand management and business development
LAM Chi Kui 林子駒	47	Operations director	February 1, 1993	Oversight of our business, human resources, public relations, marketing and information technology functions
CHAN Chok Him 陳作謙	34	Business director	February 1, 2002	Setting business targets and executing daily operations of our "Fulum (富臨)" and "Sportful Garden (陶源)" lines of restaurants

DIRECTORS

Executive Directors

Mr. YEUNG Wai 楊維

Executive Director, chairman of our Board and chief executive officer

Mr. Yeung, aged 50, was appointed as our Executive Director on February 24, 2014, the date of incorporation of our Company and concurrently serves as the chairman of our Board and our chief executive officer. Mr. Yeung is one of the founders of our Group. Mr. Yeung is primarily responsible for our Group's overall corporate strategies, management and business development. Mr. Yeung is also a member of our Remuneration Committee and Nomination Committee.

Mr. Yeung founded our Group in 1992 together with Mr. YC Yeung and Mr. YK Yeung, his siblings. Since then, Mr. Yeung has been instrumental in our business expansion and has developed our Group from a small-scale operation of one restaurant in Kowloon, Hong Kong, into a one of the top three full-service restaurant chains in the Chinese restaurant industry in Hong Kong, based on sales revenue in 2013, according to the Frost & Sullivan Report, of more than 50 restaurants throughout Hong Kong. In 2002, Mr. Yeung pioneered the "Sportful Garden (陶源)" brand in an attempt to diversify our business model and expand our revenue stream.

Mr. Yeung began his career as a restaurant chef in 1980s. Prior to founding our Group, Mr. Yeung had served various positions, including chef and manager, in a number of restaurants in Hong Kong and accumulated extensive experience in the management and day-to-day operations of restaurants.

DIRECTORS AND SENIOR MANAGEMENT

A restaurant entrepreneur, Mr. Yeung has been recognized within the food and beverage industry in Hong Kong and served several positions within the industry. He was appointed to the Quality Tourism Services Association (優質旅遊服務協會) as a governing council member in 2014 and is the vice president of the Association of Restaurant Managers (現代管理(飲食)專業協會). Mr. Yeung is also a permanent member of The Chinese General Chamber of Commerce (香港中華總商會).

Mr. Yeung is the brother of Mr. YC Yeung and Mr. YK Yeung. Mr. Yeung is also a director of all members of our Group.

Mr. YEUNG Yun Chuen 楊潤全
Executive Director and co-chief operating officer

Mr. YC Yeung, aged 57, is one of the founders of our Group. He was appointed as an Executive Director on June 10, 2014 and concurrently serves as the co-chief operating officer of our Company. Mr. YC Yeung is primarily responsible for the strategic development and management of our restaurants under our “Sportful Garden (陶源)” main brand.

Mr. YC Yeung founded our Group in 1992 together with Mr. Yeung and Mr. YK Yeung and has stewarded the origin and development of the “Sportful Garden (陶源)” brand of restaurants, targeting at high-quality food dishes and premium customers.

Mr. YC Yeung has over 30 years of experience in the food and beverage industry. Mr. YC Yeung’s specialities are restaurant operations and quality assurance, based on his extensive experience in the production department of a number of restaurants in Hong Kong and the PRC, including Shangri-La Hotel Beijing, The Garden Hotel Guangzhou, and the group of restaurants owned by Maxim’s Caterers Limited in the 1980s. He has gained substantial experiences in running and managing restaurants with his present and previous positions within the food and beverage industry.

Mr. YC Yeung has earned a number of accolades for works within the industry, including “Elite of China’s Hotel Industry” (中國飯店英才) in 2008 by the Editorial Committee of China Restaurants and Food Service Industry Series (中國飯店與餐飲系列叢書編輯委員會) and “Top Ten Chinese Restaurant Master” of the year 2007–2008 (十佳中國飯店策劃大師) by China Hotel Annual Awards (中國飯店年會). In June 2008, he was helmed as a member of Les Amis d’Escoffier Society, Inc. (廚皇會大使); an international non-profit organization promoting fine dining. He has been honored as the Honorary President of the third council of Zhuhai Food & Beverage Association (珠海市餐飲協會第三屆理事會) in June 2010.

Mr. YC Yeung is the brother of Mr. Yeung and Mr. YK Yeung. Mr. YC Yeung is also a director of the following members of our Group:

- Foo Lum Management Limited
- China East Investment Limited
- Sino Major Company Limited
- Sino Rainbow Development Limited
- Sino Target Investments Limited
- Sinotech H.K. Investments Limited
- Great Sino Investment Industrial Limited
- Chung Chun Enterprises Limited
- Super Rich International Limited
- Sino Scene Development Limited
- China Honest Development Limited
- Sino Emotion Limited
- Sino Favour (Hong Kong) Limited

DIRECTORS AND SENIOR MANAGEMENT

Mr. YEUNG Yun Kei 楊潤基

Executive Director and co-chief operating officer

Mr. YK Yeung, aged 52, has been an Executive Director of our Company since June 10, 2014. Mr. YK Yeung is the co-chief operating officer of our Group together with Mr. YC Yeung. His chief responsibilities are the management and strategic development of our restaurants under our “Fulum (富臨)” main brand.

Prior to founding our Group in 1992 together with Mr. Yeung and Mr. YC Yeung, Mr. YK Yeung was an experienced practitioner in the food and beverage industry in Hong Kong with over 30 years of extensive experience, serving various positions in a number of restaurants in Hong Kong.

Mr. YK Yeung has been recognized within the food and beverage industry. In the year of 2009 to 2010, he was awarded with a “platinum five-star medal” (白金五星勳章) in the “China Hotel Industry 100 Elites” (飯店業中華英才百福榜). His industry recognition also includes his position as a current director of the Hong Kong Federation of Restaurants and Related Trades (香港餐飲聯業協會). He also received the “gold belt certificate” from, and was elected as a director of, The HK 5-S Association (香港五常法協會) in July 2013.

Mr. YK Yeung is the brother of Mr. Yeung and Mr. YC Yeung. Mr. YK Yeung is also a director of the following members of our Group:

- Foo Lum Management Limited
- China East Investment Limited
- China Weal (HK) Limited
- Chung Chun Enterprises Limited
- Super Rich International Limited

Mr. LEUNG Siu Sun 梁兆新

Executive Director and executive chef

Mr. Leung, aged 53, has been an Executive Director of our Company since June 10, 2014. He is the executive chef of our Group and heads our production and procurement departments, central kitchen and logistics centre. His responsibilities include managing productions, developing new products and quality control.

With over 30 years of experience, Mr. Leung is a seasoned chef with working experience in the food and beverage industry in Hong Kong, the PRC and Japan. His career highlights include his positions at Maxim’s Caterers Limited in Hong Kong in the 1980s, The Garden Hotel, Guangzhou in the PRC, and The Royal Hotel in Aomori, Japan, all held in the 1980s. Mr. Leung joined our production department in July 1995 as a chef and has since been involved in the quality assurance functions. He was promoted to his current position of executive chef in June 2004.

Mr. Leung sought to improve his industry knowledge by completing the “green belt” certificate course organized by The HK 5-S Association (香港五常法協會) in April 2007, and was subsequently advanced to the “black belt” certificate in July 2013. Mr. Leung has also attended an overseas training course on advanced food production and management organised by the Hong Kong Productivity Council and was helmed as a member of Les Amis d’Escoffier Society, Inc. (廚皇會大使), an international non-profit organization promoting fine dining, in February 2005. Mr. Leung received a certificate for food hygiene managers from the Hong Kong Christian Service Kwun Tong Vocational Training Centre in April 2005.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. FAN Chun Wah Andrew 范駿華
Independent Non-executive Director

Mr. Fan, aged 36, was appointed as our Independent Non-executive Director on October 28, 2014 and supervises the overall management of our Group.

Mr. Fan has been a practising certified public accountant in Hong Kong since 2006, with over eight years of experience. He obtained a bachelor's degree in business administration (accounting and finance) from the University of Hong Kong in December 1999 and a bachelor's degree in laws from the University of London in August 2007. He is a practicing certified public accountants at C. W. Fan & Co. since January 2006 and prior to that, he was a vice president of Citigroup Global Markets Asia Limited and a manager of PricewaterhouseCoopers, Hong Kong. Mr. Fan has been a member of the Association of Chartered Certified Accountants in the United Kingdom since August 2011, and the Hong Kong Institute of Certified Public Accountants since September 2006. He has also been a member of the Hong Kong Society of Accountants since January 2003. He is a council member of the Society of Chinese Accountants & Auditors. He is also a committee member of the tenth and eleventh Chinese People's Political Consultative Conference of the Zhejiang Province, the fourth and fifth Chinese People's Political Consultative Conference of Shenzhen and the vice chairman of the Hong Kong United Young Association.

Mr. Fan is also an independent non-executive director of Milan Station Holdings Limited (1150), Chuang's China Investments Limited (298), LT Holdings Limited (112) and Sinomax Group Limited (1418), the shares of all of which are listed on the Main Board of the Stock Exchange. Mr. Fan was an independent non-executive director of CIG Yangtze Ports PLC (8233), the shares of which are listed on the Growth Enterprises Market of the Stock Exchange, during the period from February 28, 2009 to April 1, 2014 and Far East Holdings International Limited (36), the shares of which listed on the Main Board of the Stock Exchange, during the period from October 9, 2009 to March 1, 2012.

Mr. LOCK Kwok On Anthony 駱國安
Independent Non-executive Director

Mr. Lock, aged 53, was appointed as our Independent Non-executive Director on October 28, 2014 and supervises the overall management of our Group.

Mr. Lock is one of the founding members of the Hong Kong Professionals and Senior Executives Association and Chairman of the Hong Kong Federation of Restaurants and Related Trades (香港餐飲聯業協會) from September 2008 to December 2011 and became its present President in December 2011 and is widely recognized in the restaurant industry. He is currently a member of the Chinese Cuisine Training Institute Training Board of the Vocational Training Council and has been a non-official member of the Business Facilitation Advisory Committee of the Economic Analysis and Business Facilitation Unit since January 2012. Mr. Lock also serves as a member of the Chinese Catering Qualifications Framework Advisory Committee (教育局中式飲食業資歷架構諮詢委員會會員).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lock was the founder of California Red Limited and served as its chief executive officer. Mr. Lock was also the co-chairman of the Smoke-free Restaurants Working Group and Convener of the Catering Entertainment Premises Smoking Ban Regulations Concern Group in 2006. Mr. Lock joined Tsui Wah Holdings Limited (the shares of which are listed on the Stock Exchange (1314)), a leading Hong Kong-styled restaurants operator in Hong Kong and the PRC, in 2010 and is currently its chief executive officer. Mr. Lock received a master's degree in business administration (Executive MBA) from The Chinese University of Hong Kong in September 2010. With his previous and current positions within our Group and other institutions, Mr. Lock has accumulated around 20 years of extensive experience in the restaurant and entertainment industry in Hong Kong.

Mr. WU Kam On Keith 鄺錦安
Independent Non-executive Director

Mr. Wu, aged 39, has been our Independent Non-executive Director since October 28, 2014 and was appointed to our Board to supervise the overall management of our Group.

Mr. Wu is experienced in the food and beverage industry in Hong Kong as evidenced by his work at Tsit Wing International Holdings Ltd (the shares of which was listed on the Singapore Exchange Limited (T26) until October 2013), which supplies coffee, tea and related grocery items to food establishments in Hong Kong, the PRC and Asia. Joined in July 2005, Mr. Wu is currently an executive director, the general manager of group corporate services and group financial controller of Tsit Wing International Holdings Ltd and is responsible to assist its chairman and chief executive officer to formulate corporate strategy for growth and development. Prior to that, he was an accountant of Hongkong International Terminals Limited which operates a number of ports at the Kwai Chung Terminals, Hong Kong, from April 2001 to June 2004 and practised as a certified public accountant at Deloitte Touche Tohmatsu from June 1997 to July 2000. These past and present positions have given him over sixteen years of financial and accounting experience.

Mr. Wu received a bachelor's degree in accountancy from the City University of Hong Kong in January 1997 and a master's degree in corporate governance from the Hong Kong Polytechnic University in October 2009. He was admitted as a fellow of the Hong Kong Institute of Certified Public Accountants in September 2008 and an associate of The Hong Kong Institute of Chartered Secretaries in April 2010. He has also been a fellow of the Taxation Institute of Hong Kong since July 2010 and an elected associate of The Institute of Chartered Secretaries and Administrations in the United Kingdom since April 2010. Mr. Wu's knowledge and qualification as a Director is also evidenced by his membership in The Hong Kong Institute of Directors since June 2012.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. LEUNG Ka Lok 梁家樂

Chief financial officer and company secretary

Mr. Leung, aged 44, joined our Group in January 2014 and is currently our chief financial officer and company secretary. Mr. Leung oversees our finance functions and company secretarial matters and is in charge of our financial management and control. He was the deputy director of investor relations of Brightoil Petroleum (Holdings) Limited (the shares of which are listed on the Stock Exchange (933)) from September 2013 to December 2013. He was the deputy general manager of investor relations and company secretary of Shanghai Electric Group Company Limited (the shares of which are listed on the Stock Exchange (2727) and the Shanghai Stock Exchange (601727)) from January 2011 to June 2013. Prior to that, he was the chief financial officer and company secretary of Fortune Sun (China) Holdings Limited (the shares of which are listed on the Stock Exchange (352)) from October 2005 to December 2010, and senior manager — finance in New World China Enterprises Projects Limited from May 2004 to May 2005. Our Directors believe that Mr. Leung's extensive experience in the PRC will assist us with our future development in the PRC.

Mr. Leung was admitted as a fellow of the Association of Chartered Certified Accountants in January 2001. He has also been an associate of The Chartered Association of Certified Accountants since January 1996 and a member of The Hong Kong Institute of Certified Public Accountants since January 1996. He obtained a bachelor of arts degree in accountancy from the City University of Hong Kong in November 1992 in Hong Kong and a master's degree in business administration from the University of Manchester in June 2007 in the United Kingdom (distance learning course).

Ms. LAM Wai Kan 林慧勤

General manager, business development

Ms. Lam, aged 42, is our general manager, business development and oversees our brand management, business development. She joined our Group on March 3, 2014.

Ms. Lam is an experienced management personnel within the food and beverage industry in Hong Kong with experience in brand development, sales and marketing. Prior to joining our Group, she has worked with the group of restaurants owned by Maxim's Caterers Limited from March 1999 to June 2012, during which she served as a general manager of the restaurants under the brand "Genki Sushi (元氣壽司)", district manager, training manager and operations manager of "Starbucks" coffee kiosks and a division manager of its cakes and bakery division under the brand "Maxim's Bakery (美心西餅)". She was also an assistant to the general manager of Maxim's provincial Chinese restaurants.

Ms. Lam received her bachelor of arts degree from The Chinese University of Hong Kong in December 1994 in Hong Kong. She obtained a master's degree in business administration (Executive MBA) in December 2010 from The Chinese University of Hong Kong in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

Mr. LAM Chi Kui 林子駒
Operations director

Mr. Lam, aged 47, is our operations director. He first joined our Group in February 1993 as a manager of our restaurant in Tai Kok Tsui, Hong Kong. He pursued his personal business venture between June 1998 and June 2005 and re-joined us as a branch manager of our restaurant in Mong Kok, Kowloon. Starting from September 2006, he became involved in the central management of our Group, serving as our property development manager. His current appointment as our operations director came on June 1, 2012.

Mr. Lam is in charge of the daily management of our operations, including matters relating to business, human resources, public relations, marketing and information technology. Mr. Lam is a brother-in-law of Mr. Yeung, our Controlling Shareholder and Executive Director, and is therefore an associate of a connected person of our Company.

Mr. CHAN Chok Him 陳作謙
Business director

Mr. Chan, aged 34, is our business director and joined our Group in February 2002. Mr. Chan was appointed to his current position in April 2014 and is primarily responsible for setting business targets and executing the daily operations of our “Fulum (富臨)” and “Sportful Garden (陶源)” lines of restaurants. Mr. Chan has over twelve years of experience in restaurant operations. He also worked in our Group as the branch manager of a number of our restaurants between February 2006 and April 2009, the district manager between May 2009 and September 2013 and deputy operations director of our “Sportful Garden (陶源)” restaurants between October 2013 and March 2014.

COMPANY SECRETARY

Pursuant to Rule 3.28 and Rule 8.17 of the Listing Rules, the secretary of the Company must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary. The Stock Exchange considers (a) an ordinary member of The Hong Kong Institute of Company Secretaries, (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) as acceptable academic or professional qualifications.

We have appointed Mr. LEUNG Ka Lok as our company secretary since June 10, 2014. See “— Senior Management” in this section above for his biographical details.

COMPLIANCE ADVISER

We have appointed Fortune Financial Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- the publication of any announcements, circulars or financial reports under any applicable laws, rules, codes and guidelines;
- where a transaction, which might be discloseable or being a notifiable or connected transaction under Chapter 13, 14 and/or 14A of the Listing Rules, is contemplated including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us in respect of unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, Fortune Financial Capital Limited will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. Fortune Financial Capital Limited will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the continuing requirements under the Listing Rules and other applicable laws and regulations.

The terms of the appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

BOARD COMMITTEES

We have established the following committees in our Board of Directors: an Audit Committee, a Remuneration Committee and a Nomination Committee. The committees operate in accordance with terms of reference established by our Board of Directors.

Audit Committee

We established our Audit Committee on October 28, 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 and paragraph D3 of the Code as set forth in Appendix 14 to the Listing Rules. Our Audit Committee consists of all of our Independent Non-executive Directors. The chairman of the Audit Committee is Mr. WU Kam On Keith 鄔錦安, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of our Audit Committee are to make recommendations to our Board on the appointment and removal of the external auditor, to review the financial statements and material advice in respect of financial reporting and to oversee the audit process and internal control procedures of our Company.

Remuneration Committee

We established our Remuneration Committee on October 28, 2014 with written terms of reference in compliance with paragraph B1 of the Code as set forth in Appendix 14 to the Listing Rules. Our Remuneration Committee consists of Mr. LOCK Kwok On Anthony 駱國安, Mr. FAN Chun Wah Andrew 范駿華, both our Independent Non-executive Directors, and Mr. Yeung, an Executive Director. The Remuneration Committee is chaired by Mr. LOCK Kwok On Anthony 駱國安. The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) making recommendations to our Board on our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

Nomination Committee

We established our Nomination Committee on October 28, 2014 with written terms of reference in compliance with paragraph A5 of the Code as set forth in Appendix 14 to the Listing Rules. Our Nomination Committee consists of Mr. FAN Chun Wah Andrew 范駿華, Mr. LOCK Kwok On Anthony 駱國安, both our Independent Non-executive Directors, and Mr. Yeung, an Executive Director. The chairman of our Nomination Committee is Mr. FAN Chun Wah Andrew 范駿華. The primary functions of the Nomination Committee include, without limitation, reviewing the structure, size and composition of our Board of Directors, assessing the independence of our Independent Non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

DIRECTORS AND SENIOR MANAGEMENT

COMPENSATION OF DIRECTORS AND MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, allowances, bonuses and other benefits-in-kind, including our contribution to the pension scheme. Our Remuneration Committee determines the salaries of our Directors based on each Director's qualification, position and seniority.

The aggregate amount of remuneration (including salaries, allowances and benefits in kind) paid to our Directors for each of the financial years ended March 31, 2012, 2013, 2014 and the three months ended June 30, 2014 were HK\$5.3 million, HK\$5.5 million, HK\$5.9 million and HK\$1.3 million, respectively.

The aggregate amount of remuneration (including salaries, allowances and benefits in kind (where applicable)) paid to our five highest paid individuals for each of the financial years ended March 31, 2012, 2013, 2014 and the three months ended June 30, 2014 were HK\$5.8 million, HK\$6.2 million, HK\$6.6 million and HK\$1.6 million, respectively.

It is estimated that an aggregate amount of remuneration equivalent to approximately HK\$4.7 million will be paid and granted to our Directors by us for the year ending March 31, 2015 under arrangements in force on the date of this prospectus.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

Our policy concerning the remuneration of our Directors is that the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, performance and the time devoted to our business.

Except as disclosed in this prospectus, no Director has been paid in cash or shares or otherwise by any person either to induce him to become, or to qualify him as a Director, or otherwise for service rendered by him in connection with the promotion or formation of us.

DIRECTOR'S INTEREST

Except as disclosed in this prospectus, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Director, senior management, Substantial Shareholder or the Controlling Shareholder of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the date of this prospectus. As at the Latest Practicable Date, except as disclosed in this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

DIRECTORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE CODE

Our Company complies or intends to comply with the Corporate Governance Code in Appendix 14 of the Listing Rules with the exception for A.2.1, which requires the roles of chairman and chief executive be in different individuals.

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yeung current holds both positions. Throughout our business history of over two decades, Mr. Yeung has been the key leadership figure of our Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group's operations as he directly supervises our senior management. Taking into account the continuation of the implementation of our business plans, our Directors (including our Independent Non-executive Directors) consider Mr. Yeung the best candidate for both positions and the present arrangements are beneficial and in the interests of our Company and our Shareholders as a whole.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the *"comply or explain"* principle in our corporate governance report which will be included in our annual reports upon Listing.

DISCLOSURE PURSUANT TO RULE 13.51(2) OF THE LISTING RULES

Sino Rainbow Investment Limited

Mr. Yeung and Mr. YC Yeung were the only directors of Sino Rainbow Investment Limited ("Sino Rainbow"), a company incorporated in Hong Kong and dissolved by members' voluntary winding up on July 18, 2013. While Mr. Yeung was a shareholder of Sino Rainbow, holding 1 out of 100 shares in its then issued share capital. Mr. YC Yeung did not hold any shares in Sino Rainbow. The remaining 99 shares were held by FLHL, which is in turn controlled by Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung.

Sino Rainbow was the operator of a "Fulum Fisherman's Wharf 富臨漁港" restaurant prior to its dissolution. On February 17, 2012, a demand for payment in the amount of HK\$788,400 was made to Sino Rainbow by its supplier (the "Supplier") pursuant to section 178 of the Predecessor Companies Ordinance for the goods sold and delivered and services provided. On March 26, 2012, a winding-up petition was initiated against Sino Rainbow by the Supplier under the Predecessor Companies Ordinance. Subsequently in May 2012, the matter was settled by the payment by Sino Rainbow of HK\$833,400, representing the amount due to and the legal costs incurred by the Supplier. No winding-up order against Sino Rainbow has been made by the court.

Given that the matter has been settled between Sino Rainbow and the Supplier and that Sino Rainbow was dissolved by members' voluntary winding up when it was solvent, the winding-up petition against Sino Rainbow did not and will not restrict Mr. Yeung or Mr. YC Yeung from acting as Directors of our Company.

DIRECTORS AND SENIOR MANAGEMENT

Silver Success Asia Limited

Mr. LOCK Kwok On Anthony, our Independent Non-executive Director, is one of the defendants of an alleged claim initiated by Silver Success Asia Limited ("Silver Success") in February 2011. Based on publicly available legal documentation, the alleged claim is a commercial dispute over a share sale agreement dated March 1, 2010 entered into between Silver Success and the then shareholders of California Red Limited, of which Mr. Lock is one. The said dispute was a result of differences in the understanding of the adjustments made to the consideration of the transactions contemplated under the subject share sale agreement. According to the writ of summons dated February 28, 2011, the alleged claim amounted to about HK\$8.13 million in aggregate.

None of the parties to the said dispute, including Mr. Lock, has been found guilty of dishonesty, breach of duties, fraud, misrepresentation, or other wrongdoings whatsoever by the court. The alleged claim has been fully settled and discontinued by virtue of a consent order granted by the court on October 21, 2013.

Mr. Lock has been advised that the said dispute does not involve any claims in the nature of dishonesty, fraud or breach of fiduciary duties on the part of Mr. Lock. On the basis of this advice and that no judgment or order has been made against Mr. Lock, our Directors are of the view that the said dispute would not affect Mr. Lock's competence and suitability to act as a Director of our Company. Based on the above and the due diligence work conducted by the Sole Sponsor, the Sole Sponsor is not aware of any other matters that would affect Mr. Lock's competence and suitability to act as a Director of our Company.

Except as disclosed in this prospectus, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

FINANCIAL INFORMATION

You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set forth in the accountants' reports in Appendix I to this prospectus, which have been prepared in accordance with HKFRS. The following discussion contains certain forward-looking statements concerning events that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are a top three full-service restaurant chain serving Chinese cuisine in Hong Kong, based on sales revenue in 2013, according to the Frost & Sullivan Report. In particular, we are a top two full-service restaurant chain serving Cantonese cuisine in Hong Kong, based on sales revenue in 2013, according to the Frost & Sullivan Report.

As at the Latest Practicable Date, we owned and were operating 55 restaurants in Hong Kong under different brands serving a variety of cuisines. Our restaurants can be categorized into three lines of business: (1) restaurants under the "Fulum (富臨)" main brand focusing on Cantonese cuisine targeting the mass market, (2) restaurants under the "Sportful Garden (陶源)" main brand focusing on Cantonese cuisine targeting mid-to-high end market, and (3) specialty cuisine restaurants under our "Fulum Concept (富臨概念)" line of business which are generally of a smaller size, under various other brands serving Chinese and non-Chinese specialty cuisines. Please refer to "Business — Our Lines of Business" in this prospectus for a list of all our main brands and sub-brands. We also provide group banquet and wedding banquet services mainly in restaurants under our "Fulum (富臨)" main brand, and sell packaged festival products in certain of our restaurants.

We started using a small-scale central kitchen in Hong Kong in 2005. In order to support all our operations in Hong Kong, we commenced use of a full-scale central kitchen and logistics center in Hong Kong in April 2012. Our full-scale central kitchen and logistics center centralizes the production and distribution of processed and semi-processed food ingredients, as well as storage of raw materials and other inventories. For the year ended March 31, 2014, approximately 43% of the semi-processed or processed food ingredients used in our restaurants were prepared at our central kitchen and logistics center.

We believe our multi-brand strategy is a key to our success and we intend to continue to expand in Hong Kong by (i) opening new Chinese cuisine restaurants under our "Fulum (富臨)" and "Sportful Garden (陶源)" main brands and (ii) expanding further into Chinese and non-Chinese specialty cuisines under our "Fulum Concept (富臨概念)" line of business. In respect of new Chinese cuisine restaurants, we currently expect to open four new restaurants under our "Fulum (富臨)" main brand in Hong Kong in each of the three years ending March 31, 2015, 2016 and 2017, and one new restaurant under our "Sportful Garden (陶源)" main brand in Hong Kong in each of the three years ending March 31, 2015, 2016 and 2017. In respect of specialty cuisine restaurants under our "Fulum Concept (富臨概念)" line of business, we currently expect to open approximately six, seven and seven new specialty cuisine restaurants in Hong Kong in the years ending March 31, 2015, 2016 and 2017, respectively.

FINANCIAL INFORMATION

Leveraging on our position as a top two full-service restaurant chain in the Cantonese cuisine restaurant industry in Hong Kong based on sales revenue in 2013, according to the Frost & Sullivan Report, we intend to progressively expand into the PRC. We currently expect to open two new restaurants serving Cantonese cuisine with a focus on the mass market segment in the PRC in each of the three years ending March 31, 2015, 2016 and 2017.

Our revenue increased by 9.3% from HK\$1,723.9 million for the year ended March 31, 2012 to HK\$1,885.0 million for the year ended March 31, 2013, by 18.1% from HK\$1,885.0 million for the year ended March 31, 2013 to HK\$2,226.2 million for the year ended March 31, 2014 and by 13.7% from HK\$481.7 million for the three months ended June 30, 2013 to HK\$547.6 million for the three months ended June 30, 2014. Our profit for the year attributable to owners of our Company increased by 54.0% from HK\$96.6 million for the year ended March 31, 2012 to HK\$148.8 million for the year ended March 31, 2013 and by 12.6% from HK\$148.8 million for the year ended March 31, 2013 to HK\$167.5 million for the year ended March 31, 2014. Our profit for the period attributable to owners of our Company decreased by 28.6% from HK\$9.6 million for the three months ended June 30, 2013 to HK\$6.8 million for the three months ended June 30, 2014, mainly due to an increase of HK\$4.9 million in one-off listing expenses incurred during the three months ended June 30, 2014.

BASIS OF PRESENTATION

The financial information of our Group has been prepared in accordance with HKFRS, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. All HKFRS effective for the accounting period commencing from April 1, 2014, together with the relevant transactional provisions, have been early adopted by our Group in the preparation of the financial statements throughout the Track Record Period.

The financial information has been prepared on a historical basis. These financial statements are presented in Hong Kong Dollars and all values are rounded to the nearest thousand, except where otherwise indicated.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in the section headed "Risk Factors" in this prospectus and those set out below.

Restaurant Openings, Closings and Acquisitions

We generate substantially all of our revenue from food and beverage sales at our restaurants. Food and beverage sales are affected by the number of our restaurants in operation and the number of total operating days of our restaurants, which in turn are affected by the openings, closings and acquisitions of our restaurants.

FINANCIAL INFORMATION

The following table sets forth the number of our restaurants in operation, by our lines of business, as of the dates indicated.

	As of March 31,			As of June 30,	As of the Latest Practicable Date
	2012	2013	2014	2014	
Number of Restaurants:					
“Fulum (富臨)” main brand	26	32	35	35	36
“Sportful Garden (陶源)” main brand	8	8	10	10	10
“Fulum Concept (富臨概念)” main line	<u>0</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>9</u>
Total	<u>34</u>	<u>41</u>	<u>52</u>	<u>52</u>	<u>55</u>

During the Track Record Period, we added 3, 8, 12 and 1 restaurants to our Group in the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively. All of the restaurants added to our Group in the two years ended March 31, 2012 and 2013 and the three months ended June 30, 2014 were restaurants newly opened by us. Of the 12 restaurants added to our Group in the year ended March 31, 2014, six were newly opened by us and six were acquired by us. From July 1, 2014 to the Latest Practicable Date, we added three new restaurants, all of which were newly opened by us.

From the beginning of the Track Record Period on April 1, 2011 to the Latest Practicable Date, we closed one restaurant in the year ended March 31, 2012, one restaurant in the year ended March 31, 2013, one restaurant in the year ended March 31, 2014 and one restaurant in the three months ended June 30, 2014. We closed two of these restaurants after expiration of their lease agreements as we were unable to secure renewals of these lease agreements and we closed the other two restaurants as their continued operations would not be able to meet our target performance.

FINANCIAL INFORMATION

The table below sets forth information on revenue and number of restaurants for our restaurants in operation throughout each period indicated, restaurants newly opened and restaurants closed during the applicable period.

	Restaurants in operation throughout the period	Restaurants newly added to our Group during the period	Restaurants closed during the period	Total
(HK\$'000, except number of restaurants)				
Year ended March 31, 2012				
Revenue.	1,590,212	94,823	11,748	1,696,783
Percentage of total revenue.	93.7%	5.6%	0.7%	100%
Number of restaurants	31	3	1	35
 Year ended March 31, 2013				
Revenue.	1,696,380	158,912	537	1,855,829
Percentage of total revenue.	91.4%	8.6%	0.0%	100%
Number of restaurants	33	8	1	42
 Year ended March 31, 2014				
Revenue.	1,986,727	143,746	28,270	2,158,743
Percentage of total revenue.	92.0%	6.7%	1.3%	100%
Number of restaurants	40	12	1	53
 Three months ended June 30, 2014				
Revenue.	534,594	1,700	3,239	539,533
Percentage of total revenue.	99.1%	0.3%	0.6%	100%
Number of restaurants	51	1	1	53

A new restaurant generally generates lower profit due to lower sales and higher start-up operating costs in the initial stage and requires a period of time from its opening to achieve target sales. During the Track Record Period, we opened 18 new restaurants⁽¹⁾. As at June 30, 2014, 17 of these 18 new restaurants had achieved a breakeven point which is the first month in which the monthly revenue is at least equal to the monthly expenses of a restaurant. On average, these 17 new restaurants took approximately four months to reach the breakeven point. As at June 30, 2014, two of these 18 new restaurants opened during the Track Record Period had reached the investment payback point, which we consider when the accumulated net profit from a restaurant exceeds the costs of opening and operating the restaurant, including incurred capital expenditures and ongoing cash and non-cash operating expenses. The average investment payback period for these two new restaurants was approximately 13 months. We intend to open 11, 12, and 12 new restaurants in Hong Kong and two, two and two new restaurants in the PRC in the years ending March 31, 2015, 2016 and 2017, respectively. The number of new restaurants we have in operation during any period may affect our overall results of operations.

¹ Excludes the six restaurants acquired by us on March 1, 2014

FINANCIAL INFORMATION

Comparable Restaurant Sales

Comparable restaurant sales for a given fiscal year/period refer to the revenue of all restaurants qualified as comparable restaurants during that year/period. We define comparable restaurants as restaurants that were operating throughout the periods under comparison. For example, the comparable restaurants for the years ended March 31, 2012 and 2013 are restaurants that were open throughout both the year ended March 31, 2012 and the year ended March 31, 2013. Comparable restaurant sales are primarily affected by the guest count and the average check per guest at the comparable restaurants. The table below sets forth our comparable restaurant sales over the Track Record Period.

	For the year ended March 31,		For the year ended March 31,		For the three months ended June 30,	
	2012	2013	2013	2014	2013	2014
Number of comparable restaurants						
"Fulum (富臨)" main brand	23	23	26	26	30	30
"Sportful Garden (陶源)" main brand	7	7	7	7	8	8
"Fulum Concept (富臨概念)" main line	—	—	—	—	1	1
<i>Total number</i>	<u>30</u>	<u>30</u>	<u>33</u>	<u>33</u>	<u>39</u>	<u>39</u>
Comparable restaurants sales (HK\$'000)						
"Fulum (富臨)" main brand	1,296,505	1,282,964	1,427,326	1,387,345	380,861	380,644
"Sportful Garden (陶源)" main brand	267,682	269,054	269,054	284,795	67,850	72,796
"Fulum Concept (富臨概念)" main line	—	—	—	—	3,676	3,538
<i>Total sales</i>	<u>1,564,187</u>	<u>1,552,018</u>	<u>1,696,380</u>	<u>1,672,140</u>	<u>452,387</u>	<u>456,978</u>
Daily average revenue per comparable restaurant (HK\$'000)						
"Fulum (富臨)" main brand	154	153	150	146	140	139
"Sportful Garden (陶源)" main brand	104	105	105	111	93	100
"Fulum Concept (富臨概念)" main line	—	—	—	—	40	39
<i>Overall daily average revenue</i>	142	142	141	139	127	129
Percentage increase/ (decrease) of comparable restaurants sales during comparable periods						
"Fulum (富臨)" main brand	(1.0%)		(2.8%)		(0.1%)	
"Sportful Garden (陶源)" main brand	0.5%		5.9%		7.3%	
"Fulum Concept (富臨概念)" main line	—		—		(3.8%)	
<i>Overall increase/(decrease)</i>	(0.8%)		(1.4%)		1.0%	

FINANCIAL INFORMATION

The decrease in comparable restaurant sales by 1.4% from the year ended March 31, 2013 to the year ended March 31, 2014 was primarily due to a decrease in estimated guest count and seat turnover rate in the year ended March 31, 2014 that primarily resulted from fluctuations in customer preferences. Please see the section headed “Risk Factors — Risks Relating to Our Business — Our financial results depend on the success of our existing and new restaurants” in this prospectus. Our comparable restaurant sales for the three months ended June 30, 2014 increased by 1.0% when compared to the three months ended June 30, 2013, primarily resulting from an increase in comparable restaurant sales for restaurants under our “Sportful Garden (陶源)” main brand driven by increases in the estimated guest count and the estimated seat turnover rate over the three months ended June 30, 2014. For our Group’s strategy to increase comparable restaurants sales in the future, please see the section headed “Business — Business Strategy — Drive comparable restaurant sales growth” in this prospectus.

Guest Traffic and Average Check per Guest

Our business is significantly affected by changes in guest traffic and average check per guest. We estimate and record the guest count through our point-of-sale systems at each restaurant. Average check per guest is a measure of our restaurant sales divided by the guest count of the relevant restaurants during the same period. The guest traffic and average check per guest at our restaurants are affected by, among other things, macroeconomic factors, our menu mix and pricing, changes in discretionary spending patterns and consumer tastes, and lifestyle trends of the general public.

The following table sets forth the estimated guest count, estimated seat turnover rate and estimated average check per guest for our comparable restaurants during the Track Record Period. Any differences between the results of guest count multiplied by the average

FINANCIAL INFORMATION

check per guest on the one hand and the comparable restaurant sales during the same period on the other hand are due to rounding.

	For the year ended March 31,		For the year ended March 31,		For the three months ended June 30,	
	2012	2013	2013	2014	2013	2014
Number of comparable restaurants						
"Fulum (富臨)" main brand .	23	23	26	26	30	30
"Sportful Garden (陶源)" main brand	7	7	7	7	8	8
"Fulum Concept (富臨概念)" main line	—	—	—	—	1	1
<i>Total number</i>	<u>30</u>	<u>30</u>	<u>33</u>	<u>33</u>	<u>39</u>	<u>39</u>
Estimated guest count of comparable restaurants (thousands)						
"Fulum (富臨)" main brand .	14,554	14,651	16,511	15,987	4,778	4,565
"Sportful Garden (陶源)" main brand	1,610	1,452	1,452	1,584	370	451
"Fulum Concept (富臨概念)" main line	—	—	—	—	52	55
<i>Total estimated guest count</i>	<u>16,164</u>	<u>16,103</u>	<u>17,963</u>	<u>17,571</u>	<u>5,200</u>	<u>5,071</u>
Estimated seat turnover rate of comparable restaurants¹						
"Fulum (富臨)" main brand .	2.74	2.76	2.71	2.62	2.51	2.39
"Sportful Garden (陶源)" main brand	1.26	1.14	1.14	1.24	0.99	1.21
"Fulum Concept (富臨概念)" main line	—	—	—	—	5.74	6.05
<i>Overall estimated seat turnover rate</i>	2.46	2.45	2.44	2.38	2.27	2.22
Estimated average check per guest of comparable restaurants (HK\$)						
"Fulum (富臨)" main brand .	89	88	86	87	80	83
"Sportful Garden (陶源)" main brand	166	185	185	180	184	162
"Fulum Concept (富臨概念)" main line	—	—	—	—	70	64
<i>Overall average check per guest</i>	97	96	94	95	87	90

¹ *Estimated seat turnover rate is calculated by dividing the estimated guest count by the outcome of multiplying the seating capacity of the relevant comparable restaurants by the number of days during the period. Seating capacities of our restaurants are estimates only and they are subject to short-term adjustment to accommodate any temporary upswing in guest traffic, such as the significantly increased guest traffic at some of our restaurants around the public holidays.*

FINANCIAL INFORMATION

The following table sets forth the estimated average check per guest for all of our restaurants during the Track Record Period.

	For the year ended March 31,			For the three months ended June 30,	
	2012	2013	2014	2013	2014
Estimated average check per guest of all restaurants (HK\$)					
“Fulum (富臨)” main brand	88	87	87	80	83
“Sportful Garden (陶源)” main brand	161	193	188	184	156
“Fulum Concept (富臨概念)” main line	N/A	70	76	70	76
<i>Overall average check per guest</i>	96	95	95	87	89

Although both of our “Sportful Garden (陶源)” and “Fulum (富臨)” main brands focus on Cantonese cuisine, the average check per guest for our restaurants under our “Sportful Garden (陶源)” main brand during the Track Record Period was generally higher than the average check per guest for our restaurants under our “Fulum (富臨)” main brand, due to the strategic market positioning of our lines of business.

Food prices

Food prices affect our cost of inventories sold, which consists of the cost of all the food and beverages used in our operations. For the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, our cost of inventories sold amounted to HK\$634.4 million, HK\$571.6 million, HK\$639.3 million and HK\$173.5 million, respectively, representing 36.8%, 30.3%, 28.7% and 31.7% of our revenue for such period, respectively. Therefore, food prices have a significant effect on our results of operations.

We commenced the operation of our full-scale central kitchen and logistics center in April 2012, which enabled us to better control food costs by centralizing supply purchases, streamlining our food production process, reducing waste of food ingredients and improving operational efficiency.

We purchase raw materials and food ingredients from importers in Hong Kong who in turn source raw materials and food ingredients from various overseas countries, as well as from local sources in the market. For instance, the fresh seafood used in our operations is usually purchased from importers in Hong Kong who in turn source them from overseas countries. Fresh seafood price fluctuations are volatile and often difficult to predict. In addition, food prices worldwide have generally increased during the Track Record Period. In response to this trend, we have, among other things, increased efforts to improve our operating efficiency by standardizing our operation procedures and centralizing supply purchases through the use of our central kitchen and logistics center, streamlined our food production process to reduce waste of food ingredients and screened additional suppliers for food ingredients with similar quality but at lower prices. Our cost of inventories sold as a percentage of revenue will continue to be a key performance indicator of the overall efficiency and profitability of our business operations.

FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in cost of inventories sold on our profit before tax and our profit for the year during the Track Record Period. Fluctuations are assumed to be 5.0%, 10.0% and 15.0% for the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, which correspond to the range of historical fluctuations of our cost of inventories sold during the Track Record Period.

	(HK\$'000, except percentages)					
Hypothetical Fluctuation	+5%	-5%	+10%	-10%	+15%	-15%
<i>Impact on Certain Consolidated Statements of Comprehensive Income Items for the Year Ended March 31, 2012</i>						
Change in costs of inventories sold	31,718	(31,718)	63,436	(63,436)	95,154	(95,154)
Change in profit before tax	(31,718)	31,718	(63,436)	63,436	(95,154)	95,154
Change in profit after tax.	(26,485)	26,485	(52,969)	52,969	(79,454)	79,454
<i>Impact on Certain Consolidated Statements of Comprehensive Income Items for the Year Ended March 31, 2013</i>						
Change in costs of inventories sold	28,582	(28,582)	57,164	(57,164)	85,746	(85,746)
Change in profit before tax	(28,582)	28,582	(57,164)	57,164	(85,746)	85,746
Change in profit after tax.	(23,866)	23,866	(47,732)	47,732	(71,598)	71,598
<i>Impact on Certain Consolidated Statements of Comprehensive Income Items for the Year Ended March 31, 2014</i>						
Change in costs of inventories sold	31,967	(31,967)	63,934	(63,934)	95,901	(95,901)
Change in profit before tax	(31,967)	31,967	(63,934)	63,934	(95,901)	95,901
Change in profit after tax.	(26,692)	26,692	(53,385)	53,385	(80,077)	80,077
<i>Impact on Certain Consolidated Statements of Comprehensive Income Items for the Three Months Ended June 30, 2014</i>						
Change in costs of inventories sold	8,677	(8,677)	17,353	(17,353)	26,030	(26,030)
Change in profit before tax	(8,677)	8,677	(17,353)	17,353	(26,030)	26,030
Change in profit after tax.	(7,245)	7,245	(14,490)	14,490	(21,735)	21,735

Staff Costs

Our staff costs include all salaries and benefits payable to all our employees, including our Executive Directors, headquarters staff and restaurant and central kitchen and logistics center staff. Our staff costs amounted to HK\$498.2 million, HK\$560.3 million, HK\$685.6 million and HK\$175.5 million for the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively, representing 28.9%, 29.7%, 30.8% and 32.1% of our revenue for such period, respectively.

Due to changes in local labor laws and market trends, the salary levels of employees in the restaurant industry in Hong Kong have been generally increasing in recent years. We expect the staff costs at our restaurants to continue to increase as inflationary pressures in Hong Kong continue to drive up wages.

We believe high-quality customer service is a key attribute to the success of our restaurants. We intend to continue to implement our various employee retention initiatives in the future to promote employee loyalty and motivate our employees. We offer competitive wages and other benefits to our restaurant employees to manage employee attrition. However, employee attrition levels tend to be higher in the food services industry compared to other industries.

FINANCIAL INFORMATION

We believe the resulting upward pressure on our total staff costs as a percentage of total revenue could be mitigated in part by (i) our increasing operating leverage expected from the use of our central kitchen and logistics center as our restaurant network expands, (ii) our efforts to manage increases of restaurant-level headcount by further consolidating initial processing of food ingredients into our central kitchen and logistics center and adopting less labor-intensive practices at our individual restaurants while maintaining our overall service quality, and (iii) our efforts to increase productivity of our staff by providing various training programs.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in staff costs on our profit before tax and our profit for the year during the Track Record Period. Fluctuations are assumed to be 5.0%, 10.0% and 15.0% for the years ended March 31, 2012, 2013 and 2014, and the three months ended June 30, 2014, which correspond to the range of historical fluctuations of staff costs during the Track Record Period.

	(HK\$'000, except percentages)					
Hypothetical Fluctuation	+5%	-5%	+10%	-10%	+15%	-15%
<i>Impact on Certain Consolidated Statements of Comprehensive Income Items for the Year Ended March 31, 2012</i>						
Change in staff costs	24,910	(24,910)	49,819	(49,819)	74,729	(74,729)
Change in profit before tax	(24,910)	24,910	(49,819)	49,819	(74,729)	74,729
Change in profit after tax	(20,800)	20,800	(41,599)	41,599	(62,399)	62,399
<i>Impact on Certain Consolidated Statements of Comprehensive Income Items for the Year Ended March 31, 2013</i>						
Change in staff costs	28,016	(28,016)	56,032	(56,032)	84,048	(84,048)
Change in profit before tax	(28,016)	28,016	(56,032)	56,032	(84,048)	84,048
Change in profit after tax	(23,393)	23,393	(46,787)	46,787	(70,180)	70,180
<i>Impact on Certain Consolidated Statements of Comprehensive Income Items for the Year Ended March 31, 2014</i>						
Change in staff costs	34,278	(34,278)	68,557	(68,557)	102,835	(102,835)
Change in profit before tax	(34,278)	34,278	(68,557)	68,557	(102,835)	102,835
Change in profit after tax	(28,622)	28,622	(57,245)	57,245	(85,867)	85,867
<i>Impact on Certain Consolidated Statements of Comprehensive Income Items for the Three Months Ended June 30, 2014</i>						
Change in staff costs	8,774	(8,774)	17,548	(17,548)	26,322	(26,322)
Change in profit before tax	(8,774)	8,774	(17,548)	17,548	(26,322)	26,322
Change in profit after tax	(7,326)	7,326	(14,653)	14,653	(21,979)	21,979

Property Rentals and Related Expenses

We lease all the properties on which our restaurants operate. The costs of leasing and maintaining our restaurants, central kitchen and logistics center and headquarters are reflected in our property rentals and related expenses. For the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, our property rentals and related expenses amounted to HK\$203.6 million, HK\$236.9 million, HK\$301.5 million and HK\$84.0 million, respectively, representing 11.8%, 12.6%, 13.5% and 15.3% of our revenue for such period, respectively. A particular restaurant's rental expenses will vary depending on the size and location of the restaurant. Most of our restaurant leases provide for fixed rent. Some of our restaurant leases require the rent to be determined as a sum of a specified fixed amount and a contingent amount calculated based on a certain percentage of the monthly turnover if monthly turnover exceeds a certain amount, depending on the specific terms of the relevant lease agreements. Further, some of the rental rates may be subject to rent escalation clauses. We have no preference as to entering into leases with fixed or contingent rent. For every lease that our Group enters into, we will consider whether the rental expense, taking into account whether it is on fixed or contingent terms, as a percentage of our expected revenue to be derived by the restaurant in question, is within the range acceptable by us, taking into account the expected guest traffic. As we intend to continue to open new restaurants and expand our restaurant network, we expect our property rental and related expenses for our restaurants to increase generally in the future.

Our business is and will be affected by any material change in the economic conditions in Hong Kong and the PRC.

Our results of operations are and will be vulnerable to the economic conditions in Hong Kong and the PRC. During the Track Record Period and as at the Latest Practicable Date, we generate all of our revenue from operations in Hong Kong. We expect to further expand in Hong Kong and the PRC by opening new restaurants in the next three years. Our results of operations are and will therefore be directly affected by the demand for dining out of our target customers in Hong Kong and the PRC and such demand depends upon many factors, most of which are beyond our control, including without limitation, the general economic condition in Hong Kong and the PRC and the disposable income of our target customers.

Seasonality

We experience seasonal fluctuations in our revenue. Our revenue during certain holiday periods (generally from December to February), such as the Christmas holiday and the Chinese New Year holiday, is usually higher than those for the remaining months of the year. Generally, our revenue during the first fiscal quarter (from April to June) is lower than those for the remaining months of the year, mainly due to lack of Chinese festivals and frequent outbound travel during the Easter holiday, resulting in a decrease in the guest count in our restaurants during such period.

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Our consolidated financial information has been prepared in accordance with HKFRS. We have identified certain accounting policies that are critical to the preparation of our financial information. These accounting policies are important for an understanding of our financial position and results of operations and are set forth in Note 3 "Summary of Significant Accounting Policies" of the Accountants' Report in Appendix I to this prospectus.

In addition, the preparation of the financial information requires our management to make significant and subjective estimates, assumptions and judgments that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the three years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014. However, uncertainties about these assumptions, estimates and judgments could result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities affect in the future. These key assumptions and estimates are set forth in Note 4 "Significant Accounting Estimates" of the Accountants' Report in Appendix I to this prospectus.

We believe the following critical accounting policies and accounting estimates involve the most significant or subjective judgments and estimates used in the preparation of the financial information.

Revenue recognition

We measure revenue at the fair value of the consideration received or receivable, representing gross restaurant revenue and sale of goods. We recognize revenue from our restaurant operations when our catering services have been provided and from sale of food and other operating items when the food and other operating items are delivered to our customers.

Property, plant and equipment and depreciation

During the Track Record Period, our property, plant and equipment comprised leasehold improvements, furniture, fixtures and equipment, air conditioning, kitchen equipment, computer equipment, motor vehicles and renovation in progress. Our property, plant and equipment, other than renovation in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Renovation in progress is stated at cost less any impairment losses, and is not depreciated. Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

FINANCIAL INFORMATION

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is determined as estimated selling prices less any estimated costs to be incurred up to such sale. We estimate the net realizable value for inventories based primarily on the current market conditions and the historical experience of selling products of a similar nature.

Loans and receivables

We assess at the end of each financial year/period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, we consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Goodwill

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

FINANCIAL INFORMATION

PRINCIPAL STATEMENTS OF COMPREHENSIVE INCOME COMPONENTS

Revenue

We generate substantially all of our revenue from sales of food and beverage at our restaurants in Hong Kong.

We also derive a small portion of revenue, which are recorded net of allowances for returns and trade discounts, primarily from (i) sales of processed or semi-processed food ingredients from our central kitchen and logistics center primarily to certain restaurants then owned by our Controlling Shareholder and (ii) sales of packaged festival products, such as mooncakes for Chinese mid-autumn festivals and rice cakes for Chinese new year festivals. Prior to April 2013, Foo Lum Food Limited sold packaged festival products through our restaurant network, which were not recorded as revenue of our Group. Since April 1, 2013, we started to sell our own packaged festival products manufactured by our central kitchen and logistics center. The sales of such packaged festival products after April 1, 2013 were reflected in our revenue for the year ended March 31, 2014 and the three months ended June 30, 2014.

	For the year ended March 31,			For the three months ended June 30,	
	2012	2013	2014	2013	2014
	(HK\$'000)				
Restaurant operations	1,696,783	1,855,829	2,158,743	473,426	539,533
Sale of food and other operating items	<u>27,150</u>	<u>29,211</u>	<u>67,446</u>	<u>8,262</u>	<u>8,037</u>
Net revenue	<u><u>1,723,933</u></u>	<u><u>1,885,040</u></u>	<u><u>2,226,189</u></u>	<u><u>481,688</u></u>	<u><u>547,570</u></u>

Our revenue from restaurant operations during the Track Record Period was generated from sales of food and beverages at our restaurants under our three lines of business in Hong Kong. The following table sets forth the breakdown of our revenue from restaurant operations by line of business for the periods indicated.

	For the year ended March 31,						For the three months ended June 30,			
	2012		2013		2014		2013		2014	
	(HK\$'000)	(% of total)	(HK\$'000)	(% of total)	(HK\$'000)	(% of total)	(HK\$'000)	(% of total)	(HK\$'000)	(% of total)
"Fulum (富臨)" main brand	1,403,075	82.7	1,567,582	84.5	1,781,071	82.5	400,171	84.5	426,968	79.1
"Sportful Garden (陶源)" main brand	293,708	17.3	286,101	15.4	352,254	16.3	69,579	14.7	82,690	15.4
"Fulum Concept (富臨概念)" main line	—	0.0	2,146	0.1	25,418	1.2	3,676	0.8	29,875	5.5
Total	<u><u>1,696,783</u></u>	<u><u>100.0</u></u>	<u><u>1,855,829</u></u>	<u><u>100.0</u></u>	<u><u>2,158,743</u></u>	<u><u>100.0</u></u>	<u><u>473,426</u></u>	<u><u>100.0</u></u>	<u><u>539,533</u></u>	<u><u>100.0</u></u>

FINANCIAL INFORMATION

In terms of revenue contributions, our top five restaurants contributed 21.0%, 20.7%, 19.5% and 18.4% of our revenue for each of the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively. In terms of profits contributions, our top five restaurants contributed 24.9%, 26.9%, 24.9% and 90.5% of our profits before tax for each of the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively. Profits contribution from our top five restaurants for the three months ended June 30, 2014 was particularly high mainly due to the one-off listing expenses we incurred during this period, resulting in a relatively lower amount of total profits before tax for our Group. We incurred listing expenses in the amount of HK\$2.2 million and HK\$7.0 million for the three months ended June 30, 2013 and 2014, respectively. If we take out these one-off listing expenses from our calculation of the profits contributions, our profits contribution from our top five restaurants for each of the three months ended June 30, 2013 and 2014 were 56.2% and 54.2%, respectively. In addition to these one-off listing expenses effect, the profit contributions from our top five restaurants for each of the three months ended June 30, 2013 and 2014 were relatively higher than the remaining Track Record Period mainly due to the seasonality factors.

Our top five restaurants for the three months ended June 30, 2014 are located in Aberdeen, Hung Hom, Mei Foo, Tuen Mun and Wong Tai Sin (in alphabetical order). For the year ended March 31, 2014 and the three months ended June 30, 2014, the restaurant that contributed the highest portion of profits before tax to our Group is located in Mei Foo operating under our “Fulum (富臨)” main brand.

The guest checks at our restaurants are primarily settled by way of credit card and cash. The following table sets forth the approximate percentages of our revenue from restaurant operations settled by the various settlement methods for the periods indicated.

	For the year ended March 31,			For the three months ended June 30,
	2012	2013	2014	2014
	(percentages)			
Credit Card	50.6	50.1	48.7	46.9
Cash	49.0	49.2	50.5	52.8
Others	0.4	0.7	0.8	0.3
Total	100.0	100.0	100.0	100.0

FINANCIAL INFORMATION

Other Income and Gain

Other income and gain primarily consists of licensing income, sponsorship income and others. Licensing income comprised service income received from providing space at certain of our restaurant premises for telecommunication companies to set up satellite stations. Sponsorship income comprised incentives provided by certain utilities providers as inducements for our engagements of their services. Others primarily included forfeited deposits for banquets that were booked but subsequently cancelled. Rental income comprised rent we received from subleasing certain areas outside some of our restaurants to others. Gain on disposal of a subsidiary represented the gain on the disposal of a restaurant in Hong Kong during the year ended March 31, 2014. The following table sets forth the components of our other income and gain for the periods indicated.

	For the year ended March 31,			For the three months ended June 30,	
	2012	2013	2014	2013	2014
	(HK\$'000)				
Sponsorship income	924	1,730	3,501	722	981
Licensing income	1,197	1,347	1,496	357	421
Others	1,647	956	1,467	274	1,115
Gain on disposal of a subsidiary	—	—	900	—	—
Bank interest income	13	6	12	6	5
Rental income from subleasing	1,082	240	—	—	—
Total	4,863	4,279	7,376	1,359	2,522

Cost of Inventories Sold

Cost of inventories sold primarily consists of the cost of all the food and beverages used in our operations. The principal food and beverage items used in our operations are fresh seafood, seafood delicacies, meat and vegetables. For the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, our cost of inventories sold amounted to HK\$634.4 million, HK\$571.6 million, HK\$639.3 million and HK\$173.5 million, respectively, representing 36.8%, 30.3%, 28.7% and 31.7% of our revenue for such periods, respectively.

Staff Costs

Our staff costs comprises salaries and benefits, including wages, salaries, bonuses, retirement benefit costs and other allowances and benefits payable to all our employees. We had 4,243, 4,397, 4,593 and 4,503 full-time employees as of March 31, 2012, 2013 and 2014 and June 30, 2014, respectively. The number of our full-time employees increased by 154, or 3.6%, from 4,243 as of March 31, 2012 to 4,397 as of March 31, 2013, by 196, or 4.5%, from 4,397 as of March 31, 2013 to 4,593 as of March 31, 2014 and decreased by 90, or 2.0%, from 4,593 as of March 31, 2014 to 4,503 as of June 30, 2014. Our staff costs amounted to HK\$498.2 million, HK\$560.3 million, HK\$685.6 million and HK\$175.5 million for the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively, representing 28.9%, 29.7%, 30.8% and 32.1%, respectively, of our revenue for such periods.

FINANCIAL INFORMATION

Property Rentals and Related Expenses

Our property rentals and related expenses primarily consist of rental payments made under operating leases for our restaurants, central kitchen and logistics center and headquarters. Our property rentals and related expenses amounted to HK\$203.6 million, HK\$236.9 million, HK\$301.5 million and HK\$84.0 million for the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively, representing 11.8%, 12.6%, 13.5% and 15.3%, respectively, of our revenue for such periods.

The following table sets forth the number of our operating restaurants at any time during the Track Record Period and a breakdown of our property rental expenses for such restaurants by category of rent.

	For the year ended March 31,						For the three months ended June 30,	
	2012		2013		2014		2014	
	Number of restaurants	Amount of rental expenses (HK\$'000)	Number of restaurants	Amount of rental expenses (HK\$'000)	Number of restaurants	Amount of rental expenses (HK\$'000)	Number of restaurants	Amount of rental expenses (HK\$'000)
Fixed rent	27	116,082	34	137,166	43	174,835	42	51,811
Contingent rent ⁽¹⁾	8	42,343	8	46,509	10	59,880	11	15,355
Total	35	158,425	42	183,675	53	234,715	53	67,166

Our restaurant leases typically have terms of three to six years. Some lease agreements contain an option for us to renew for periods ranging from two to five years, exercisable at our discretion. The following table summarizes the terms of our current leases for our operating restaurants as at the Latest Practicable Date and related information.

	By March 31, 2015	By March 31, 2016	Beyond March 31, 2016
Number of restaurants with leases expiring . . .	9	8	38
Option to renew	2	5	13
No option to renew	7	3	25
Aggregate annual rental payable for leases expiring⁽²⁾ (HK\$'000)			
for the year ending March 31, 2015	40,101	55,978	175,560
for the year ending March 31, 2016	—	34,413	188,287
for the year ending March 31, 2017 onwards	—	—	240,870
	40,101	90,391	604,717
Aggregate gross floor area (square meter) ⁽³⁾ . .	10,829	14,427	49,437

⁽¹⁾ Includes total rental expenses of all restaurants with leases containing any type of contingency clauses

⁽²⁾ Rental payable represents the fixed rent from the beginning of the year or the commence date of the lease agreement to the expiry date of the lease agreement or the end of the year, whichever is earlier.

⁽³⁾ Extracted from the information contained in the restaurant licences of these restaurants.

FINANCIAL INFORMATION

As at the Latest Practicable Date, nine leases for our operating restaurants will expire on or prior to March 31, 2015. These nine restaurants contributed 14.0% of our revenue for the year ended March 31, 2014. We are in the process of negotiating for renewing of the nine leases. Our Directors do not expect to have material difficulties in renewing such leases.

Depreciation

Our depreciation represents depreciation charges for our property, plant and equipment which comprises leasehold improvements, furniture, fixtures and equipment, air conditioning, kitchen equipment, computer equipment and motor vehicles. For the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, our depreciation accounted for 2.5%, 2.7%, 2.9% and 3.1% respectively, of our revenue for such periods.

Fuel and Utility Expenses

Our fuel and utility expenses primarily consist of expenses incurred for gas, electricity and water utilities. For the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, our fuel and utility expenses accounted for 6.6%, 6.8%, 7.0% and 7.5%, respectively, of our revenue for such periods.

Other Expenses

Other expenses primarily consist of cleaning expenses for our restaurants, repairs and maintenance expenses, card charges relating to credit card sales and insurance expenses. The following table sets forth a breakdown of our other expenses for the periods indicated.

	For the year ended March 31,						For the three months ended June 30,			
	2012		2013		2014		2013		2014	
	Amount	% of other expenses	Amount	% of other expenses	Amount	% of other expenses	Amount	% of other expenses	Amount	% of other expenses
	(HK\$'000, except percentages)									
Advertising and marketing expenses	4,300	3.9	8,126	5.5	8,887	5.4	2,424	6.1	1,553	3.3
Air-conditioning	8,409	7.5	8,664	5.9	10,445	6.3	2,289	5.8	3,008	6.3
Cleaning	29,633	26.6	34,801	23.7	42,747	25.8	10,281	25.9	11,642	24.4
Credit card commission	13,641	12.2	14,805	10.1	17,058	10.3	3,565	9.0	4,210	8.8
Entertainment	1,499	1.3	3,145	2.1	2,840	1.7	678	1.7	577	1.2
Insurance	5,538	5.0	10,474	7.1	11,740	7.1	2,918	7.4	3,097	6.5
Legal and professional fees . . .	4,871	4.4	12,627	8.6	14,780	8.9	4,052	10.2	10,428	21.8
Packaging	8,301	7.5	9,519	6.5	12,208	7.4	2,504	6.3	2,696	5.6
Printing and stationery	9,911	8.9	11,277	7.7	11,966	7.2	2,405	6.1	2,387	5.0
Repair and maintenance	9,101	8.2	18,403	12.6	15,561	9.4	4,522	11.4	4,701	9.8
Service fee	3,857	3.5	—	—	—	—	—	—	—	—
Travelling and transportation expense	5,318	4.8	6,976	4.8	9,818	5.9	2,373	6.0	2,087	4.4
Others	7,026	6.2	7,770	5.4	7,475	4.6	1,642	4.1	1,397	2.9
Total	111,405	100.0	146,587	100.0	165,525	100.0	39,653	100.0	47,783	100.0

FINANCIAL INFORMATION

For the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, our other expenses accounted for 6.5%, 7.8%, 7.5% and 8.7%, respectively, of our revenue for such periods.

Insurance Coverage

As at the Latest Practicable Date, there were certain unreleased building orders (including two fire safety directions) issued by the Building Authority pursuant to the Buildings Ordinance against the leased premises for our office and operating restaurants. For more details, see the section of “Business — Properties — Building orders and fire safety directions registered against our leased premises” in this prospectus. We have obtained verbal confirmation from our insurance service provider that these unreleased building orders do not affect the validity of our Group’s insurance policies. For details of our insurance policies, see the section “Business — Insurance” in this prospectus.

Finance Costs

Our finance costs represent interest expenses on loans from a related party, bank overdrafts and finance leases. Loans from a related party during the Track Record Period comprised solely of tax loans taken by, FLHL, a related party on behalf of our Group from a banking institution. The tax loans were classified as loans from a related party during the Track Record Period solely as a result of the Reorganization. During the Track Record Period, the tax loans were taken out by FLHL on behalf of our Group. Prior to completion of the Reorganization, most of the operating subsidiaries of the Group were held directly or indirectly by FLHL. Accordingly, it would be more practical and convenient to have FLHL taken out the tax loans, rather than having each operating subsidiary taken out a separate loan. After the completion of the Reorganization, FLHL is no longer within our Group. As a result, such tax loans were reflected as amounts due to a related party in our financial statements. Our Directors confirm that we have not experienced any difficulty in obtaining banking facilities during the Track Record Period and up to the Latest Practicable Date, and we have no intention to request FLHL or other related parties to take out any loans on our behalf in the future. Our finance leases during the Track Record Period comprised primarily of leases for motor vehicles used to transport processed food ingredients from our central kitchen and logistics center to our restaurants in Hong Kong. The following table sets forth a breakdown of our finance costs for the periods indicated.

	For the year ended March 31,			For the three months ended June 30,	
	2012	2013	2014	2013	2014
	(HK\$'000)				
Interest on loans from a related party	—	211	686	190	337
Interest on bank overdrafts wholly repayable on demand	36	23	62	15	19
Interest on finance leases	26	31	44	11	15
Total	62	265	792	216	371

FINANCIAL INFORMATION

Income Tax Expenses

Our operations in Hong Kong are subject to a profits tax rate of 16.5% on estimated assessable profits arising in Hong Kong. For more details, please see Note 11 to the Accountants' Report set out in Appendix I to this prospectus. Our effective tax rate for operations in Hong Kong was 16.7%, 17.8%, 18.1% and 34.9% for each of the three years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively. Our effective tax rates for the years ended March 31, 2013 and 2014 and the three months ended June 30, 2014, were higher than the profits tax rate of 16.5% in Hong Kong primarily due to some non-deductible expenses, including listing expenses, incurred in these years/period.

RESULTS OF OPERATIONS OF OUR GROUP

The following table presents the results of operations of our Group for the periods indicated:

	For the Year ended March 31,						For the three months ended June 30,			
	2012		2013		2014		2013		2014	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(HK\$'000, except percentages)									
REVENUE	1,723,933	100.0	1,885,040	100.0	2,226,189	100.0	481,688	100.0	547,570	100.0
Other income and gain	4,863	0.3	4,279	0.2	7,376	0.3	1,359	0.3	2,522	0.5
Cost of inventories sold	(634,358)	(36.8)	(571,637)	(30.3)	(639,343)	(28.7)	(150,450)	(31.2)	(173,533)	(31.7)
Staff costs	(498,194)	(28.9)	(560,321)	(29.7)	(685,567)	(30.8)	(157,043)	(32.6)	(175,480)	(32.1)
Property rentals and related expenses	(203,563)	(11.8)	(236,866)	(12.6)	(301,513)	(13.5)	(69,649)	(14.5)	(84,041)	(15.3)
Depreciation	(42,568)	(2.5)	(50,023)	(2.7)	(65,299)	(2.9)	(14,866)	(3.1)	(17,157)	(3.1)
Fuel and utility expenses	(113,599)	(6.6)	(128,414)	(6.8)	(155,627)	(7.0)	(36,983)	(7.7)	(41,219)	(7.5)
Other expenses	(111,405)	(6.5)	(146,587)	(7.8)	(165,525)	(7.5)	(39,653)	(8.3)	(47,783)	(8.7)
Finance costs	(62)	(0.0)	(265)	(0.0)	(792)	(0.0)	(216)	(0.0)	(371)	(0.1)
PROFIT BEFORE TAX	125,047	7.2	195,206	10.3	219,899	9.9	14,187	2.9	10,508	2.0
Income tax expense	(20,930)	(1.2)	(34,680)	(1.8)	(39,841)	(1.8)	(3,848)	(0.8)	(3,663)	(0.7)
PROFIT FOR THE YEAR/PERIOD	<u>104,117</u>	<u>6.0</u>	<u>160,526</u>	<u>8.5</u>	<u>180,058</u>	<u>8.1</u>	<u>10,339</u>	<u>2.1</u>	<u>6,845</u>	<u>1.3</u>
Attributable to:										
Owners of the Company	96,602	5.6	148,802	7.9	167,541	7.5	9,586	2.0	6,845	1.3
Non-controlling interests	7,515	0.4	11,724	0.6	12,517	0.6	753	0.1	—	—
	<u>104,117</u>	<u>6.0</u>	<u>160,526</u>	<u>8.5</u>	<u>180,058</u>	<u>8.1</u>	<u>10,339</u>	<u>2.1</u>	<u>6,845</u>	<u>1.3</u>

FINANCIAL INFORMATION

Three months ended June 30, 2014 compared to three months ended June 30, 2013

Revenue

Our revenue increased by 13.7%, or HK\$65.9 million, from HK\$481.7 million for the three months ended June 30, 2013 to HK\$547.6 million for the three months ended June 30, 2014. During the Track Record Period, we generally derived a lower amount of revenue during April to June each year, mainly due to seasonality factors.

Our revenue from restaurant operations increased by 14.0%, or HK\$66.1 million, from HK\$473.4 million for the three months ended June 30, 2013 to HK\$539.5 million for the three months ended June 30, 2014. Such increase was mainly due to additional revenue generated from 12 new restaurants added to our Group after June 30, 2013.

Our revenue from sales of food and other operating items decreased slightly by 2.7%, or HK\$225,000, from HK\$8.3 million for the three months ended June 30, 2013 to HK\$8.0 million for the three months ended June 30, 2014.

Other income and gain

Our other income and gain increased by 85.6%, or HK\$1.2 million, from HK\$1.4 million for the three months ended June 30, 2013 to HK\$2.5 million for the three months ended June 30, 2014. Such increase was mainly due to an increase in forfeited deposits for banquets that were booked.

Cost of inventories sold

Our cost of inventories sold increased by 15.3%, or HK\$23.1 million, from HK\$150.5 million for the three months ended June 30, 2013 to HK\$173.5 million for the three months ended June 30, 2014. Our cost of inventories sold grew slightly faster than our revenue (at 13.7%) for the three months ended June 30, 2014 principally because we launched certain promotional campaigns offering lobster dishes at discounted prices in April and May 2014 in order to increase customer traffic.

Staff costs

Our staff costs increased by 11.7%, or HK\$18.4 million, from HK\$157.0 million for the three months ended June 30, 2013 to HK\$175.5 million for the three months ended June 30, 2014, primarily as a result of increased hiring due to the expansion of our restaurant network, including the addition of 12 new restaurants from July 1, 2013 to June 30, 2014. As a percentage of revenue, our staff costs remained relatively stable at 32.6% for the three months ended June 30, 2013 and 32.1% for the three months ended June 30, 2014.

FINANCIAL INFORMATION

Property rentals and related expenses

Our property rentals and related expenses increased by 20.7%, or HK\$14.4 million, from HK\$69.6 million for the three months ended June 30, 2013 to HK\$84.0 million for the three months ended June 30, 2014. Such increase was mainly due to the addition of 12 new restaurants between July 1, 2013 to June 30, 2014. As a percentage of revenue, our property rentals and related expenses increased slightly from 14.5% for the three months ended June 30, 2013 to 15.3% for the three months ended June 30, 2014, primarily as a result of higher rental payments made by us under the 21 Connected Tenancy Agreements effective from May 1, 2014 for certain of our restaurants.

Depreciation

Our depreciation charges increased by 15.4%, or HK\$2.3 million, from HK\$14.9 million for the three months ended June 30, 2013 to HK\$17.2 million for the three months ended June 30, 2014. Such increase was mainly due to depreciation expenses incurred for additional property, plant and equipment acquired for our 12 new restaurants added to our Group from July 1, 2013 to June 30, 2014.

Fuel and utility expenses

Our fuel and utility expenses increased by 11.5%, or HK\$4.2 million, from HK\$37.0 million for the three months ended June 30, 2013 to HK\$41.2 million for the three months ended June 30, 2014, which was mainly due to the additional fuel and utility expenses incurred by our 12 new restaurants added to our Group between July 1, 2013 to June 30, 2014. As a percentage of revenue, our fuel and utility expenses remained relatively stable at 7.7% and 7.5% for the three months ended June 30, 2013 and 2014, respectively.

Other expenses

Our other expenses increased by 21%, or HK\$8.1 million, from HK\$39.7 million for the three months ended June 30, 2013 to HK\$47.8 million for the three months ended June 30, 2014. Such increase was mainly due to an increase in listing expenses in the amount of HK\$4.9 million incurred during the three months ended June 30, 2014, compared to the same period in 2013.

Finance costs

Our finance costs amounted to HK\$216,000 for the three months ended June 30, 2013 and HK\$371,000 for the three months ended June 30, 2014, respectively. Our finance costs for the three months ended June 30, 2014 were higher primarily as a result of interest expenses incurred for the three months ended June 30, 2014 on additional tax loans taken by a related company on behalf of our Group from a banking institution.

Profit before tax

As a result of the foregoing, our profit before tax decreased by 25.9%, or HK\$3.7 million, from HK\$14.2 million for the three months ended June 30, 2013 to HK\$10.5 million for the three months ended June 30, 2014.

FINANCIAL INFORMATION

Income tax expense

Our income tax expense decreased by 4.8%, or HK\$0.2 million, from HK\$3.8 million for the three months ended June 30, 2013 to HK\$3.7 million for the three months ended June 30, 2014, which was primarily due to the decrease in our profit before tax for the three months ended June 30, 2014. Our effective tax rate increased from 27.1% for the three months ended June 30, 2013 to 34.9% for the three months ended June 30, 2014, primarily as a result of an increase in listing expenses for the three months ended June 30, 2014, which were not tax deductible.

Profit attributable to owners of the Company

As a result of the factors discussed above, the profit attributable to owners of the Company decreased by 28.6%, or HK\$2.8 million, from HK\$9.6 million for the three months ended June 30, 2013 to HK\$6.8 million for the three months ended June 30, 2014.

Year ended March 31, 2014 compared to year ended March 31, 2013

Revenue

Our revenue increased by 18.1%, or HK\$341.1 million, from HK\$1,885.0 million for the year ended March 31, 2013 to HK\$2,226.2 million for the year ended March 31, 2014.

Our revenue from restaurant operations increased by 16.3%, or HK\$302.9 million, from HK\$1,855.8 million for the year ended March 31, 2013 to HK\$2,158.7 million for the year ended March 31, 2014. Such increase reflected:

- a HK\$183.9 million increase in revenue from the eight restaurants that were opened during the year ended March 31, 2013; and
- HK\$143.7 million in revenue generated from the 12 new restaurants that were added to our Group during the year ended March 31, 2014.

This increase was partially offset by a HK\$24.2 million decrease in comparable restaurant sales from the year ended March 31, 2013 to the year ended March 31, 2014, primarily due to a decrease in estimated guest count at comparable restaurants in the year.

Our revenue from sales of food and other operating items increased by 130.9%, or HK\$38.2 million, from HK\$29.2 million for the year ended March 31, 2013 to HK\$67.4 million for the year ended March 31, 2014, as we commenced sales of packaged festival products produced by our central kitchen and logistics center in the year ended March 31, 2014.

Other income and gain

Our other income and gain increased by 72.4%, or HK\$3.1 million, from HK\$4.3 million for the year ended March 31, 2013 to HK\$7.4 million for the year ended March 31, 2014. Such increase was mainly due to an increase in incentives received from utilities providers as inducements for our engagements of their services for our restaurants.

FINANCIAL INFORMATION

Cost of inventories sold

Our cost of inventories sold increased by 11.8%, or HK\$67.7 million, from HK\$571.6 million for the year ended March 31, 2013 to HK\$639.3 million for the year ended March 31, 2014. Our revenue grew faster (at 18.1%) than our cost of inventories sold (at 11.8%) in the year ended March 31, 2014 as we continued to improve production efficiency through the further utilization of our central kitchen and logistics center.

Staff costs

Our staff costs increased by 22.4%, or HK\$125.2 million, from HK\$560.3 million for the year ended March 31, 2013 to HK\$685.6 million for the year ended March 31, 2014 primarily as a result of increased hiring due to the addition of 12 new restaurants to our Group during the year ended March 31, 2014. As a percentage of revenue, our staff costs increased from 29.7% for the year ended March 31, 2013 to 30.8% for the year ended March 31, 2014, primarily reflecting (i) an increase in headcount as a result of the addition of 12 new restaurants to our Group during the year ended March 31, 2014, (ii) the comparatively lower revenue generated by the six newly-opened restaurants during the first few months after their respective commencements of operation and (iii) a general increase in salary levels for our new and temporary hires during the year ended March 31, 2014 in response to an increase in average market wages.

Property rentals and related expenses

Our property rentals and related expenses increased by 27.3%, or HK\$64.6 million, from HK\$236.9 million for the year ended March 31, 2013 to HK\$301.5 million for the year ended March 31, 2014. Such increase was mainly due to the addition of 12 new restaurants to our Group during the year ended March 31, 2014.

Depreciation

Our depreciation charges increased by 30.5%, or HK\$15.3 million, from HK\$50.0 million for the year ended March 31, 2013 to HK\$65.3 million for the year ended March 31, 2014. Such increase was mainly due to depreciation expenses incurred for the additional property, plant and equipment acquired for the 12 new restaurants added to our Group during the year ended March 31, 2014.

Fuel and utility expenses

Our fuel and utility expenses increased by 21.2%, or HK\$27.2 million, from HK\$128.4 million for the year ended March 31, 2013 to HK\$155.6 million for the year ended March 31, 2014, which was mainly due to the additional fuel and utility expenses incurred by the 12 new restaurants added to our Group during the year.

Other expenses

Our other expenses increased by 12.9%, or HK\$18.9 million, from HK\$146.6 million for the year ended March 31, 2013 to HK\$165.5 million for the year ended March 31, 2014. Such increase was mainly due to an increase in cleaning expenses, credit card commissions, insurance expenses, air-conditioning expenses and expenses for packaging of take-away food, which were in line with our business expansion.

FINANCIAL INFORMATION

Finance costs

Our finance costs amounted to HK\$265,000 for the year ended March 31, 2013 and HK\$792,000 for the year ended March 31, 2014. Our finance costs for the year ended March 31, 2014 were relatively higher primarily because of interest expenses on tax loans taken by a related company on behalf of our Group from a banking institution for the year ended March 31, 2014.

Profit before tax

As a result of the foregoing, our profit before tax increased by 12.6%, or HK\$24.7 million, from HK\$195.2 million for the year ended March 31, 2013 to HK\$219.9 million for the year ended March 31, 2014.

Income tax expense

Our income tax expense increased by 14.9%, or HK\$5.2 million, from HK\$34.7 million for the year ended March 31, 2013 to HK\$39.8 million for the year ended March 31, 2014. Such increase was in line with the increase in our profit before tax for such period. Our effective income tax rate increased slightly from 17.8% for the year ended March 31, 2013 to 18.1% for the year ended March 31, 2014.

Profit attributable to owners of the Company

As a result of the factors discussed above, the profit attributable to owners of the Company increased by 12.6%, or HK\$18.7 million, from HK\$148.8 million for the year ended March 31, 2013 to HK\$167.5 million for the year ended March 31, 2014.

Year ended March 31, 2013 compared to year ended March 31, 2012

Revenue

Our revenue increased by HK\$161.1 million, or 9.3%, from HK\$1,723.9 million for the year ended March 31, 2012 to HK\$1,885.0 million for the year ended March 31, 2013.

Our revenue from restaurant operations increased by 9.4%, or HK\$159.0 million, from HK\$1,696.8 million for the year ended March 31, 2012 to HK\$1,855.8 million for the year ended March 31, 2013. Such increase reflected:

- a HK\$49.5 million increase in revenue from the three restaurants that were opened during the year ended March 31, 2012; and
- HK\$158.9 million in revenue generated from the eight new restaurants that were opened during the year ended March 31, 2013.

This increase was offset by (i) a HK\$37.3 million decrease in revenue resulting from the closing of one restaurant during the year ended March 31, 2012 and another restaurant during the year ended March 31, 2013 and (ii) a HK\$12.2 million decrease in comparable restaurant sales in the year ended March 31, 2013, primarily as a result of a decrease in estimated guest count and seat turnover rate at such restaurants in the year.

FINANCIAL INFORMATION

Our revenue from sales of food and other operating items remained relatively stable at HK\$27.2 million for the year ended March 31, 2012 and HK\$29.2 million for the year ended March 31, 2013. Our revenue from sale of food for the year ended March 31, 2012 and the year ended March 31, 2013 consisted primarily of sales of processed and semi-processed food ingredients from our central kitchen and logistics center primarily to certain restaurants then owned by our Controlling Shareholder.

Other income and gain

Our other income and gain decreased by HK\$0.6 million, or 12.0%, from HK\$4.9 million for the year ended March 31, 2012 to HK\$4.3 million for the year ended March 31, 2013. Such decrease was mainly due to a decrease in rental income and a decrease in forfeited deposits for cancelled banquets as we tightened our operation control. These decreases were partially offset by an increase in licensing income received from telecommunication companies as we provided space at our restaurant premises for satellite stations and sponsorship income received from utilities companies as an incentive for our engagements of their services.

Cost of inventories sold

Our cost of inventories sold decreased by HK\$62.7 million, or 9.9%, from HK\$634.4 million for the year ended March 31, 2012 to HK\$571.6 million for the year ended March 31, 2013. Such decrease was primarily due to the commencement of operations of our full-scale central kitchen and logistics center in April 2012. Our logistics center with storage facilities enabled us to increase our scale of centralized supply purchases and realize further savings from bulk purchases. Our central kitchen and logistics center also allowed us to improve production efficiency by streamlining our food production process and reduce waste of food ingredients.

Staff costs

Our staff costs increased by HK\$62.1 million, or 12.5%, from HK\$498.2 million for the year ended March 31, 2012 to HK\$560.3 million for the year ended March 31, 2013. Such increase mainly resulted from increased hiring due to the expansion of our restaurant network. Staff costs as a percentage of revenue increased slightly from 28.9% for the year ended March 31, 2012 to 29.7% for the year ended March 31, 2013. The increase was primarily due to (i) an increase in headcount in connection with the eight new restaurants opened during the year ended March 31, 2013, (ii) the comparatively lower revenue generated by the new restaurants opened during the year ended March 31, 2013, and (iii) a general increase of salary levels for our new and temporary hires during the year ended March 31, 2013 in response to an increase in average market wages.

Property rentals and related expenses

Our property rentals and related expenses increased by HK\$33.3 million, or 16.4%, from HK\$203.6 million for the year ended March 31, 2012 to HK\$236.9 million for the year ended March 31, 2013. Such increase was mainly due to additional rental expenses incurred for our eight new restaurants opened during the year ended March 31, 2013.

FINANCIAL INFORMATION

Depreciation

Our depreciation increased by HK\$7.5 million, or 17.5%, from HK\$42.6 million for the year ended March 31, 2012 to HK\$50.0 million for the year ended March 31, 2013. Such increase was mainly due to depreciation expenses incurred for the additional property, plant and equipment acquired for our eight new restaurants opened from March 31, 2012 to March 31, 2013. As a percentage of revenue, our depreciation charges remained relatively stable at 2.5% and 2.7% for the years ended March 31, 2012 and 2013, respectively.

Fuel and utility expenses

Our fuel and utility expenses increased by 13.0%, or HK\$14.8 million, from HK\$113.6 million for the year ended March 31, 2012 to HK\$128.4 million for the year ended March 31, 2013, which was mainly due to the additional fuel and utility expenses incurred by our eight new restaurants opened during the year ended March 31, 2013.

Other expenses

Our other expenses increased by HK\$35.2 million, or 31.6%, from HK\$111.4 million for the year ended March 31, 2012 to HK\$146.6 million for the year ended March 31, 2013. Such increase was mainly due to (i) an increase in cleaning expenses, credit card commissions, insurance expenses and stationery expenses in line with our business expansion, (ii) an increase in repair and maintenance expenses due to the additional machineries acquired in connection with the commencement of the operation of our full-scale central kitchen and logistics center in April 2012 and (iii) an increase in legal and professional fees incurred in preparation for the Listing.

Finance costs

Our finance costs amounted to HK\$62,000 for the year ended March 31, 2012 and HK\$265,000 for the year ended March 31, 2013. The increase in finance costs for the year ended March 31, 2013 was mainly due to an increase in interest paid for a related company loan. Such related company loan was a tax loan taken by a related company on behalf of our Group from a banking institution during the year ended March 31, 2013.

Profit before tax

As a result of the foregoing, our profit before tax increased by HK\$70.2 million, or 56.1%, from HK\$125.0 million for the year ended March 31, 2012 to HK\$195.2 million for the year ended March 31, 2013.

Income tax expense

Our income tax expense increased by HK\$13.8 million, or 65.7%, from HK\$20.9 million for the year ended March 31, 2012 to HK\$34.7 million for the year ended March 31, 2013. Such increase was in line with the increase in our profit before tax for the year ended March 31, 2013. Our effective income tax rate increased slightly from 16.7% in the year ended March 31, 2012 to 17.8% in the year ended March 31, 2013.

FINANCIAL INFORMATION

Profit attributable to owners of the Company

As a result of the factors discussed above, the profit attributable to owners of the Company increased by HK\$52.2 million, or 54.0%, from HK\$96.6 million for the year ended March 31, 2012 to HK\$148.8 million for the year ended March 31, 2013.

WORKING CAPITAL

The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	Year ended March 31,			As of	As of
	2012	2013	2014	June 30, 2014	September 30, 2014
	(HK\$'000)				(unaudited)
Current assets					
Inventories	54,231	82,403	97,725	85,224	85,746
Trade receivables	6,310	13,851	8,347	5,692	27,979
Prepayments, deposits and other receivables	31,419	46,172	40,216	54,816	59,004
Due from shareholders	—	—	3,729	6,244	—
Due from related parties	14,148	34,909	269,175	103,139	—
Tax recoverable	885	1,992	3,459	6,065	3,398
Pledge time deposit	—	2,340	2,349	2,353	2,354
Cash and cash equivalents	<u>235,256</u>	<u>234,555</u>	<u>253,946</u>	<u>215,761</u>	<u>238,196</u>
	<u>342,249</u>	<u>416,222</u>	<u>678,946</u>	<u>479,294</u>	<u>416,677</u>
Current liabilities					
Trade payables	101,568	92,045	64,869	69,953	92,125
Other payables, accruals and deferred income	77,075	95,298	107,939	103,523	119,335
Bank overdrafts, unsecured	—	138	—	445	1
Finance lease payables	162	189	287	292	289
Due to a shareholder	470	100	400	400	—
Due to related parties	99,538	113,931	245,467	75,086	12,521
Dividend payable	—	—	—	—	138,604
Provisions	2,623	4,415	1,525	3,215	7,112
Tax payables	<u>16,844</u>	<u>24,418</u>	<u>31,888</u>	<u>23,836</u>	<u>27,026</u>
	<u>298,280</u>	<u>330,534</u>	<u>452,375</u>	<u>276,750</u>	<u>397,013</u>
Net current assets	<u>43,969</u>	<u>85,688</u>	<u>226,571</u>	<u>202,544</u>	<u>19,664</u>

We had net current assets of HK\$44.0 million as of March 31, 2012, HK\$85.7 million as of March 31, 2013, HK\$226.6 million as of March 31, 2014 and HK\$202.5 million as of June 30, 2014, respectively.

FINANCIAL INFORMATION

As at September 30, 2014, we had net current assets of approximately HK\$19.7 million, consisting of current assets of approximately HK\$416.7 million and current liabilities of approximately HK\$397.0 million. The decrease in net current assets of approximately HK\$182.9 million as of September 30, 2014, when compared to June 30, 2014, was principally due to (i) changes in balances with shareholders and related parties and (ii) the incurrence of dividend payables as a result of the dividends we declared for the year ended March 31, 2014.

See “Financial Information — Discussion of Certain Statements of Financial Position Items” for a discussion of various current assets and current liabilities items.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have funded our liquidity and capital requirements primarily through capital contributions from our Shareholders and cash inflows from our operating activities. We had net cash inflows from operating activities of HK\$159.8 million, HK\$179.2 million and HK\$215.3 million for the years ended March 31, 2012, 2013 and 2014, respectively. We had net cash outflows from operating activities of HK\$12.5 million for the three months ended June 30, 2014. We require cash primarily for working capital needs and capital expenditures. As of June 30, 2014, we had HK\$215.3 million in cash and cash equivalents available.

We expect to finance our working capital requirements for the 12 months following the date of this prospectus with the following sources of funding:

- cash inflows to be generated from our operating activities;
- the cash and cash equivalents available, which were HK\$215.3 million as of June 30, 2014; and
- proceeds to be received by our Group from the Global Offering.

Based on the above, our Directors believe that we will have sufficient funds for our present working capital requirements for at least the next 12 months from the date of this prospectus.

For more information on our expected capital expenditure requirements, please refer to the section headed “Financial Information — Capital Expenditure and Capital Commitments” of this prospectus.

FINANCIAL INFORMATION

Cash flows of our Group

The following table sets out selected cash flow data from our consolidated cash flow statements for the three years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014:

	Year ended March 31,			Three months ended June 30,	
	2012	2013	2014	2013	2014
			(HK\$'000)		
Net cash flows generated from/ (used in) operating activities. . . .	159,832	179,160	215,306	(21,150)	(12,481)
Net cash flows used in investing activities.	(68,958)	(98,077)	(66,280)	(31,286)	(21,378)
Net cash flows used in financing activities.	<u>(77,696)</u>	<u>(81,922)</u>	<u>(129,497)</u>	<u>(78,024)</u>	<u>(4,771)</u>
Net increase/(decrease) in cash and cash equivalents	13,178	(839)	19,529	(130,460)	(38,630)
Cash and cash equivalents at the beginning of the year/period . . .	<u>222,078</u>	<u>235,256</u>	<u>234,417</u>	<u>234,417</u>	<u>253,946</u>
Cash and cash equivalents at end of the year/period	<u>235,256</u>	<u>234,417</u>	<u>253,946</u>	<u>103,957</u>	<u>215,316</u>

Operating cash flows

We derive our cash flows from operating activities principally from our restaurant operations. Our working capital requirements are typically used to purchase raw materials and food ingredients and to pay our lease obligations and staff costs. During the Track Record Period, our net cash flows from operating activities represented profit before tax for the year adjusted for income tax paid, finance costs, non-cash items and changes in working capital.

In the three months ended June 30, 2014, we had net cash used in operating activities of HK\$12.5 million. Adjustments primarily include depreciation in the amount of HK\$17.2 million, resulting in operating cash flows before changes in working capital of HK\$28.2 million. Changes in working capital represented a net use of HK\$24.1 million of cash, primarily driven by an increase in prepayments, deposits and other receivables of HK\$38.4 million. The increase in prepayments, deposits and other receivables was primarily due to increases in (i) rental deposits under the 21 Connected Tenancy Agreements which commenced on May 1, 2014 and (ii) prepayments of our insurance premium for the following year. These cash outflows were primarily offset by a decrease in inventories of HK\$12.5 million and an increase in trade payables of HK\$5.1 million. Our inventories decreased for the three months ended June 30, 2014 as we continued to consume the inventories which we stockpiled at the beginning of 2014 in anticipation of the Chinese new year festival and new restaurant openings in 2014. The increase in trade payables was primarily due to the increase in procurement in June 2014 in light of the planned openings of new restaurants subsequent to June 30, 2014.

FINANCIAL INFORMATION

In the year ended March 31, 2014, we had net cash generated from operating activities of HK\$215.3 million. Adjustments primarily include depreciation in the amount of HK\$65.3 million, resulting in operating cash flows before changes in working capital of HK\$285.6 million. Changes in working capital represented a net use of HK\$33.0 million of cash, primarily driven by a decrease in trade payables of HK\$31.7 million, and an increase in inventories of HK\$15.0 million. The decrease in trade payables was primarily due to our decision to settle our trade payables earlier with an aim to securing more favorable pricing terms and new suppliers requiring settlement of invoices in the middle of the month. The increase in inventories was primarily due to the expansion of our restaurant network. These cash outflows were partially offset by a decrease in trade receivables of HK\$5.7 million and an increase in other payables, accruals and deferred income of HK\$4.8 million. The decrease in trade receivables was primarily due to the fact that our trade receivables were particularly high as at March 31, 2013, as March 31, 2013 fell on a Sunday and our banks only remit funds to us on weekdays resulting in a higher amount of trade receivables as at March 31, 2013. The increase in other payables, accruals and deferred income was primarily due to an increase in accrued salaries and accrued utilities due to the expansion of our restaurant network. We paid income tax of HK\$37.3 million in the year ended March 31, 2014.

In the year ended March 31, 2013, we had net cash generated from operating activities of HK\$179.2 million. Profit before income tax for the period was HK\$195.2 million. Adjustments primarily include depreciation in the amount of HK\$50.0 million, resulting in operating cash flows before changes in working capital of HK\$245.5 million. Changes in working capital represented a net use of HK\$38.9 million of cash, primarily driven by an increase in inventories of HK\$28.2 million, an increase in prepayments, deposits and other receivables of HK\$16.4 million, a decrease in trade payables of HK\$9.5 million and an increase in trade receivables of HK\$7.5 million. The increase in inventories was primarily due to the opening of eight new restaurants over the period and our decision to strategically stockpile certain non-perishable food ingredients as we commenced the usage of our full-scale central kitchen and logistics center during the year. The increase in prepayments, deposits and other receivables was primarily due to an increase in rental deposits as a result of our restaurant network expansion. The decrease in trade payables was primarily because we decided to settle our trade payables earlier with an aim to securing more favorable pricing terms for our food ingredients. The increase in trade receivables was primarily due to the reason set out above. These cash outflows were offset by an increase in other payables, accruals and deferred income of HK\$23.2 million, primarily as a result of increases in (i) accrued salaries and accrued utilities due to the expansion of our restaurant network, (ii) accrued listing expenses, (iii) deferred sponsorship income from utility companies and (iv) deferred incentives from landlords under newly signed lease agreements. We paid income tax of HK\$27.4 million in the year ended March 31, 2013.

FINANCIAL INFORMATION

In the year ended March 31, 2012, we had net cash generated from operating activities of HK\$159.8 million. Profit before income tax for the period was HK\$125.0 million. Adjustments primarily include depreciation in the amount of HK\$42.6 million, resulting in operating cash flows before changes in working capital of HK\$168.9 million. Changes in working capital represented a net use of HK\$2.4 million of cash, primarily driven by an increase in inventories of HK\$29.4 million, an increase in prepayments, deposits and other receivables of HK\$8.6 million and an increase in trade receivables of HK\$2.4 million. The increase in prepayments, deposits and other receivables were primarily due to the opening of three new restaurants over the period. We also started to increase our inventory level towards the end of the year ended March 31, 2012 in anticipation of the commencement of operation of our full-scale central kitchen and logistics center in April 2012, resulting in an increase in inventory during the year. The increase in trade receivables was primarily in line with our business expansion. These cash outflows were offset by an increase in trade payables of HK\$31.4 million and an increase in other payables and accruals of HK\$6.6 million. The increase in trade payables was primarily due to the fact that March 31, 2012 fell on a weekend and, as a result, we did not settle the outstanding payables on such date, resulting in a higher balance as at March 31, 2012. The increase in other payables, accruals and deferred income was primarily due to an increase in accrued salaries and accrued utilities due to the expansion of our restaurant network. We paid income tax of HK\$6.7 million in the year ended March 31, 2012.

Investing cash flows

During the Track Record Period, our investment activities principally consisted of purchases of property, plant and equipment.

In the three months ended June 30, 2014, we had net cash used in investing activities of HK\$21.4 million, which was primarily due to (i) purchases of property, plant and equipment in the amount of HK\$7.8 million for our one new restaurant opened during this period, (ii) deposits paid for purchase of property, plant and equipment for our planned renovation of restaurants and new restaurants planned to be opened in the year ending March 31, 2015 and (ii) deposits paid in relation to intangible assets in the amount of HK\$6.5 million.

In the year ended March 31, 2014, we had net cash used in investing activities of HK\$66.3 million, which was primarily due to purchases of property, plant and equipment in the amount of HK\$71.4 million for our new restaurants opened during this year, partially offset by a cash inflow of approximately HK\$9.0 million from the acquisitions of subsidiaries.

In the year ended March 31, 2013, we had net cash used in investing activities of HK\$98.1 million, which was primarily due to purchases of property, plant and equipment in the amount of HK\$93.6 million for our central kitchen and logistics center and new restaurants opened during the year.

In the year ended March 31, 2012, we had net cash used in investing activities of HK\$69.0 million, which was primarily due to purchases of property, plant and equipment in the amount of HK\$68.7 million for our new restaurants opened during the year.

FINANCIAL INFORMATION

Financing cash flows

We derive our cash inflows used in financing activities principally from advances from related parties and a shareholder. Our cash outflows from financing activities relates primarily to (i) repayment of advances to related parties, (ii) repayment of amounts due to a shareholder, (iii) payment of interest relating to the tax loans taken by a related company on behalf of our Group during the Track Record Period and (iv) payback of hire purchases of finance leases for the motor vehicles used primarily for deliveries of food ingredients from our central kitchen and logistics center to our restaurants.

In the three months ended June 30, 2014, we had net cash used in financing activities of HK\$4.8 million, which consisted principally of repayment of advances from related parties in the amount of HK\$223.6 million and payment of interest in the amount of HK\$0.4 million relating to the tax loans taken by a related company on behalf of our Group and finance leases, offset by advances from related parties in the amount of HK\$219.2 million.

In the year ended March 31, 2014, we had net cash used in financing activities of HK\$129.5 million, which consisted principally of repayment of advances from related parties in the amount of HK\$377.8 million and payment of interest in the amount of HK\$0.7 million relating to the tax loans taken by a related company on behalf of our Group, partially offset by advances from related parties in the amount of HK\$246.9 million and advances from a shareholder of HK\$2.3 million.

In the year ended March 31, 2013, we had net cash used in financing activities of HK\$81.9 million, which consisted principally of repayment of advances from related parties in the amount of HK\$178.6 million, partially offset by advances from related parties in the amount of HK\$97.5 million.

In the year ended March 31, 2012, we had net cash used in financing activities of HK\$77.7 million, which consisted principally of repayment of advances from related parties in the amount of HK\$209.9 million and repayment of advances from a shareholder in the amount of HK\$1.3 million, partially offset by advances from related parties in the amount of HK\$133.7 million.

FINANCIAL INFORMATION

INDEBTEDNESS

Borrowings

As at March 31, 2012, 2013 and 2014, June 30, 2014 and September 30, 2014, our borrowings mainly consisted of (i) finance lease liabilities and (ii) interest-bearing tax loans borrowed by a related party on behalf of our Group from a banking institution.

The following table sets forth a breakdown of our bank and other borrowings as of the dates indicated:

	As of March 31,			As of	As of
	2012	2013	2014	June 30, 2014	September 30, 2014
					(unaudited)
			(HK\$'000)		
Bank overdrafts repayable					
On demand	—	138	—	445	1
Interest-bearing tax loans					
Within one year	—	16,949	30,893	21,768	12,521
Finance leases liabilities					
Within one year	162	189	287	292	289
Between 1–2 years	88	194	251	232	220
Between 2–5 years	125	366	436	380	324
<i>Total finance leases liabilities.</i>	<u>375</u>	<u>749</u>	<u>974</u>	<u>904</u>	<u>833</u>
Total indebtedness	<u><u>375</u></u>	<u><u>17,836</u></u>	<u><u>31,867</u></u>	<u><u>23,117</u></u>	<u><u>13,355</u></u>

During the Track Record Period, all of our tax loans were denominated in Hong Kong dollars with effective interest rate of 5.3% per annum and were repayable within one year. The outstanding tax loans are expected to be fully settled upon the Listing.

Our finance lease liabilities as at March 31, 2012, 2013 and 2014, June 30, 2014 and September 30, 2014 comprised primarily of finance leases for the motor vehicles we use to transport our processed food ingredients from our central kitchen and logistics center to our restaurants. These finance lease liabilities are denominated in Hong Kong dollars and the effective interest rates during the Track Record Period ranged from approximately 5.6% to approximately 9.8%.

As at September 30, 2014, being the latest practicable date for determining our indebtedness, our Group's total indebtedness amounted to HK\$13,355,000, mainly consisting of finance leases in the amount of HK\$833,000 and tax loans in the amount of HK\$12,521,000. We repaid a portion of our outstanding tax loans after June 30, 2014, resulting in a lower balance of interest-bearing tax loans as at September 30, 2014. There are no material covenants relating to these outstanding indebtedness. Our Directors have confirmed that there has been no material change in our indebtedness since September 30, 2014.

FINANCIAL INFORMATION

As at September 30, 2014, we had contingent liabilities not provided for in the financial statements in the amount of (i) HK\$34.4 million in relation to bank guarantees given in lieu of rental and utility deposits and (ii) HK\$243.7 million in relation to guarantees given to banks in connection with facilities granted to related companies. All guarantees provided by us to banks in connection with facilities granted to related companies will be fully released upon Listing.

Save as disclosed above, as of September 30, 2014, we did not have any outstanding mortgage, charge, debenture or other loan capital (issued or agreed to be issued), bank overdraft, loan, liability under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantee or other material contingent liability. Our Directors confirm that we do not expect to raise material external debt financing in the near future.

DISCUSSION OF CERTAIN STATEMENTS OF FINANCIAL POSITION ITEMS

Inventories

During the Track Record Period, our inventories mainly comprised of food and beverages used in our operations, including food ingredients, semi-processed and processed foods and beverages, as well as other supplies for restaurant operations. The following table sets out information on our inventory balance and inventory turnover days as of the date indicated:

	As of March 31,			As of June 30,
	2012	2013	2014	2014
	(HK\$'000, except turnover days)			
Inventories				
Inventory	54,231	82,403	97,725	85,224
Inventory turnover days ⁽¹⁾	22.7	43.6	51.4	48.0

⁽¹⁾ Average inventory is the sum of inventory at the beginning of the period plus the inventory at the end of the period divided by two. Inventory turnover days is equal to the average inventory divided by cost of inventories sold multiplied by 365 days for each of the three years ended March 31, 2012, 2013 and 2014 and 91 days for the three months ended June 30, 2014.

Our inventories increased by HK\$28.2 million, or 51.9%, from HK\$54.2 million as of March 31, 2012 to HK\$82.4 million as of March 31, 2013, mainly due to the expansion of our restaurant network, and the commencement of use of our central kitchen and logistics center in April 2012, which allowed us to strategically stockpile certain food ingredients, ensure availability and protect ourselves against potential price fluctuations. Our inventories increased by HK\$15.3 million, or 18.6%, from HK\$82.4 million as of March 31, 2013 to HK\$97.7 million as of March 31, 2014, mainly due to the expansion of our restaurant network. Our inventories decreased by HK\$12.5 million, or 12.8%, from HK\$97.7 million as of March 31, 2014 to HK\$85.2 million as of June 30, 2014, as we continued to consume the inventories which we stockpiled at the beginning of 2014 in anticipation of the Chinese new year festival and new restaurant openings in 2014.

FINANCIAL INFORMATION

We commenced the use of our full-scale central kitchen and logistics center in April 2012, which provided us with a large storage space. Our inventory turnover days increased from 22.7 days as of March 31, 2012 to 43.6 days for the year ended March 31, 2013, reflecting the use of our central kitchen and logistics center to store non-perishable food ingredients, which allowed us to realize benefits from bulk purchasing. The increase in inventory turnover days from 43.6 days for the year ended March 31, 2013 to 51.4 days for the year ended March 31, 2014 was mainly due to the management's decision to strategically stockpile non-perishable food ingredients at commercially reasonable prices, in light of our plan to open 11 new restaurants in Hong Kong in the year ending March 31, 2015. Our inventory days of 48.0 days as at June 30, 2014 remained relatively stable as compared to our inventory days of 51.4 as at March 31, 2014.

As of September 30, 2014, approximately HK\$47.0 million of our HK\$85.2 million inventories as of June 30, 2014 were subsequently utilized.

Trade Receivables

A large portion of our customers pay by credit card at the time of sale. During the Track Record Period, our trade receivables primarily consisted of (i) receivables from banks in connection with credit card payments made by our customers and (ii) receivables from certain restaurants then owned by our Controlling Shareholder in connection with sales of processed or semi-processed food ingredients by our central kitchen and logistics center to those entities.

An aging analysis of our trade receivables, based on the invoice date, during the Track Record Period is as follows:

	<u>As of and for the year ended March 31,</u>			<u>As of and for the three months ended June 30,</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>
	(HK\$'000)			
Within one month.	6,310	13,851	7,933	5,673
One month to three months.	—	—	4	3
Over three months	—	—	410	16
Total	<u>6,310</u>	<u>13,851</u>	<u>8,347</u>	<u>5,692</u>
Trade receivables turnover days ⁽¹⁾	1.1	2.0	1.8	1.2

⁽¹⁾ We calculate trade receivables turnover days by dividing average trade receivables by revenue for the relevant period and multiplying 365 days for each of the three years ended March 31, 2012, 2013 and 2014 and 91 days for the three months ended June 30, 2014. Average trade receivables is calculated by dividing by two the sum of trade receivables at the beginning of the period and trade receivables at the end of the period.

FINANCIAL INFORMATION

Our trade receivables increased by HK\$7.5 million, or 119.5%, from HK\$6.3 million as of March 31, 2012 to HK\$13.9 million as of March 31, 2013, primarily due to the fact that March 31, 2013 fell on a Sunday, as our banks only remit funds to us on weekdays. Our trade receivables decreased by HK\$5.5 million, or 39.7%, from HK\$13.9 million as of March 31, 2013 to HK\$8.3 million as of March 31, 2014, primarily because our trade receivables as at March 31, 2013 were particularly high due to the reason described above, as well as the expansion of our restaurant network. Our trade receivables decreased by HK\$2.7 million, or 31.8%, from HK\$8.3 million as of March 31, 2014 to HK\$5.7 million as of June 30, 2014, mainly due to a decrease in sales of processed or semi-processed food ingredients by our central kitchen and logistics center to restaurants owned by third parties.

Our trade receivables turnover days remained relatively stable at 1.1, 2.0, 1.8 and 1.2 as at March 31, 2012, 2013 and 2014 and June 30, 2014, respectively, as our trade receivables mainly consisted of receivables from banks in connection with credit card payments made by our customers, which are settled within one to two days (except during bank holidays) by the banks.

As of September 30, 2014, approximately HK\$5.7 million of our HK\$5.7 million trade receivables as of June 30, 2014 have been received.

Prepayments, deposits and other receivables

During the Track Record Period, our prepayments, deposits and other receivables primarily represented prepayments for insurance policies, prepayments for rent under operating lease agreements, rental deposits and utility deposits. The current portion of our prepayments, deposits and other receivables were HK\$31.4 million, HK\$46.2 million, HK\$40.2 million and HK\$54.8 million as of March 31, 2012, 2013 and 2014 and June 30, 2014, respectively. The increase in prepayments, deposits and other receivables of HK\$14.8 million, or 47.0%, from HK\$31.4 million as of March 31, 2012 to HK\$46.2 million as of March 31, 2013 was primarily due to an increase in rental deposits as we opened additional restaurants during the year. The decrease in current portion of prepayments, deposits and other receivables of HK\$6.0 million, or 12.9%, from HK\$46.2 million as of March 31, 2013 to HK\$40.2 million as of March 31, 2014 was primarily due to the fact that we did not prepay the insurance premium as at March 31, 2014 for the following year, resulting in a lower balance of prepayments for insurance policies as at March 31, 2014. The increase in current portion of prepayments, deposits and other receivables of HK\$14.6 million, or 36.3%, from HK\$40.2 million as of March 31, 2014 to HK\$54.8 million as of June 30, 2014 was primarily due to (i) an increase in rental deposits in relation to the 21 Connected Tenancy Agreements which commenced on May 1, 2014, as rental deposits for the previous leases for the same restaurants are not required, and (ii) an increase in prepayments of the insurance premium for the following year in the three months ended June 30, 2014.

FINANCIAL INFORMATION

Amounts due from related parties and shareholders

The following table sets forth an analysis of the amounts due from related parties and shareholders as of the dates indicated:

	As of March 31,			As of June 30,
	2012	2013	2014	2014
	(HK\$'000)			
Related parties				
— current portion	14,148	34,909	269,175	103,139
— non-current portion	12,410	70,219	—	—
Shareholders — current	—	—	3,729	6,244
Total	26,558	105,128	272,904	109,383

The amounts due from related parties mainly represented advances to related parties, which amounted to HK\$26.6 million, HK\$105.1 million, HK\$269.2 million and HK\$103.1 million as of March 31, 2012, 2013 and 2014 and June 30, 2014, respectively. Such amounts are interest-free, unsecured and have no fixed terms of repayment. Certain of these amounts due from related parties were classified as non-current assets as we had confirmed to the related parties not to demand for repayment of such advances as at the end of each financial year for the next 12 months. All of the outstanding balances with related parties which are non-trade in nature have already been fully settled as at the Latest Practicable Date.

The amounts due from shareholders mainly represented advances to our shareholders, which amounted to HK\$0, HK\$0, HK\$3.7 million and HK\$6.2 million as of March 31, 2012, 2013 and 2014 and June 30, 2014, respectively. Such amounts are interest-free, unsecured and have no fixed terms of repayment. All of these amounts due from shareholders have already been fully settled as at the Latest Practicable Date.

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly comprised leasehold improvements, furniture, fixtures and equipment, air-conditioning, kitchen equipment, computer equipment and motor vehicles. As of March 31, 2012, 2013 and 2014 and June 30, 2014, our property, plant and equipment were HK\$119.1 million, HK\$167.9 million, HK\$184.3 million and HK\$176.3 million, respectively. The increase in property, plant and equipment of HK\$48.7 million, or 40.9%, from HK\$119.1 million as of March 31, 2012 to HK\$167.9 million as of March 31, 2013 was primarily due to an increase in leasehold improvements and kitchen equipment for new restaurants opened over such period as well as our central kitchen and logistic center which commenced operations in April 2012. The increase in property, plant and equipment of HK\$16.5 million, or 9.8%, from HK\$167.9 million as of March 31, 2013 to HK\$184.3 million as of March 31, 2014 was primarily due to an increase in leasehold improvements and kitchen equipment for new restaurants opened over such period. Our property, plant and equipment decreased by HK\$8.0 million, or 4.4%, from HK\$184.3 million as of March 31, 2014 to HK\$176.3 million as of June 30, 2014, as depreciation charges outpaced the additions of property, plant and equipment, given that we opened one new restaurant during the three months ended June 30, 2014.

FINANCIAL INFORMATION

Trade Payables

During the Track Record Period, our trade payables primarily comprised our purchases of food ingredients and beverages. The payment terms for such trade payables are generally 45 to 90 days.

The table below sets out an aging analysis of our trade payables and our trade payables turnover days as of the dates indicated.

	As of and for the year ended March 31,			As of and for the three months ended June 30,
	2012	2013	2014	2014
	(HK\$'000)			
Within one month.	69,757	58,649	52,999	54,870
one to two months.	14,351	18,664	11,870	14,177
two to three months.	17,460	14,732	—	906
Total	101,568	92,045	64,869	69,953
Trade payables turnover days ⁽¹⁾	49.4	61.8	44.8	35.4

⁽¹⁾ We calculate trade payables turnover days by dividing average trade payables by cost of inventories sold for the relevant period and multiplying 365 days for each of the three years ended March 31, 2012, 2013 and 2014 and 91 days for the three months ended June 30, 2014. Average trade payables is calculated by adding trade payables at the beginning of the period and trade payables at the end of the period and dividing by two.

During the Track Record Period, we settled our trade payables on the 15th and on the last day of each month. Since both March 31, 2012 and March 31, 2013 fell on weekends, we did not settle the outstanding payables on such date, resulting in a relatively higher balance of trade payables as at March 31, 2012 and March 31, 2013. Given a relatively higher balance of trade payables as at March 31, 2012 and March 31, 2013, our trade payables turnover days for the years ended March 31, 2012, 2013 and 2014 were higher than they otherwise would have been, with the trade payables turnover days for the year ended March 31, 2013 being the highest. Without being affected by a higher opening or ending balances of trade payables, our trade payables turnover days for the three months ended June 30, 2014 was lower, when compared to the remaining Track Record Period.

Our trade payables decreased by HK\$9.5 million, or 9.4%, from HK\$101.6 million as of March 31, 2012 to HK\$92.0 million as of March 31, 2013, and decreased by HK\$27.2 million, or 29.5%, from HK\$92.0 million as of March 31, 2013 to HK\$64.9 million as of March 31, 2014, primarily due to our decision to settle our trade payables earlier with an aim to secure more favorable prices from our suppliers. Our trade payables increased by HK\$5.1 million, or 7.8%, from HK\$64.9 million as of March 31, 2014 to HK\$70.0 million as of June 30, 2014, primarily due to the increase in procurement in June 2014 in light of planned openings of new restaurants subsequent to June 30, 2014.

As of September 30, 2014, we settled approximately HK\$68.2 million of the HK\$70.0 million in trade payables as of June 30, 2014.

FINANCIAL INFORMATION

Other Payables, Accruals and Deferred Income

During the Track Record Period, our other payables, accruals and deferred income mainly comprised accruals for wages and salaries, accruals for utilities and payables for leasehold improvements. The current portion of our other payables, accruals and deferred income amounted to HK\$77.1 million, HK\$95.3 million, HK\$107.9 million and HK\$103.5 million as of March 31, 2012, 2013 and 2014 and June 30, 2014, respectively. The increase in other payables, accruals and deferred income of HK\$18.2 million, or 23.6%, from HK\$77.1 million as of March 31, 2012 to HK\$95.3 million as of March 31, 2013 was primarily due to increases in (i) accruals for wages and salaries and accruals for utilities as a result of the expansion of our restaurants network, (ii) accrued listing expenses, (iii) deferred sponsorship income from utility companies and (iv) deferred incentives from landlords under newly signed lease agreements. The increase in other payables, accruals and deferred income of HK\$12.6 million, or 13.3%, from HK\$95.3 million as of March 31, 2013 to HK\$107.9 million as of March 31, 2014 was primarily due to increases in accruals for wages and salaries and accruals for utilities as a result of the expansion of our restaurants network. The decrease in our other payables, accruals and deferred income of HK\$4.4 million, or 4.1%, from HK\$107.9 million as of March 31, 2014 to HK\$103.5 million as of June 30, 2014 was primarily due to decrease in accruals for listing expenses and professional fees.

Amounts due to related parties and a shareholder

The following table sets forth an analysis of the amounts due to related parties and a shareholder as of the dates indicated:

	As of March 31,			As of
	2012	2013	2014	June 30, 2014
	(HK\$'000)			
Related parties				
— current portion	99,538	113,931	245,467	75,086
— non-current portion	119,704	102,749	—	—
Shareholder — current	470	100	400	400
Total	219,712	216,780	245,867	75,486

The amounts due to related parties mainly represented (i) advances from related parties and (ii) tax loans taken by a related company on behalf of our Group during the Track Record Period, which in aggregate amounted to HK\$219.2 million, HK\$216.7 million, HK\$245.5 million and HK\$75.1 million as of March 31, 2012, 2013 and 2014 and June 30, 2014, respectively. In respect of advances from related parties, such amounts are interest-free, unsecured and have no fixed terms of repayments. Certain of these transfers were classified as non-current liabilities as the related parties had confirmed not to demand for repayment of such advances as at the end of each financial year for the next 12 months. In respect of the tax loans taken by a related company on behalf of our Group for the years ended March 31, 2013 and 2014 and the three months ended June 30, 2014, they were repayable within one year and were interest-bearing at an effective interest rate of 5.3% per annum. All of these amounts due to related parties are expected to be fully settled upon the Listing.

FINANCIAL INFORMATION

The amounts due to a shareholder amounted to HK\$470,000, HK\$100,000, HK\$400,000 and HK\$400,000 as of March 31, 2012, 2013 and 2014 and June 30, 2014, respectively. Such amounts are interest-free, unsecured and have no fixed terms of repayments. All of these amounts due to a shareholder have already been fully settled as at the Latest Practicable Date.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

Our capital expenditure during our Track Record Period primarily related to expenditures on (i) construction of property, plant and equipment for our central kitchen and logistics center and new restaurants, (ii) maintenance of existing restaurants, and (iii) acquisition of furniture, fixtures, equipment and transportation vehicles used in our operations. Our total cash outflow for capital expenditures, including cash used in purchasing property, plant and equipment and deposits paid for purchases of items of property, plant and equipment, amounted to HK\$69.0 million, HK\$95.7 million, HK\$71.4 million and HK\$12.4 million for the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively.

We anticipate that our future capital expenditures will increase as we open new restaurants and expand our operations. Our projected capital expenditures for the years ending March 31, 2015, 2016 and 2017 are approximately HK\$145.2 million, HK\$148.8 million and HK\$145.0 million, respectively. We expect that our planned capital expenditures for the years ending March 31, 2015, 2016 and 2017 will be primarily used for property, plant and equipment for our expansion plans in Hong Kong and the PRC. In the event that the actual capital expenditure incurred for our planned expansion shall exceed the net proceeds we receive from the Global Offering, we believe we have sufficient internal resources, including cash and cash equivalents and cash flows derived from operating activities, to utilize for such actual capital expenditure. As of June 30, 2014, we had HK\$215.3 million in cash and cash equivalents available.

FINANCIAL INFORMATION

Our expansion plans in Hong Kong and the PRC for the years ending March 31, 2015, 2016 and 2017 and the related projected capital expenditures are summarized as follows:

	For the year ending March 31,		
	2015	2016	2017
Opening new restaurants in Hong Kong			
<i>"Fulum (富臨)" main brand</i>			
Number of new restaurants to be opened	4	4	4
Projected capital expenditures (HK\$ million).	66.8	55.7	56.0
<i>"Sportful Garden (陶源)" main brand</i>			
Number of new restaurants to be opened	1	1	1
Projected capital expenditures (HK\$ million).	12.0	9.0	13.0
<i>"Fulum Concept (富臨概念)" main line</i>			
Number of new restaurants to be opened	6	7	7
Projected capital expenditures (HK\$ million).	21.1	23.6	25.0
Opening new restaurants in PRC			
Number of new restaurants to be opened	2	2	2
Projected capital expenditures (HK\$ million).	30.0	30.0	30.0
<i>Central kitchen and logistics center improvements</i>			
Projected capital expenditures (HK\$ million).	3.1	2.8	5.0
<i>Information technology system upgrade</i>			
Projected capital expenditures (HK\$ million).	1.2	3.7	5.0
<i>Restaurant renovation and upgrade</i>			
Projected capital expenditures (HK\$ million).	11.0	9.0	11.0
<i>Headquarters renovation and upgrade</i>			
Projected capital expenditures (HK\$ million).	—	15.0	—

From July 1, 2014 to the Latest Practicable Date, we incurred approximately HK\$17.9 million in capital expenditures for opening new restaurants in Hong Kong. See the section of "Business — Expansion Plans, Site Selection and Development" in this prospectus for a detailed description of our expansion plans.

Our planned capital expenditures are projections only and are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We may make necessary adjustments depending on the existing market conditions and status of the various expansion plans.

FINANCIAL INFORMATION

Our capital commitments generally comprise payments for leasehold improvements and equipment for our restaurants and payments for our intangible assets. The following table sets forth our capital commitments as of the dates indicated.

	As of March 31,			As of June 30,
	2012	2013	2014	2014
	(HK\$'000)			
Contracted but not provided for				
— Property, plant and equipment	1,020	266	264	8,958
— Intangible assets	—	—	—	6,500
	1,020	266	264	15,458

OPERATING LEASE COMMITMENTS

We lease the premises for our restaurants, office premises, central kitchen and logistics center and warehouses under operating lease arrangements. The following table sets forth our future minimum operating lease commitments under non-cancellable operating leases as of the dates indicated.

	As of March 31,			As of June 30,
	2012	2013	2014	2014
	(HK\$'000)			
Within one year	148,577	178,967	192,728	270,717
In the second to fifth years, inclusive.	213,570	213,859	256,580	396,065
Beyond five years	2,351	6,229	3,806	1,517
Total	364,498	399,055	453,114	668,299

CONTINGENT LIABILITIES

At of March 31, 2012, 2013 and 2014 and June 30, 2014, contingent liabilities not provided for in the financial statements were as follows:

	As of March 31,			As of June 30,
	2012	2013	2014	2014
	(HK\$'000)			
Bank guarantees given in lieu of rental and utility deposits	25,942	34,956	34,212	33,637
Guarantees given to banks in connection with facilities granted to related companies ⁽¹⁾	28,852	24,932	260,797	246,056
	54,794	59,888	295,009	279,693

⁽¹⁾ These entities are controlled by the Controlling Shareholders.

FINANCIAL INFORMATION

As of March 31, 2012, 2013 and 2014 and June 30, 2014, the guarantees given to banks in connection with facilities granted to related companies were utilized to the extent of HK\$28.9 million, HK\$24.9 million, HK\$210.8 million and HK\$196.1 million, respectively. All guarantees provided by us to banks in connection with facilities granted to related companies will be fully released upon Listing.

The Directors confirmed that as of the Latest Practicable Date, save as disclosed in this prospectus, we did not have any material contingent liabilities.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set forth in Note 33 of the Accountants' Report in Appendix I to this prospectus, our Directors confirm that each transaction set forth therein was conducted on arm's length basis, on normal commercial terms and in the ordinary course of business.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, save as disclosed herein, we had no other material off-balance sheet arrangements.

FINANCIAL INFORMATION

FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

	Notes	Year ended March 31,			Three months ended
		2012	2013	2014	June 30, 2014
Revenue growth		N/A	9.3%	18.1%	13.7%
Gross margin	1	63.2%	69.7%	71.3%	68.3%
Net profit growth	2	N/A	54.2%	12.2%	-33.8%
Net profit margin before interest and tax	3	7.3%	10.4%	9.9%	2.0%
Net profit margin	4	6.0%	8.5%	8.1%	1.3%
Current ratio	5	1.1	1.3	1.5	1.7
Quick ratio	6	1.0	1.0	1.3	1.4
Gearing ratio	7	0.5%	7.7%	6.6%	4.7%
Debt to equity ratio	8	-326.9%	-93.3%	-45.9%	-39.3%
Interest coverage	9	2,017.9	737.6	278.7	29.3
Return on equity	10	144.9%	69.1%	37.2%	5.6%
Return on total assets	11	20.1%	22.9%	18.5%	3.4%

Notes:

1. Gross margin is calculated by dividing gross profit by revenue and multiplying the resulting value by 100%. Gross profit equals revenue minus cost of inventories sold.
2. Net profit growth refers to growth of net profit for the year/period as shown on our consolidated financial information.
3. Net profit margin before interest and tax is calculated by dividing net profit before interest and taxes by revenue and multiplying the resulting value by 100%.
4. Net profit margin is calculated by dividing profit for the year/period by revenue and multiplying the resulting value by 100%.
5. Current ratio is calculated by dividing total current assets by total current liabilities.
6. Quick ratio is calculated by dividing current assets (net of inventories) by current liabilities.
7. Gearing ratio is calculated by dividing total debt by total equity. Total debt is defined to include all interest-bearing borrowings, comprised of finance leases, tax loans reflected in amounts due to related parties and bank overdraft.
8. Debt to equity ratio is calculated by dividing net debt by total equity. Net debt is defined as total debt net of cash and cash equivalents.
9. Interest coverage is calculated by dividing profit before interest and tax by finance costs.
10. For each of the three years ended March 31, 2014, return on equity is calculated by dividing profit for the year by total equity as of end of year and multiplying the resulting value by 100%. For the three months ended June 30, 2014, return on equity is calculated by dividing profit for the period by total equity as of end of period, multiplying by 365/91, and then multiplying the resulting value by 100%.
11. For each of the three years ended March 31, 2014, return on total assets is calculated by dividing profit for the year by total assets as of end of year and multiplying the resulting value by 100%. For the three months ended June 30, 2014, return on total assets is calculated by dividing profit for the period by total assets as of end of period, multiplying by 365/91, and then multiplying the resulting value by 100%.

FINANCIAL INFORMATION

Gross margin

Our gross margin was 63.2%, 69.7%, 71.3% and 68.3% for the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively. The increase in gross margin during the three years ended March 31, 2014 was mainly due to food costs savings realized from the use of our full-scale central kitchen and logistics center since April 2012. As we launched certain promotional campaigns offering lobster dishes at discounted prices in April and May 2014, our gross margin for the three months ended June 30, 2014 declined slightly.

Net profit margin

Our net profit margin was 6.0%, 8.5%, 8.1% and 1.3% for the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively. Our net profit margin of 1.3% for the three months ended June 30, 2014 was mainly due to (i) our lower gross margin for the three months ended June 30, 2014, (ii) the increase in one-off listing expenses during the period and (iii) the high effective income tax rate for such period since listing expenses were not tax deductible.

Current ratio

Our current ratio was 1.1, 1.3, 1.5 and 1.7 as of March 31, 2012, 2013 and 2014 and June 30, 2014, respectively. The increase in current ratio reflected our increased net current assets during the Track Record Period.

Quick ratio

Our quick ratio was 1.0, 1.0, 1.3 and 1.4 as of March 31, 2012, 2013 and 2014 and June 30, 2014, respectively. The increase in quick ratio was mainly due to an increase in current assets during the Track Record Period.

Gearing ratio

Our gearing ratio was 0.5%, 7.7%, 6.6% and 4.7% as of March 31, 2012, 2013 and 2014 and June 30, 2014, respectively. The gearing ratio for the year ended March 31, 2012 was relatively lower principally due to our low amount of interest-bearing borrowings as of March 31, 2012.

Debt to equity ratio

Our debt to equity ratio was -326.9%, -93.3%, -45.9% and -39.3% as of March 31, 2012, 2013 and 2014 and June 30, 2014, respectively. Our debt to equity ratios were negative during the Track Record Period since our cash and cash equivalents were greater than our total debt during the Track Record Period. The low debt to equity ratio was mainly due to our low interest-bearing borrowings during the Track Record Period.

FINANCIAL INFORMATION

Interest coverage

Our interest coverage was 2,017.9, 737.6, 278.7 and 29.3 for the three years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively. The high interest coverage was mainly due to our low finance costs during the Track Record Period.

Return on equity

Our return on equity was 144.9%, 69.1%, 37.2% and 5.6% for the three years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively. Our return on equity for the year ended March 31, 2012 was relatively higher principally due to relatively lower equity as of March 31, 2012.

Return on total assets

Our return on total assets was 20.1%, 22.9%, 18.5% and 3.4% for the three years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively.

Net profit margin before interest and tax

Our net profit margin before interest and tax was 7.3%, 10.4%, 9.9% and 2.0% for the three years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, respectively.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Interest rate risk

We have no significant interest-bearing assets other than bank deposits. We do not consider our Group's exposure of bank deposits to interest rate risk to be significant as interest rates of bank deposits are not expected to fluctuate significantly. Our Group's interest rate risk arises from our finance leases. Finance leases issued at variable rates expose our Group to cash flow interest rate risk. For the three years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, our finance leases liabilities (including current and non-current portion) amounted to HK\$375,000, HK\$749,000, HK\$974,000 and HK\$904,000. We have not entered into any interest rate hedging contracts or any other derivative financial instruments.

Foreign currency risk

Our Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars. Accordingly, our Directors consider that foreign currency risk is not material. Our Group does not have a foreign currency hedging policy.

FINANCIAL INFORMATION

Credit risk

A majority of payments made by our customers are by cash and credit cards. Accordingly, we are not subject to significant concentration of credit risks. Our Group's credit risk is primarily attributable to bank deposits, which we mitigate by placing our deposits only to certain reputable banks. Our management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

Liquidity risk

We had net current assets as of March 31, 2012, 2013 and 2014 and June 30, 2014. We monitor our current and expected liquidity requirements regularly and ensure that sufficient cash are available to meet our liquidity requirements for both the short and long term.

DIVIDEND AND DIVIDEND POLICY

We did not declare or pay any dividends for the two years ended March 31, 2013 and the three months ended June 30, 2014. We proposed dividends in the amount of HK\$200 million for the year ended March 31, 2014, which was approved by the Company's then shareholders on August 8, 2014. All of such declared dividends are expected to be paid upon Listing. Such dividends will be funded by using our internal resources. Investors in the Global Offering and persons becoming Shareholders after the Listing will not be entitled to such dividend. After the completion of the Global Offering, our Shareholders will be entitled to receive dividends only when declared by our Board. The Company does not currently have a fixed dividend policy. The Directors are of the view that the amount of any dividends to be declared in the future will depend on, among others, the Group's results of operations, cash flows and financial conditions, operating and capital requirements, the amount of distributable profits based on the generally accepted accounting principles in Hong Kong, the applicable laws and regulations and all other relevant factors.

The Directors intend to recommend dividends which would amount in total to not less than 40% of the net profit from ordinary activities attributable to shareholders of the Company for full financial years subsequent to the Global Offering. Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividend in such manner or declare and pay any dividend at all. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars.

DISCLOSURE UNDER RULES 13.11 TO 13.19 OF THE LISTING RULES

Our Directors confirm that they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.11 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted consolidated net tangible assets and is based on the audited consolidated net assets attributable to owners of our Company as at June 30, 2014 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below:

	Consolidated net tangible assets attributable to owners of the Company as at June 30, 2014	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Notes 3 and 4)
Based on an Offer Price of HK\$1.26 per share.	431,859	357,903	789,762	0.61
Based on an Offer Price of HK\$1.66 per share.	431,859	485,173	917,032	0.71

Notes:

1. The consolidated net tangible assets attributable to the owners of the Company as at June 30, 2014 is arrived at after deducting goodwill of HK\$58,707,000 from the audited consolidated net assets of HK\$490,566,000 as at June 30, 2014, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$1.26 and HK\$1.66 per Share, being the lower end to higher end of the stated offer price range, after deduction of the estimated underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments as described in note 2 above and on the basis that 1,300,000,000 Shares are in issue assuming that the Global Offering and the Capitalization Issue have been completed on June 30, 2014 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme.
4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share does not take into account a final dividend of HK\$200,000,000 declared and paid by the Company subsequent to June 30, 2014. Had the final dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would be HK\$0.45 (assuming an Offer Price of HK\$1.26 per Share) and HK\$0.55 (assuming an Offer Price of HK\$1.66 per Share), respectively.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2014.

FINANCIAL INFORMATION

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

As part of our expansion plan for the year ending March 31, 2015, we opened one new restaurant under our “Fulum (富臨)” main brand during the three months ended June 30, 2014. Subsequent to the Track Record Period, we have continued to expand our restaurant network. From July 1, 2014 up to the Latest Practicable Date, we opened one new restaurant under our “Fulum (富臨)” main brand and two new restaurants under our “Fulum Concept (富臨概念)” line of business serving Beijing cuisine and Korean cuisine in Hong Kong. In addition, we have entered into binding leases for the premises of three of the remaining seven restaurants which we plan to open in Hong Kong during the year ending March 31, 2015.

We currently expect that our financial results for the year ending March 31, 2015 will be negatively impacted by (i) non-recurring expenses of approximately HK\$18.0 million (calculated on the assumption of an Offer Price of HK\$1.46 per Share, being the mid-point of the proposed Offer Price range), of which approximately HK\$13.1 million will be listing expenses to be recognized as expenses in our consolidated statements of comprehensive income, and approximately HK\$4.9 million of which will be the fair value of the Pre-IPO Share Options to be recognized as share-based compensation; and (ii) an increase in our property rentals and related expenses compared to the year ended March 31, 2014 due to an increase in rent payable under the Connected Tenancy Agreements.

Occupy Central Movement

In late September 2014, a civil disobedience movement referred to as Occupy Central began in Hong Kong. As at the date of this prospectus, Occupy Central has spread across and mainly affected three areas of Hong Kong, including Admiralty, Causeway Bay and Mong Kok, as well as marginally affected other areas of Hong Kong, including Sai Wan, Sheung Wan and Wan Chai. As at the Latest Practicable Date, among the heavily affected areas, we have three restaurants in Mong Kok. Among the marginally affected areas, we have two restaurants in each of Sai Wan, Sheung Wan and Wan Chai areas. For the three months ended June 30, 2014, our three restaurants in Mong Kok contributed to 4.1% of our revenue and our six restaurants in other affected areas contributed to 9.0% of our revenue for such period. Among these nine restaurants, we closed one restaurant in Mong Kok a few hours early for one day, due to disturbances caused by Occupy Central. Given that such restaurant only contributed to 2.0% of our revenue for the three months ended June 30, 2014, our Directors are of the view that such suspension of operations did not have any material adverse effect on our financial condition. As at the Latest Practicable Date, our Directors confirmed that, after reviewing the latest available operating data for our restaurants, Occupy Central did not have any material adverse effect on our business operations and our results of operation as a whole. However, there is no assurance that developments of Occupy Central in the future will not have material adverse impact on our business or financial condition. See “Risk Factors — Macro-economic factors have had and may continue to have a material adverse effect upon our business, financial condition and results of operations” for further details.

Save as disclosed above, our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects subsequent to the Track Record Period. See “Risk Factors — Risks relating to our financial results for the year ending March 31, 2015” for further details.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

See “Business — Expansion Plans, Site Selection and Development” in this prospectus for a detailed description of our expansion plans.

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$1.46 per Share, being the mid-point of the indicative range of the Offer Price of HK\$1.26 to HK\$1.66 per Share, and assuming the Over-allotment Option is not exercised) will be approximately HK\$401.7 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

- approximately HK\$160.6 million, representing approximately 40% of the net proceeds will be used for opening approximately four new restaurants under “Fulum (富臨)” main brand in each of the three years ending March 31, 2015, 2016 and 2017 and approximately one new restaurant under “Sportful Garden (陶源)” main brand in each of the three years ending March 31, 2015, 2016 and 2017 in Hong Kong;
- approximately HK\$60.3 million, representing approximately 15% of the net proceeds will be used for opening six, seven and seven new specialty cuisine restaurants under our “Fulum Concept (富臨概念)” line of business in the years ending March 31, 2015, 2016 and 2017, respectively, in Hong Kong;
- approximately HK\$80.3 million, representing approximately 20% of the net proceeds will be used for opening approximately two new restaurants in each of the three years ending March 31, 2015, 2016 and 2017 in China targeting the mass market segment;
- approximately HK\$60.3 million, representing approximately 15% of the net proceeds will be used for renovation and refurbishment of existing restaurants and headquarter, upgrade of our central kitchen and logistics center in Hong Kong and upgrade of our information technology systems;
- approximately HK\$20.1 million, representing approximately 5% of the net proceeds will be used for acquiring, or forming strategic alliances with, other brands or restaurants when suitable opportunities arise; and
- the remaining balance of approximately HK\$20.1 million, representing approximately 5% of the net proceeds, will be used for our working capital and general corporate purposes.

As at the Latest Practicable Date, our Group had not identified any potential acquisition or strategic alliance target. When considering a possible acquisition or strategic alliance target, our Group will consider, among other things, the brand, reputation, scale and positioning of the potential target, the valuation of the potential target as well as the commercial benefits of our Group in the potential transaction.

FUTURE PLANS AND USE OF PROCEEDS

In the event that the actual expenditure utilized for a particular purpose set out above shall be less than the net proceeds allocated to it, we intend to apply the remaining net proceeds for opening new restaurants and/or for maintenance of restaurants as such need arises after March 31, 2017.

If the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$1.66 per Share, the net proceeds we receive from the Global Offering will increase by approximately HK\$63.6 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative range of the Offer Price, being HK\$1.26 per Share, the net proceeds we receive from the Global Offering will decrease by approximately HK\$63.6 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses in connection with the Global Offering, will be approximately (i) HK\$79.2 million, assuming the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$1.66 per Share; (ii) HK\$69.7 million, assuming the Offer Price is fixed at the mid-point of the indicative range of the Offer Price, being HK\$1.46 per Share; and (iii) HK\$60.1 million, assuming the Offer Price is fixed at the low-end of the indicative range of the Offer Price, being HK\$1.26 per Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above businesses and projects on a pro-rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options), the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

<u>Name of shareholder</u>	<u>Capacity/ Nature of interest</u>	<u>Interests held immediately upon completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options)</u>	
		<u>Number</u>	<u>Approximate percentage</u>
Mr. Yeung (Note 1)	Interest held jointly with another person	908,375,000	69.9%
Mr. YC Yeung (Note 1)	Interest held jointly with another person	908,375,000	69.9%
Mr. YK Yeung (Note 1)	Interest held jointly with another person	908,375,000	69.9%
Mr. Leung	Registered owner	66,625,000	5.1%
Ms. LAM Man Ki, Elane 林敏琪 (Note 2)	Interests of a spouse	908,375,000	69.9%
Ms. YUNG Yuk Ling 容玉玲 (Note 3)	Interests of a spouse	908,375,000	69.9%
Ms. HUI Lin Na 許蓮娜 (Note 4)	Interests of a spouse	908,375,000	69.9%
Ms. LEUNG Siu Kuen 梁少娟 (Note 5)	Interests of a spouse	66,625,000	5.1%

Notes:

- (1) Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung are siblings, associates of each other under the Listing Rules and persons acting in concert with each other under the Takeovers Code.
- (2) Ms. LAM Man Ki, Elane 林敏琪 is the wife of Mr. Yeung and is therefore deemed to be interested in the Shares that Mr. Yeung is interested in under the SFO.

SUBSTANTIAL SHAREHOLDERS

- (3) Ms. YUNG Yuk Ling 容玉玲 is the wife of Mr. YC Yeung and is therefore deemed to be interested in the Shares that Mr. YC Yeung is interested in under the SFO.
- (4) Ms. HUI Lin Na 許蓮娜 is the wife of Mr. YK Yeung and is therefore deemed to be interested in the Shares that Mr. YK Yeung is interested in under the SFO.
- (5) Ms. LEUNG Siu Kuen 梁少娟 is the wife of Mr. Leung and is therefore deemed to be interested in the Shares that Mr. Leung is interested in under the SFO.

Save as disclosed in this paragraph, our Directors are not aware of any persons who will, immediately following the completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The authorized and issued share capital of our Company is as follows:

Authorized share capital:

	HK\$
2,000,000,000	2,000,000
Shares of HK\$0.001 each	

Assuming the Over-allotment Option is not exercised, the issued share capital of our Company immediately upon completion of the Capitalization Issue and Global Offering will be as follows (without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options):

Issued and to be issued, fully paid or credited as fully paid:

	HK\$
15,000	15
Shares in issue at the date of this prospectus	
974,985,000	974,985
Shares to be issued pursuant to the Capitalization Issue	
325,000,000	325,000
Share to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-allotment Option)	
1,300,000,000	1,300,000
Shares	

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately upon completion of the Capitalization Issue and Global Offering will be as follows (without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options):

Issued and to be issued, fully paid or credited as fully paid:

	HK\$
15,000	15
Shares in issue at the date of this prospectus	
974,985,000	974,985
Shares to be issued pursuant to the Capitalization Issue	
373,750,000	373,750
Share to be issued pursuant to the Global Offering (including the Shares which may be issued under the Over-allotment Option)	
1,348,750,000	1,348,750
Shares	

Assumptions

This table assumes the Global Offering has become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account (a) any Shares which may be allotted and issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options; or (b) any Shares which may be allotted and issued or repurchased by our Company under the Issuing Mandate, the Repurchase Mandate or otherwise.

SHARE CAPITAL

Ranking

The Offer Shares and the Shares that may be issued pursuant to the Over-allotment Option shall rank *pari passu* with all existing Shares in issue on the date of the allotment and issue of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus except for the Capitalization Issue.

Capitalization Issue

Pursuant to the written resolutions of our Shareholders passed on October 28, 2014, conditional upon the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors were authorized to allot and issue on the Listing Date a total of 974,985,000 Shares credited as fully-paid at par to the Shareholders whose names appear on the register of members of our Company at close of business on October 28, 2014 in proportion to their respective shareholdings by way of capitalization of the sum of HK\$974,985 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to the Capitalization Issue shall rank *pari passu* in all respects with the existing issued Shares.

Share Option Schemes

We have conditionally adopted the Pre-IPO Share Option Scheme pursuant to which we granted Pre-IPO Share Options as further described in "Appendix IV — Statutory and General Information — F. Pre-IPO Share Option Scheme". We have also conditionally adopted the Post-IPO Share Option Scheme as further described in "Appendix IV — Statutory and General Information — G. Post-IPO Share Option Scheme".

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted with the Issuing Mandate, which is a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (a) 20% of the aggregate nominal value of our entire issued share capital immediately upon completion of the Capitalization Issue and Global Offering; and
- (b) the aggregate nominal value of share capital of our Company repurchased by our Company, if any, under the Repurchase Mandate referred to below.

The aggregate nominal value of the Shares which our Directors are authorized to allot and issue under this Issuing Mandate will not be reduced by the allotment and issue of Shares pursuant to (i) a rights issue, or (ii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association; or (iii) any specific authority granted by our Shareholders in general meeting(s); or (iv) any arrangement which may be regulated under Chapter 17 of the Listing Rules.

SHARE CAPITAL

This Issuing Mandate will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting unless by ordinary resolution passed at that meeting, the Issuing Mandate is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which our Company is required by the applicable Cayman Islands law or our Articles of Association to hold our next annual general meeting; or
- (c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see "Appendix IV — Statutory and General Information — A. Further Information about our Company — 5. Written resolutions of our Shareholders Passed on October 28, 2014" in this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted with the Repurchase Mandate, which is a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of our entire issued share capital immediately upon the completion of the Capitalization Issue and Global Offering.

This Repurchase Mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in "Appendix IV — Statutory and General Information — B. Repurchase of our Shares" in this prospectus.

This Repurchase Mandate will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting unless by ordinary resolution passed at that meeting, the Repurchase Mandate is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which our Company is required by the applicable Cayman Islands law or our Articles of Association to hold our next annual general meeting; or
- (c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see "Appendix IV — Statutory and General Information — A. Further Information about our Company — 5. Written resolutions of our Shareholders Passed on October 28, 2014" in this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Islands Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, see “Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (c) Alteration of capital” in this prospectus.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum of Association and Articles of Association, all or any of the special rights attached to the Shares or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, see “Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (d) Variation of rights of existing shares or classes of shares” in this prospectus.

UNDERWRITING

HONG KONG UNDERWRITERS

The Hong Kong Underwriters are:

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Deutsche Bank AG, Hong Kong Branch
BOCI Asia Limited

INTERNATIONAL UNDERWRITERS

The International Underwriters are expected to be:

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Deutsche Bank AG, Hong Kong Branch
BOCI Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on November 3, 2014. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally (but not jointly) to apply to purchase or procure applicants to purchase the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. on the Listing Date.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement will be subject to termination with immediate effect by notice (orally or in writing) from the Joint Global Coordinators, for themselves and on behalf of the Hong Kong Underwriters, if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
 - (i) any event, circumstance or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic,

UNDERWRITING

pandemic, outbreak of disease, economic sanctions, withdrawal of trading privileges, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism); or

- (ii) any change or development involving a prospective change, or any event, circumstance or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union or any member thereof, Singapore, Japan or any other jurisdiction relevant to any member of our Group (“Relevant Jurisdictions”); or
- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Stock Exchange of Singapore, the Tokyo Stock Exchange, the Shenzhen Stock Exchange and the Shanghai Stock Exchange; or
- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign (“Authority”)), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European Union or any member thereof, Singapore, Japan, or the Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or
- (v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any event circumstance resulting in a change or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent Authority in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union (or any member thereof) on the PRC or any of the Relevant Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the

UNDERWRITING

United States dollar, Euro, Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

- (viii) any litigation, legal action, claim or legal proceedings of any third party being threatened or instigated against any member of our Group or any Director; or
- (ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (x) the chairman, chief executive officer, chief financial officer or either of the co-chief operating officers of our Company vacating his or her office; or
- (xi) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than any breach thereof by any of the Hong Kong Underwriters or the International Underwriters); or
- (xii) an Authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action or announcing an intention to investigate or take other action, against any Director; or
- (xiii) save as disclosed in this prospectus, the Application forms, the preliminary and final offering circulars relating to the International Placing Shares and any other document issued, given or used in connection with the contemplated offering and sale of the Offer Shares or otherwise in connection with the Global Offering, including without limitation, any roadshow materials relating to the Offer Shares and, in each case, all amendments or supplements thereto, a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (xiv) a prohibition on our Company for whatever reason from offering, allotting issuing, selling or delivering the Shares (including the Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xv) any adverse change or development involving a reasonably likely material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position, prospects or condition, financial or otherwise, or performance of our Group taken as a whole of any of the risks set out in the section headed "Risk Factors" in this prospectus; or
- (xvi) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

UNDERWRITING

(xvii) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xviii) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with our creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor or the Joint Global Coordinators:

- (1) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position, prospects or condition, financial or otherwise or performance of our Group as a whole; or
- (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or
- (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or
- (4) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Sponsor or the Joint Global Coordinators:

- (i) that any statement contained in any of this prospectus or the Application Forms, the PHIP and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incomplete, incorrect in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus or the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong

UNDERWRITING

Kong Public Offering (including any supplement or amendment thereto) is not fair and honest in any material respect and is not based on reasonable assumptions; or

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus or the Application Forms, the PHIP and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
- (iii) any material breach of any of the obligations of our Company or any of our Controlling Shareholders or Executive Directors under the Underwriting Agreements; or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the indemnities referred to in Clause 12 of the Hong Kong Underwriting Agreement; or
- (v) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company and any member of our Group; or
- (vi) any breach of, or any event or circumstance rendering untrue, incorrect or misleading, any of the warranties (other than any breach thereof by the Hong Kong Underwriters); or
- (vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws this prospectus (and/or any other offering documents issued or used in connection with the Global Offering) or the Global Offering; or
- (ix) any expert named in the section headed "Statutory and General Information — H. Other Information — 7. Qualification of experts" of the this prospectus has withdrawn its consent to being named in any of the of this prospectus or the Application Forms or to the issue of any of the of this prospectus or the Application Forms; or
- (x) that, as a result of in market conditions or otherwise, any order placed by any investor immediately before the Price Determination Agreement is entered into, has been withdrawn or cancelled, and the Joint Global Coordinators, in

UNDERWRITING

their sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering. For the avoidance of doubt, the right to terminate under this (ix) is only exercisable from 3:00 p.m. on the day immediately before the Listing Date to 8:00 a.m. on the Listing Date.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by us

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) or any issue of shares or securities in circumstances prescribed by Rule 10.08 of the Listing Rules, we will not, at any time within six months from the Listing Date, issue any shares or other securities convertible into our equity securities or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), that he or it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date ("First Six-month Period"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he or it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) ("Parent Shares"); or
- (b) during the period of six months commencing on the date on which the First Six-month Period expires ("Second Six-month Period"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be our controlling shareholder (as defined in the Listing Rules).

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, he or it will:

- (a) if he or it pledges or charges any of our securities beneficially owned by him or it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and

UNDERWRITING

- (b) if he or it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by us

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters that, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date, we will not, and will procure each other member of the Group not to, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Underwriters) and unless in compliance with the requirements of Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind ("Encumbrance") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable), or deposit any share capital or other securities of the Company, as applicable, with a depository in connection with the issue of depository receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

UNDERWRITING

- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). We further agree that, in the event that we enter into the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transactions during the Second Six-month Period, we will take all reasonable steps to ensure that it will not create a disorderly or false market for any Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of us, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters that, save for the lending of Shares by China Sage pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules it will not, at any time during the First Six-month Period:

- (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or deposit any share capital or other securities of the Company, as applicable, with a depository in connection with the issue of depository receipts, or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein in (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

UNDERWRITING

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). Each of our Controlling Shareholders further agrees that, (a) he/it will not, during the Second Six-Month Period, enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, he/it will cease to be a "controlling shareholder" (as defined in the Listing Rules) of our Company; (b) in the event that he/it enters into the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transactions during the Second Six-month Periods, he/it will take all reasonable steps to ensure that it will not create a disorderly or false market for any Shares or other securities of our Company.

Undertakings by Mr. Leung

Pursuant to the Hong Kong Underwriting Agreement, Mr. Leung has undertaken to the Sole Sponsor, Joint Global Coordinators and the Hong Kong Underwriters that during the First Six-month Period, that he will not, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or deposit any share capital or their securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts, or;
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein in (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares);
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or;
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) and (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

UNDERWRITING

Indemnity

We, our Controlling Shareholders and Executive Directors have agreed to indemnify the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

The International Placing

In connection with the International Placing, it is expected that we, our Controlling Shareholders and Executive Directors will enter into the International Underwriting Agreement with, among others, the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Placing Shares being offered pursuant to the International Placing or procure purchasers for such International Placing Shares.

We will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require us to offer up to an aggregate of 48,750,000 additional Shares, together representing 15% of the number of Shares initially being offered under the Global Offering, at the Offer Price to solely cover over-allocations in the International Placing, if any.

Under the International Underwriting Agreement, it is expected that we and our Controlling Shareholders will agree to indemnify the Joint Global Coordinators and the International Underwriters against certain losses which they may suffer including losses as a result of certain claims or liabilities which might be incurred by the International Underwriters.

Underwriting Commission and Expenses

Under the terms and conditions of the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission equal to 3.5% on the aggregate Offer Price payable in respect of all of the Hong Kong Offer Shares (excluding any International Placing Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Placing). The respective entitlements of the Hong Kong Underwriters to the underwriting commission will be paid as separately agreed in the International Underwriting Agreement. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters). In addition, our Company may, at its sole discretion, to pay to the Hong Kong Underwriters for their respective accounts an incentive fee.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$1.46 per Share (being the mid-point of the indicative Offer Price range of HK\$1.26 to HK\$1.66 per Share), the aggregate commissions and fees, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other

UNDERWRITING

professional fees and printing and other expenses relating to the Global Offering to be borne by us are estimated to amount to approximately HK\$72.8 million in aggregate (assuming an Offer Price of HK\$1.46, being the mid-point of the indicative range of the Offer Price of HK\$1.26 to HK\$1.66).

Hong Kong Underwriters' Interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, none of the Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Independence of the Sole Sponsor

Deutsche Securities Asia Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. Deutsche Securities Asia Limited is the Sole Sponsor for the listing of the Shares on the Stock Exchange and Deutsche Bank AG, Hong Kong Branch and BOCI Asia Limited are the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers of the Global Offering.

The Global Offering initially consists of:

- (i) the Hong Kong Public Offering of 32,500,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described in “— Hong Kong Public Offering” in this section below; and
- (ii) the International Placing of 292,500,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for Hong Kong Offer Shares in the Hong Kong Public Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up and to cease on or around, the last day of lodging applications under the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Placing respectively may be subject to adjustment and, in the case of the International Placing only, the Over-allotment Option as set out in “— International Placing — Over-allotment Option” in this section below.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date. Details of the underwriting arrangements are summarised in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and the Capitalization Issue and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and such listing and permission not subsequently having been revoked prior to the commencement of dealing in our Shares on the Stock Exchange;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The Offer Shares are being offered at the Offer Price which is expected to be fixed between the Joint Global Coordinators (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Friday, November 7, 2014 and in any event, not later than Wednesday, November 12, 2014.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Wednesday, November 12, 2014, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and our website at www.fulum.com.hk on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Offer Shares are expected to be issued on Wednesday, November 12, 2014 but will only become valid certificates of title at 8:00 a.m. on Thursday, November 13, 2014 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in “Underwriting — Underwriting arrangements and expenses — Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 32,500,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Shares between (i) the International Placing; and (ii) the Hong Kong Public Offering as mentioned below, the number of the Hong Kong Offer Shares will represent approximately 2.5% of our Company’s issued share capital immediately after completion of the Global Offering and the Capitalization Issue without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed “Conditions of the Global Offering”.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The total available Shares under the Hong Kong Public Offering (after taking into account of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 16,250,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. In accordance with the clawback mechanism requirements set forth in paragraph 4.2 of Practice Note 18 to the Listing Rules, if the number of Offer Shares validly applied for under the Hong Kong Public Offering (i) 15 times or more but less than 50 times; (ii) 50 times or more but less than 100 times; and (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 97,500,000 Offer Shares (in the case of (i)), 130,000,000 Offer Shares (in the case of (ii)) and 162,500,000 Offer Shares (in the case of (iii)) representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option) in each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate. In addition, in certain prescribed circumstances, the Joint Global Coordinators may, at their sole and absolute discretion, reallocate International Placing Shares as it deems appropriate from the International Placing to the Hong Kong Public Offering to satisfy in whole or in part the excess valid application in the Hong Kong Public Offering.

If the Hong Kong Offer Shares are not fully subscribed for, the Joint Global Coordinators may, at their sole and absolute discretion, reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportion as the Joint Global Coordinators deem appropriate.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Applications

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$1.66 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "— Price Determination of the Global Offering" in this section below, is less than the maximum price of HK\$1.66 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Placing will be 292,500,000 Shares, representing approximately 90% of the total number of the Offer Shares initially available under the Global Offering (subject to adjustment and the Over-allotment Option). Subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the International Placing Shares will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme.

The International Placing is subject to the same conditions as stated in the section headed "Conditions of the Global Offering".

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Allocation

The International Placing will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process described in “— Price Determination of the Global Offering” in this section below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the Joint Global Coordinators (on behalf of International Underwriters) exercisable at the sole discretion of the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to 48,750,000 additional Shares, representing approximately 15% of the number of the Offer Shares initially available under the Global Offering, at the same price per Share under the International Placing to cover over-allocation in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Friday, November 7, 2014, and in any event not later than Wednesday, November 12, 2014, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will be not more than HK\$1.66 per Share and is expected to be not less than HK\$1.26 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators, for themselves and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Stock Exchange at www.hkexnews.hk and our website at www.fulum.com.hk notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company with the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Wednesday, November 12, 2014 in the manner set out in "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus.

STABILIZATION ACTION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

BOCI Asia Limited has been appointed by us as the Stabilizing Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the sole and absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 48,750,000 Shares in aggregate, which is approximately 15% of the Shares initially available under the Global Offering.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares; (iii) subscribing, or agreeing to subscribe, for our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares; (v) selling, or agreeing to sell, our Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above. The Stabilizing Manager, its affiliates or any person acting for it, may take all or any of the above stabilizing action in Hong Kong during the stabilization period.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for them, may have an adverse impact on the market price of the Shares;
- stabilizing action cannot be used to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 48,750,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at its sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager (or its affiliate(s)) may choose to borrow Shares from Shareholders of our Company under stock borrowing arrangements, or acquire Shares from other sources, including the exercise of the Over-allotment Option.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

It is expected that the Stabilizing Manager will enter into the Stock Borrowing Agreement with China Sage, one of the Controlling Shareholders, whereby the Stabilizing Manager may borrow Shares from China Sage on the following conditions:

- (a) the stock borrowing will only be effected by the Stabilizing Manager for the settlement of over-allocations in connection with the International Placing;
- (b) the maximum number of Shares borrowed from China Sage will be limited to 48,750,000 Shares, being the maximum number of Shares which may be allotted and issued by the Company upon full exercise of the Over-allotment Option;
- (c) the same number of Shares borrowed from China Sage must be returned to it or its nominees (as the case may be) no later than three Business Day following the earlier of
 - (i) the last day on which the Over-allotment Option may be exercised;
 - (ii) the date on which the Over-allotment Option is exercised in full and the Shares to be allotted and issued upon exercise of the Over-allotment Option have been allotted and issued; or
 - (iii) such earlier time as may be agreed in writing between China Sage and the Stabilizing Manager;
- (d) the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- (e) no payments will be made to China Sage by the Stabilizing Manager in relation to such stock borrowing arrangement.

The Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. The Stock Borrowing Arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that it complies with the requirements set forth in Rule 10.07(3) of the Listing Rules. No payment will be made to China Sage by the Stabilizing Manager or its agent in relation to such stock.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, November 13, 2014, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, November 13, 2014, and will be traded in board lots of 2,000 Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Tuesday, November 4, 2014 until 12:00 noon on Friday, November 7, 2014 from:

- (i) any of the following offices of the Joint Bookrunners:

Deutsche Bank AG, Hong Kong Branch
52/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) any of the branches of the following receiving banks:

**Standard Chartered Bank
(Hong Kong) Limited**

	Branch	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	North Point Centre Branch	Shop G, G/F, North Point Centre, 284 King's Road, North Point
Kowloon	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon
	Tsimshatsui Branch	G/F, 8A-10 Granville Road, Tsimshatsui
	San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
New Territories	Tuen Mun Town Plaza Branch	Shop No. G047-G052, Tuen Mun Town Plaza Phase I, Tuen Mun
	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi

Hang Seng Bank Limited

	Branch	Address
Hong Kong Island	Head Office	83 Des Voeux Road Central
	Wanchai Branch	200 Hennessy Road
	North Point Branch	335 King's Road
Kowloon	Tsimshatsui Branch	18 Carnarvon Road
	Yaumati Branch	363 Nathan Road

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Tuesday, November 4, 2014 until 12:00 noon on Friday, November 7, 2014 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order marked payable to Horsford Nominees Limited — Fulum Group Public Offer attached and securely stapled, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Tuesday, November 4, 2014	—	9:00 a.m. to 5:00 p.m.
Wednesday, November 5, 2014	—	9:00 a.m. to 5:00 p.m.
Thursday, November 6, 2014	—	9:00 a.m. to 5:00 p.m.
Friday, November 7, 2014	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, November 7, 2014, the last application day or such later time as described in “— 10. Effect of Bad Weather on the Opening of the Applications Lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (vi) agree that none of the Company, the the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form Service** Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “— 2. Who can apply” section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, November 4, 2014 until 11:30 a.m. on Friday, November 7, 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, November 7, 2014 or such later time under the “— 10. Effect of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HOW TO APPLY FOR HONG KONG OFFER SHARES

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, November 4, 2014	—	9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, November 5, 2014	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, November 6, 2014	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, November 7, 2014	—	8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR HONG KONG OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, November 4, 2014 until 12:00 noon on Friday, November 7, 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, November 7, 2014 or such later time as described in “— 10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, November 7, 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR HONG KONG OFFER SHARES

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure and Conditions of the Global Offering — Price Determination of the Global Offering".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, November 7, 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, November 7, 2014 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, November 12, 2014 in The Standard (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at www.fulum.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.fulum.com.hk and the Stock Exchange's website at www.hkexnews.hk by no later than Wednesday, November 12, 2014;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, November 12, 2014 to midnight on Tuesday, November 18, 2014;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, November 12, 2014 to Monday, November 17, 2014 (excluding Saturday, Sunday and Public Holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, November 12, 2014 to Friday, November 14, 2014 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure and Conditions of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR HONG KONG OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form Service Provider**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **HK eIPO White Form Service Provider** and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.66 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure and Conditions of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, November 12, 2014.

HOW TO APPLY FOR HONG KONG OFFER SHARES

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, November 12, 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, November 13, 2014 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, November 12, 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, November 12, 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, November 12, 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, November 12, 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— 11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, November 12, 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures continued in HKSCC's "An Operating Guide For Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, November 12, 2014, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, November 12, 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, November 12, 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— 11. Publication of Results" above on Wednesday, November 12, 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, November 12, 2014 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, November 12, 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, November 12, 2014.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

November 4, 2014

The Directors
Fulum Group Holdings Limited
Deutsche Securities Asia Limited
BOCI Asia Limited

Dear Sirs,

We set out below our report on the financial information of Fulum Group Holdings Limited (formerly known as Fu Lum Tao Yuen Holdings Company Limited) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended March 31, 2012, 2013 and 2014, and the three months ended June 30, 2014 (the "Track Record Periods"), and the consolidated statements of financial position of the Group as at March 31, 2012, 2013 and 2014 and June 30, 2014, and the statements of financial position of the Company as at March 31, 2014 and June 30, 2014, together with the notes thereto (the "Financial Information"), and the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the three months ended June 30, 2013 (the "Interim Comparative Information") prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated November 4, 2014 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 24, 2014. Pursuant to a group reorganisation (the "Reorganisation") as set out in note 2.1 of Section II below, which was completed on March 31, 2014, the Company became the holding company of the subsidiaries now comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the end of the Track Record Periods, the Company had direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted March 31 as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries/ jurisdictions in which they were incorporated and/or established. Details of their statutory auditors during the Track Record Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at March 31, 2012, 2013 and 2014 and June 30, 2014 and the Company as at March 31, 2014 and June 30, 2014, and of the consolidated results and cash flows of the Group for each of the Track Record Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of comprehensive income

	Section II Notes	Year ended March 31,			Three months ended June 30,	
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000 (Unaudited)	2014 HK\$'000
REVENUE	6	1,723,933	1,885,040	2,226,189	481,688	547,570
Other income and gain	6	4,863	4,279	7,376	1,359	2,522
Cost of inventories sold		(634,358)	(571,637)	(639,343)	(150,450)	(173,533)
Staff costs		(498,194)	(560,321)	(685,567)	(157,043)	(175,480)
Property rentals and related expenses		(203,563)	(236,866)	(301,513)	(69,649)	(84,041)
Depreciation	15	(42,568)	(50,023)	(65,299)	(14,866)	(17,157)
Fuel and utility expenses		(113,599)	(128,414)	(155,627)	(36,983)	(41,219)
Other expenses		(111,405)	(146,587)	(165,525)	(39,653)	(47,783)
Finance costs	7	(62)	(265)	(792)	(216)	(371)
PROFIT BEFORE TAX	8	125,047	195,206	219,899	14,187	10,508
Income tax expense	11	(20,930)	(34,680)	(39,841)	(3,848)	(3,663)
PROFIT FOR THE YEAR/ PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>104,117</u>	<u>160,526</u>	<u>180,058</u>	<u>10,339</u>	<u>6,845</u>
Attributable to:						
Owners of the Company	13	96,602	148,802	167,541	9,586	6,845
Non-controlling interests		<u>7,515</u>	<u>11,724</u>	<u>12,517</u>	<u>753</u>	<u>—</u>
		<u>104,117</u>	<u>160,526</u>	<u>180,058</u>	<u>10,339</u>	<u>6,845</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	14	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Details of the dividends payable and proposed for the Track Record Periods are disclosed in note 12 to the Financial Information.

Consolidated statements of financial position

	Section II Notes	March 31,			June 30,
		2012	2013	2014	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	119,144	167,862	184,327	176,289
Goodwill	16	—	—	58,707	58,707
Deposits	20	29,608	31,303	37,059	60,858
Deposits paid in relation to intangible assets		—	—	—	6,500
Deposits for purchases of items of property, plant and equipment		305	2,137	—	4,533
Deferred tax assets	27	14,523	13,335	14,826	16,906
Due from related parties	21	12,410	70,219	—	—
Total non-current assets		<u>175,990</u>	<u>284,856</u>	<u>294,919</u>	<u>323,793</u>
CURRENT ASSETS					
Inventories	18	54,231	82,403	97,725	85,224
Trade receivables	19	6,310	13,851	8,347	5,692
Prepayments, deposits and other receivables	20	31,419	46,172	40,216	54,816
Due from shareholders	21	—	—	3,729	6,244
Due from related parties	21	14,148	34,909	269,175	103,139
Tax recoverable		885	1,992	3,459	6,065
Pledged time deposit	22	—	2,340	2,349	2,353
Cash and cash equivalents	22	235,256	234,555	253,946	215,761
Total current assets		<u>342,249</u>	<u>416,222</u>	<u>678,946</u>	<u>479,294</u>
CURRENT LIABILITIES					
Trade payables	23	101,568	92,045	64,869	69,953
Other payables, accruals and deferred income	24	77,075	95,298	107,939	103,523
Bank overdrafts, unsecured		—	138	—	445
Finance lease payables	25	162	189	287	292
Due to a shareholder	21	470	100	400	400
Due to related parties	21	99,538	113,931	245,467	75,086
Provision	26	2,623	4,415	1,525	3,215
Tax payable		16,844	24,418	31,888	23,836
Total current liabilities		<u>298,280</u>	<u>330,534</u>	<u>452,375</u>	<u>276,750</u>
NET CURRENT ASSETS		<u>43,969</u>	<u>85,688</u>	<u>226,571</u>	<u>202,544</u>

	Section II Notes	March 31,			June 30,
		2012	2013	2014	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>219,959</u>	<u>370,544</u>	<u>521,490</u>	<u>526,337</u>
NON-CURRENT LIABILITIES					
Finance lease payables	25	213	560	687	612
Accruals and deferred income	24	10,914	17,634	14,775	13,601
Provision	26	15,020	15,358	21,016	20,466
Deferred tax liabilities	27	2,248	1,857	1,291	1,092
Due to related parties	21	<u>119,704</u>	<u>102,749</u>	<u>—</u>	<u>—</u>
Total non-current liabilities		<u>148,099</u>	<u>138,158</u>	<u>37,769</u>	<u>35,771</u>
Net assets		<u>71,860</u>	<u>232,386</u>	<u>483,721</u>	<u>490,566</u>
EQUITY					
Equity attributable to owners of the Company					
Issued capital	28	—	—	15	15
Reserves	29(a)	<u>66,725</u>	<u>215,527</u>	<u>483,706</u>	<u>490,551</u>
		66,725	215,527	483,721	490,566
Non-controlling interests		<u>5,135</u>	<u>16,859</u>	<u>—</u>	<u>—</u>
Total equity		<u>71,860</u>	<u>232,386</u>	<u>483,721</u>	<u>490,566</u>

Consolidated statements of changes in equity

Section II	Attributable to owners of the Company								
	Issued capital	Share premium account	Other reserve	Merger reserve	Retained profits/ (accumulated losses)	Proposed final dividend	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 (Note 29(a))	HK\$'000 (Note 29(a))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At April 1, 2011	—	—	—	2,054	(31,939)	—	(29,885)	(2,372)	(32,257)
Profit for the year and total comprehensive income for the year	—	—	—	—	96,602	—	96,602	7,515	104,117
Deemed disposal of an interest in a subsidiary	—	—	8	—	—	—	8	(8)	—
At March 31, 2012 and April 1, 2012	—	—*	8*	2,054*	64,663*	—*	66,725	5,135	71,860
Profit for the year and total comprehensive income for the year	—	—	—	—	148,802	—	148,802	11,724	160,526
At March 31, 2013 and April 1, 2013	—	—*	8*	2,054*	213,465*	—*	215,527	16,859	232,386
Profit for the year and total comprehensive income for the year	—	—	—	—	167,541	—	167,541	12,517	180,058
Issue of shares	28	14	—	—	—	—	14	—	14
Acquisition of subsidiaries	28, 30	1	76,999	—	—	—	77,000	—	77,000
Disposal of a subsidiary	31	—	—	—	—	—	—	68	68
Acquisition of non-controlling interests	32	—	—	(5,380)	—	—	(5,380)	(420)	(5,800)
Consideration paid in acquisition of subsidiaries in Reorganisation	—	—	—	(5)	—	—	(5)	—	(5)
Acquisition of non-controlling interests upon the completion of Reorganisation	—	—	—	29,024	—	—	29,024	(29,024)	—
Proposed final 2014 dividend	12	—	—	—	(200,000)	200,000	—	—	—
At March 31, 2014 and April 1, 2014	15	76,999*	(5,372)*	31,073*	181,006*	200,000*	483,721	—	483,721
Profit for the period and total comprehensive income for the period	—	—	—	—	6,845	—	6,845	—	6,845
At June 30, 2014	15	76,999*	(5,372)*	31,073*	187,851*	200,000*	490,566	—	490,566
(Unaudited)									
At April 1, 2013	—	—	8	2,054	213,465	—	215,527	16,859	232,386
Profit for the period and total comprehensive income for the period	—	—	—	—	9,586	—	9,586	753	10,339
At June 30, 2013	—	—	8	2,054	223,051	—	225,113	17,612	242,725

* These reserve accounts comprise the consolidated reserves of HK\$66,725,000, HK\$215,527,000, HK\$483,706,000 and HK\$490,551,000 in the consolidated statements of financial position as at March 31, 2012, 2013 and 2014 and June 30, 2014, respectively.

Consolidated statements of cash flows

Section II Notes	Year ended March 31,			Three months ended June 30,	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000 (Unaudited)	2014 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	125,047	195,206	219,899	14,187	10,508
Adjustments for:					
Depreciation	15 42,568	50,023	65,299	14,866	17,157
Interest income	6 (13)	(6)	(12)	(6)	(5)
Gain on disposal of a subsidiary	6 —	—	(900)	—	—
Finance costs	7 62	265	792	216	371
Loss on disposal of items of property, plant and equipment	8 —	—	568	568	—
Write-off of items of property, plant and equipment	8 1,234	—	—	—	166
	168,898	245,488	285,646	29,831	28,197
Decrease/(increase) in inventories	(29,397)	(28,172)	(15,011)	342	12,501
Decrease/(increase) in trade receivables	(2,413)	(7,541)	5,704	(4,249)	2,655
Decrease/(increase) in prepayments, deposits and other receivables	(8,593)	(16,448)	3,189	829	(38,399)
Increase/(decrease) in trade payables	31,448	(9,523)	(31,720)	(3,490)	5,084
Increase/(decrease) in other payables, accruals and deferred income	6,604	23,210	4,827	(43,336)	(5,590)
Decrease in provision	26 —	(413)	—	—	(319)
Cash generated from operations	166,547	206,601	252,635	(20,073)	4,129
Interest received	13	6	12	6	5
Interest element of finance lease rental payments	(26)	(31)	(44)	(11)	(15)
Hong Kong profits tax paid	(6,702)	(27,416)	(37,297)	(1,072)	(16,600)
Net cash flows from/(used in) operating activities	159,832	179,160	215,306	(21,150)	(12,481)

Section II Notes	Year ended March 31,			Three months ended June 30,	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(68,653)	(93,600)	(71,383)	(25,523)	(7,826)
Proceeds from disposal of items of property, plant and equipment	—	—	600	600	—
Deposits paid in relation to intangible assets	—	—	—	—	(6,500)
Deposits paid for purchase of items of property, plant and equipment	(305)	(2,137)	—	(6,363)	(4,533)
Acquisition of subsidiaries 30	—	—	8,986	—	—
Disposal of a subsidiary 31	—	—	(759)	—	—
Increase in amounts due from shareholders	—	—	(3,715)	—	(2,515)
Increase in a pledged time deposit	—	(2,340)	(9)	—	(4)
Net cash flows used in investing activities	<u>(68,958)</u>	<u>(98,077)</u>	<u>(66,280)</u>	<u>(31,286)</u>	<u>(21,378)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital element of finance lease rental payments	(151)	(186)	(196)	(51)	(70)
Repayment to related parties	(209,888)	(178,595)	(377,750)	(115,825)	(223,575)
Advance from related parties	133,682	97,463	246,897	35,997	219,230
Increase/(decrease) in amount due to a shareholder	(1,303)	(370)	2,300	2,060	—
Interest paid	<u>(36)</u>	<u>(234)</u>	<u>(748)</u>	<u>(205)</u>	<u>(356)</u>
Net cash flows used in financing activities	<u>(77,696)</u>	<u>(81,922)</u>	<u>(129,497)</u>	<u>(78,024)</u>	<u>(4,771)</u>

Section II Notes	Year ended March 31,			Three months ended June 30,		
	2012	2013	2014	2013	2014	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000	
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	13,178	(839)	19,529	(130,460)	(38,630)	
Cash and cash equivalents at beginning of year/ period	<u>222,078</u>	<u>235,256</u>	<u>234,417</u>	<u>234,417</u>	<u>253,946</u>	
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	<u><u>235,256</u></u>	<u><u>234,417</u></u>	<u><u>253,946</u></u>	<u><u>103,957</u></u>	<u><u>215,316</u></u>	
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents as stated in the consolidated statements of financial position	22	235,256	234,555	253,946	103,957	215,761
Bank overdrafts, unsecured		<u>—</u>	<u>(138)</u>	<u>—</u>	<u>—</u>	<u>(445)</u>
Cash and cash equivalents as stated in the consolidated statements of cash flows		<u><u>235,256</u></u>	<u><u>234,417</u></u>	<u><u>253,946</u></u>	<u><u>103,957</u></u>	<u><u>215,316</u></u>

Statements of financial position

	Section II Notes	March 31, 2014 HK\$'000	June 30, 2014 HK\$'000
NON-CURRENT ASSET			
Investment in a subsidiary	17	<u>77,000</u>	<u>77,000</u>
CURRENT ASSETS			
Due from a subsidiary	17	200,000	200,000
Due from shareholders	21	<u>14</u>	<u>14</u>
Total current assets		<u>200,014</u>	<u>200,014</u>
Net assets		<u>277,014</u>	<u>277,014</u>
EQUITY			
Issued capital	28	15	15
Reserves	29(b)	<u>276,999</u>	<u>276,999</u>
Total equity		<u>277,014</u>	<u>277,014</u>

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 15th Floor, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon, Hong Kong.

The Company is an investment holding company. During the Track Record Periods, the Company's subsidiaries were principally engaged in restaurant operations in Hong Kong (the "Relevant Business").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganization" in the section headed "History and Corporate Structure — Shareholding and Corporate Structure" in the Prospectus. The Company became the holding company of the subsidiaries now comprising the Group upon completion of the Reorganisation.

As at the end of the Track Record Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies incorporated in Hong Kong (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chung Sing Holdings Limited ¹ 中城控股有限公司	British Virgin Islands ("BVI") February 24, 2014	—	100	—	Investment holding
Chung Tao Holdings Limited ¹ 中陶控股有限公司	BVI February 25, 2014	—	—	100	Investment holding
Chung Fu Holdings Limited ¹ 中富控股有限公司	BVI February 25, 2014	—	—	100	Investment holding
Chung Wong Holdings Limited ¹ 中皇控股有限公司	BVI February 24, 2014	—	—	100	Investment holding
Chung Ling Management & Logistic Holdings Limited ¹ 中寧管理物流控股有限公司	BVI February 25, 2014	—	—	100	Investment holding
Fu Tao (China) Holdings Limited ¹ 富陶(中國)控股有限公司	BVI February 25, 2014	—	—	100	Investment holding
Super Rich International Limited ² 中陞國際有限公司	Hong Kong April 23, 1999	HK\$3,800	—	100	Restaurant operation
Great Sino International Industrial Limited ² 中浩國際實業有限公司	Hong Kong September 1, 2003	HK\$100	—	100	Restaurant operation

Company name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sinotec H.K. Investments Limited ² 中達香港投資有限公司	Hong Kong November 19, 2003	HK\$100	—	100	Restaurant operation
China Weal (HK) Limited ² 中孚(香港)有限公司	Hong Kong April 30, 2004	HK\$100	—	100	Restaurant operation
Sino Favour (Hong Kong) Limited ² 中安(香港)有限公司	Hong Kong May 7, 2004	HK\$100	—	100	Restaurant operation
China Honest Development Limited ² 中豪發展有限公司	Hong Kong June 9, 2004	HK\$1	—	100	Inactive
Park Sun Property Agency Limited ² 百新物業代理有限公司	Hong Kong November 30, 2004	HK\$10,000	—	100	Restaurant operation
Middle East Development Limited ² 中東發展有限公司	Hong Kong August 31, 2007	HK\$100	—	100	Restaurant operation
Central Champion Limited ⁷ 中贊有限公司	Hong Kong April 5, 2012	HK\$1	—	100	Restaurant operation
Central Group (Hong Kong) Limited ⁷ 中盟(香港)有限公司	Hong Kong March 6, 2013	HK\$1	—	100	Restaurant operation
Central Loyal Limited ⁷ 中匡有限公司	Hong Kong March 5, 2013	HK\$1	—	100	Restaurant operation
New Central Industrial Limited ⁵ 中新實業有限公司	Hong Kong September 4, 2006	HK\$80,000	—	100	Restaurant operation
Sun Profit Hong Kong Development Limited ⁵ 信盈香港發展有限公司	Hong Kong March 23, 2010	HK\$3,000,000	—	100	Restaurant operation
China Kings Development Limited ² 中京發展有限公司	Hong Kong October 22, 2012	HK\$1	—	100	Restaurant operation
China Harvest (Hong Kong) Limited ⁵ 中旺(香港)有限公司	Hong Kong April 16, 2013	HK\$1	—	100	Restaurant operation
China Forward Development Limited ⁵ 中博發展有限公司	Hong Kong November 18, 2013	HK\$1	—	100	Restaurant operation
China Base Development Limited ⁵ 中堡發展有限公司	Hong Kong January 14, 2005	HK\$10,000	—	100	Restaurant operation
China Order Limited ⁷ 中令有限公司	Hong Kong December 11, 2012	HK\$1	—	100	Restaurant operation
Central Dynamic International Limited ⁵ 中鈞國際有限公司	Hong Kong June 4, 2012	HK\$1	—	100	Restaurant operation
Chung Chun Enterprises Limited ³ 中晉企業有限公司	Hong Kong May 9, 1995	HK\$38,000	—	100	Restaurant operation
Sino Rainbow Development Limited ² 中采發展有限公司	Hong Kong May 2, 2002	HK\$100	—	100	Restaurant operation
China Easy Investment Limited ² 中宜投資有限公司	Hong Kong March 12, 2003	HK\$100	—	100	Restaurant operation

Company name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sino Emotion Limited ² 中瀚有限公司	Hong Kong January 5, 2004	HK\$100	—	100	Inactive
Sino Major Company Limited ² 中彬有限公司	Hong Kong December 12, 2003	HK\$100	—	100	Restaurant operation
Sino Scene Development Limited ^{2,6} 中景發展有限公司	Hong Kong January 31, 2005	HK\$100	—	100	Restaurant operation
Sino Target Investments Limited ^{2,6} 中騰投資有限公司	Hong Kong January 14, 2005	HK\$100	—	100	Restaurant operation
China Vantage Enterprise Limited ² 中利企業有限公司	Hong Kong June 24, 2005	HK\$1	—	100	Restaurant operation
Acezone Enterprises Limited ² 中威企業有限公司	Hong Kong January 28, 2005	HK\$1	—	100	Restaurant operation
Centralink International Development Limited ² 中興國際發展有限公司	Hong Kong February 6, 2006	HK\$1	—	100	Restaurant operation
Centro (Asia) Limited ² 中央(亞洲)有限公司	Hong Kong August 30, 2006	HK\$100	—	100	Restaurant operation
Sino Talent Investment Limited ² 中泰投資有限公司	Hong Kong October 10, 2006	HK\$1	—	100	Restaurant operation
Grander Creation Limited ² 富泰創建有限公司	Hong Kong July 28, 2006	HK\$2,000,000	—	100	Restaurant operation
Sinobond Investment Development Limited ² 中邦投資發展有限公司	Hong Kong January 26, 2007	HK\$100	—	100	Restaurant operation
Midway Enterprise Limited ² 中域企業有限公司	Hong Kong April 22, 2008	HK\$100	—	100	Restaurant operation
Mid Well Investments Limited ² 中嶧投資有限公司	Hong Kong August 8, 2008	HK\$1	—	100	Restaurant operation
New Central Hong Kong Development Limited ² 中新香港發展有限公司	Hong Kong January 13, 2009	HK\$100	—	100	Restaurant operation
Central Green International Limited ² 中林國際有限公司	Hong Kong March 22, 2010	HK\$1	—	100	Restaurant operation
China Show Industrial Limited ² 中展實業有限公司	Hong Kong November 2, 2009	HK\$1	—	100	Restaurant operation
China Beauty Enterprises Limited ² 中康企業有限公司	Hong Kong July 23, 2010	HK\$1	—	100	Restaurant operation
Central King Development Limited ² 中粵發展有限公司	Hong Kong October 8, 2010	HK\$1	—	100	Restaurant operation
China Professional Asia Limited ² 中保亞洲有限公司	Hong Kong December 30, 2010	HK\$1	—	100	Restaurant operation

Company name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
China Miracle Limited ² 中琪有限公司	Hong Kong October 5, 2010	HK\$1	—	100	Restaurant operation
China Start Limited ² 中開有限公司	Hong Kong July 19, 2011	HK\$1	—	100	Restaurant operation
Gold China Enterprise Limited ² 中金企業有限公司	Hong Kong March 2, 2007	HK\$100	—	100	Restaurant operation
China Talent Asia Limited ² 中達亞洲有限公司	Hong Kong November 2, 2011	HK\$1	—	100	Restaurant operation
Sino Well Properties Limited ² 中惠置業有限公司	Hong Kong January 3, 2011	HK\$1	—	100	Restaurant operation
China Elegant Industrial Limited ⁷ 中雅實業有限公司	Hong Kong June 5, 2012	HK\$1	—	100	Restaurant operation
Luck China International Trading Limited ⁷ 中福國際貿易有限公司	Hong Kong September 11, 2012	HK\$1	—	100	Restaurant operation
China Excellent International Limited ⁷ 中勵國際有限公司	Hong Kong September 24, 2012	HK\$1	—	100	Restaurant operation
Central Method Limited ⁷ 中法有限公司	Hong Kong September 10, 2012	HK\$1	—	100	Restaurant operation
China Topworld Investment Limited ⁷ 中上投資有限公司	Hong Kong December 19, 2012	HK\$1	—	100	Restaurant operation
China Solar Industrial Limited ⁷ 中亮實業有限公司	Hong Kong March 6, 2013	HK\$1	—	100	Restaurant operation
China Mutual Development Limited ⁷ 中晶發展有限公司	Hong Kong February 15, 2013	HK\$1	—	100	Restaurant operation
Sino Rank Limited ² 中寧有限公司	Hong Kong April 4, 2005	HK\$1	—	100	Processing, sale and distribution of food products
Foo Lum Management Limited ^{2,6} 富臨管理有限公司	Hong Kong March 30, 2004	HK\$100	—	100	Provision of management service
Sino Mountain Trading Limited ⁴ 中山貿易有限公司	Hong Kong February 19, 2010	HK\$1	—	100	Trading of kitchen utensils and other operating items
Sino Forest Limited ⁷ 中森有限公司	Hong Kong February 14, 2013	HK\$1	—	100	Owner of trademarks
China Extreme Limited ⁸ 中堅有限公司	Hong Kong November 19, 2013	HK\$1	—	100	Restaurant operation
Korean Catering Concepts Limited ⁸ 韓膳餐飲管理有限公司	Hong Kong April 14, 2014	HK\$1	—	100	Restaurant operation
Glory Food Services Limited ⁸ 譽饌餐飲服務有限公司	Hong Kong April 14, 2014	HK\$1	—	100	Inactive
Union Catering Concepts Limited ⁸ 和膳餐飲管理有限公司	Hong Kong April 14, 2014	HK\$1	—	100	Inactive

- 1 No audited financial statements have been prepared for these entities since their incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.
- 2 The statutory financial statements of these entities for the year ended March 31, 2012 (or since the date of incorporation, where later than the beginning of the Track Record Periods) prepared under the Hong Kong Financial Reporting Standard for Private Entities ("HKFRSPE") issued by the HKICPA were audited by T.K. Lam (C.P.A.) Co. Ltd., certified public accountants registered in Hong Kong. The statutory financial statements of these entities for the years ended March 31, 2013 and 2014 prepared under HKFRSs were audited by Ernst & Young, Hong Kong.
- 3 The statutory financial statements of Chung Chun Enterprises Limited for the year ended May 31, 2012 prepared under HKFRSPE were audited by T.K. Lam (C.P.A.) Co. Ltd., certified public accountants registered in Hong Kong. The statutory financial statements of this entity for the year ended May 31, 2013 and period ended March 31, 2014 prepared under HKFRSs were audited by Ernst & Young, Hong Kong. Prior to the period ended March 31, 2014, this entity adopted May 31 as its financial year end. As part of the Reorganisation, this entity has changed its year end date to March 31 to conform with the Group.
- 4 The statutory financial statements of Sino Mountain Trading Limited for the year ended March 31, 2012 prepared under HKFRSs were audited by Michael Chan & Co., certified public accountants registered in Hong Kong. The statutory financial statements of this entity for the years ended March 31, 2013 and 2014 prepared under HKFRSs were audited by Ernst & Young, Hong Kong.
- 5 These entities were acquired by the Group on March 1, 2014. The statutory financial statements of these entities for the year ended March 31, 2014 prepared under HKFRSs were audited by Ernst & Young, Hong Kong.
- 6 The audited financial statements for the years ended March 31, 2012 and 2013 of these entities were qualified for their failure to prepare consolidated financial statements as required by HKFRSPE and Hong Kong Accounting Standard 27 *Consolidated and Separate Financial Statements*, respectively.
- 7 The statutory financial statements of these entities for the periods/years ended March 31, 2013 and 2014 prepared under HKFRSs were audited by Ernst & Young, Hong Kong.
- 8 No audited financial statements have been prepared for these entities since their incorporation.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Reorganization" in the section headed "History and Corporate Structure — Shareholding and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on March 31, 2014. The companies now comprising the Group were under the common control of Mr. Yeung Wai, Mr. Yeung Yun Chuen and Mr. Yeung Yun Kei (the "Controlling Shareholders") before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information and the Interim Comparative Information has been prepared by applying the principles of merger accounting, as if the Reorganisation had been completed at the beginning of the Track Record Periods.

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Periods and the three months ended June 30, 2013 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at March 31, 2012, 2013 and 2014 and June 30, 2014 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing carrying values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the Controlling Shareholders prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from April 1, 2014, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Track Record Periods and the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9 (2014)	<i>Financial Instruments</i> ⁴
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39</i> ⁴
HKFRS 10 and HKAS 28 Amendments	Amendments to HKFRS 10 <i>Consolidated Financial Statements</i> and HKAS 28 <i>Investments in Associates and Joint Ventures</i> ²
HKFRS 11 Amendments	Amendments to HKFRS 11 <i>Joint Arrangements — Accounting for Acquisition of Interests in Joint Operations</i> ²
HKFRS 14	<i>Regulatory Deferral Accounts</i> ⁵
HKFRS 15	<i>Revenue from Contracts with Customers</i> ³
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 <i>Property, Plant and Equipment</i> and HKAS 38 <i>Intangible Assets — Clarification of Acceptable Methods of Depreciation and Amortisation</i> ²
HKAS 16 and HKAS 41 Amendments	Amendments to HKAS 16 <i>Property, Plant and Equipment</i> and HKAS 41 <i>Agriculture — Agriculture: Bearer Plants</i> ²
HKAS 19 Amendments	Amendments to HKAS 19 <i>Employee Benefits — Defined Benefit Plans: Employee Contributions</i> ¹
HKAS 27 Amendments	Amendments to HKAS 27 <i>Separate Financial Statements — Equity Method in Separate Financial Statements</i> ²
<i>Annual Improvements to HKFRSs 2010–2012 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 ¹
<i>Annual Improvements to HKFRSs 2011–2013 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 ¹
<i>Annual Improvements to HKFRSs 2012–2014 Cycle</i>	Amendments to a number of HKFRSs issued in October 2014 ²

¹ Effective for annual periods beginning on or after July 1, 2014

² Effective for annual periods beginning on or after January 1, 2016

³ Effective for annual periods beginning on or after January 1, 2017

⁴ Effective for annual periods beginning on or after January 1, 2018

⁵ Effective for first annual HKFRS financial statements for a period beginning on or after January 1, 2016 and not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

This Financial Information includes the financial statements of the Company and its subsidiaries now comprising the Group for the Track Record Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

As explained in note 2.1 of Section II above, the acquisition of subsidiaries under common control has been accounted for using the merger accounting. The acquisition of subsidiaries not under common control is accounted for using the acquisition method as explained below under "Business combinations and goodwill".

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations other than those under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39") is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at March 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, goodwill and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Track Record Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group; or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than renovation in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Computer equipment	30%
Air conditioning	20%
Leasehold improvements	Over the shorter of the lease terms and 16.7% to 20%
Furniture, fixtures and equipment	20%
Kitchen equipment	30%
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Renovation in progress represents items of property, plant and equipment in respect of a renovation project, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of renovation during the period of renovation. Renovation in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets*Initial recognition and measurement*

Financial assets are all classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement of loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each of the Track Record Periods whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement of loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statements of comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the Track Record Periods; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Track Record Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Track Record Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Track Record Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Track Record Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Periods.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) from restaurant operations, when catering services have been provided to customers;
- (ii) from the sale of food and other operating items, when the food and other operating items is sold to customers and the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the food sold;
- (iii) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (iv) sponsorship income, when there is reasonable assurance that the sponsorship income will be received and all attaching conditions will be complied with. Where the sponsorship income relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments; and
- (v) rental income and licensing income, on a time proportion basis over the lease terms.

Employee benefits*Retirement benefit scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated statements of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currency transactions

The Financial Information is presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Track Record Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Track Record Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (a) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (b) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (c) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections could materially affect the net present value used in the impairment test.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Adjustment of depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the Track Record Periods based on changes in circumstances.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer taste or competitor actions. Management reassesses these estimates at each reporting date.

Impairment of loans and receivables

The Group assesses at the end of each of the Track Record Periods whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5. OPERATING SEGMENT INFORMATION

The Group is principally engaged in restaurant operations in Hong Kong. Information reported to the Group's management for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Information about geographical areas

Since all of the Group's revenue and profit were generated from the restaurant operations in Hong Kong and all of the Group's non-current assets were located in Hong Kong during the Track Record Periods, no geographical segment information in accordance with HKFRS 8 *Operating Segments* is presented.

Information about major customers

Since no revenue derived from sales to a single customer of the Group has individually accounted for over 10% of the Group's total revenue during each of the Track Record Periods, no information about major customers in accordance with HKFRS 8 *Operating Segments* is presented.

6. REVENUE, OTHER INCOME AND GAIN

Revenue, which is also the Group's turnover, represents the gross revenue from restaurant operations and net invoiced value of goods sold and other operating items, after allowances for returns and trade discounts. An analysis of revenue, other income and gain is as follows:

	Year ended March 31,			Three months ended June 30,	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Revenue					
Restaurant operations	1,696,783	1,855,829	2,158,743	473,426	539,533
Sale of food and other operating items	<u>27,150</u>	<u>29,211</u>	<u>67,446</u>	<u>8,262</u>	<u>8,037</u>
	<u>1,723,933</u>	<u>1,885,040</u>	<u>2,226,189</u>	<u>481,688</u>	<u>547,570</u>
Other income and gain					
Bank interest income	13	6	12	6	5
Rental income from subleasing	1,082	240	—	—	—
Licensing income	1,197	1,347	1,496	357	421
Sponsorship income	924	1,730	3,501	722	981
Gain on disposal of a subsidiary (note 31)	—	—	900	—	—
Others	<u>1,647</u>	<u>956</u>	<u>1,467</u>	<u>274</u>	<u>1,115</u>
	<u>4,863</u>	<u>4,279</u>	<u>7,376</u>	<u>1,359</u>	<u>2,522</u>

7. FINANCE COSTS

	Year ended March 31,			Three months ended June 30,	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Interest on bank overdrafts wholly repayable on demand	36	23	62	15	19
Interest on finance leases	26	31	44	11	15
Interest on loans from a related party	—	211	686	190	337
	<u>62</u>	<u>265</u>	<u>792</u>	<u>216</u>	<u>371</u>

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Year ended March 31,			Three months ended June 30,	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Lease payments under operating leases in respect of land and buildings:					
Minimum lease payments	162,865	193,846	248,685	57,208	70,921
Contingent rents	1,900	1,023	579	125	77
	<u>164,765</u>	<u>194,869</u>	<u>249,264</u>	<u>57,333</u>	<u>70,998</u>
Employee benefit expenses (including directors' remuneration (note 9)):					
Salaries, bonuses and other allowances	476,886	536,540	657,046	150,484	168,217
Retirement benefit scheme contributions (defined contribution scheme)	21,308	23,781	28,521	6,559	7,263
	<u>498,194</u>	<u>560,321</u>	<u>685,567</u>	<u>157,043</u>	<u>175,480</u>
Auditors' remuneration	929	751	1,026	194	267
Listing expenses	—	6,116	6,662	2,181	7,031
Loss on disposal of items of property, plant and equipment	—	—	568	568	—
Write-off of items of property, plant and equipment (note 15)	1,234	—	—	—	166

9. DIRECTORS' REMUNERATION

Directors' remuneration for the Track Record Periods and the three months ended June 30, 2013, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange, is as follows:

	Year ended March 31,			Three months ended June 30,	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees				(Unaudited)	
Other emoluments:					
Salaries, allowances and benefits in kind	5,236	5,475	5,806	1,569	1,250
Retirement benefit scheme contributions (defined contribution scheme)	48	58	60	15	16
	<u>5,284</u>	<u>5,533</u>	<u>5,866</u>	<u>1,584</u>	<u>1,266</u>

(a) Non-executive directors and independent non-executive directors

The Company did not have any non-executive directors and independent non-executive directors at any time during the Track Record Periods and the three months ended June 30, 2013.

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended March 31, 2012				
Mr. Yeung Wai	—	1,376	12	1,388
Mr. Yeung Yun Chuen	—	2,066	12	2,078
Mr. Yeung Yun Kei	—	960	12	972
Mr. Leung Siu Sun	—	834	12	846
	—	5,236	48	5,284
Year ended March 31, 2013				
Mr. Yeung Wai	—	1,516	15	1,531
Mr. Yeung Yun Chuen	—	2,080	15	2,095
Mr. Yeung Yun Kei	—	999	14	1,013
Mr. Leung Siu Sun	—	880	14	894
	—	5,475	58	5,533
Year ended March 31, 2014				
Mr. Yeung Wai	—	1,726	15	1,741
Mr. Yeung Yun Chuen	—	1,780	15	1,795
Mr. Yeung Yun Kei	—	1,210	15	1,225
Mr. Leung Siu Sun	—	1,090	15	1,105
	—	5,806	60	5,866
Three months ended June 30, 2014				
Mr. Yeung Wai	—	350	4	354
Mr. Yeung Yun Chuen	—	320	4	324
Mr. Yeung Yun Kei	—	300	4	304
Mr. Leung Siu Sun	—	280	4	284
	—	1,250	16	1,266
Three months ended June 30, 2013				
(Unaudited)				
Mr. Yeung Wai	—	429	4	433
Mr. Yeung Yun Chuen	—	570	4	574
Mr. Yeung Yun Kei	—	300	4	304
Mr. Leung Siu Sun	—	270	3	273
	—	1,569	15	1,584

There were no arrangements under which a director waived or agreed to waive any remuneration during the Track Record Periods and the three months ended June 30, 2013.

During the Track Record Periods and the three months ended June 30, 2013, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included four directors of the Company during each of the Track Record Periods and the three months ended June 30, 2013, details of whose remuneration are set out in note 9 of this section.

Details of the remuneration of the remaining one non-director highest paid employee for each of the Track Record Periods and the three months ended June 30, 2013 are analysed as follows:

	Year ended March 31,			Three months ended June 30,	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, bonuses and allowances	484	684	750	171	360
Retirement benefit scheme contributions	10	15	15	4	4
	<u>494</u>	<u>699</u>	<u>765</u>	<u>175</u>	<u>364</u>

The remuneration of the non-director highest paid employee fell within the band of Nil to HK\$1,000,000.

11. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at a rate of 16.5% during the Track Record Periods and the three months ended June 30, 2013.

The major components of the income tax expense for the Track Record Periods and the three months ended June 30, 2013 are as follows:

	Year ended March 31,			Three months ended June 30,	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current					
— Charge for the year/period	18,446	33,804	40,798	4,729	5,942
— Underprovision/(overprovision) in prior years	(2)	79	254	15	—
Deferred tax (note 27)	<u>2,486</u>	<u>797</u>	<u>(1,211)</u>	<u>(896)</u>	<u>(2,279)</u>
Total tax charge for the year/period	<u>20,930</u>	<u>34,680</u>	<u>39,841</u>	<u>3,848</u>	<u>3,663</u>

A reconciliation of the tax expense applicable to profit before tax at the Hong Kong statutory rate to the tax expense at the Group's effective tax rate is as follows:

	Year ended March 31,			Three months ended June 30,	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before tax	125,047	195,206	219,899	14,187	10,508
Tax at the statutory tax rate of 16.5%	20,633	32,209	36,283	2,341	1,734
Adjustment in respect of current tax of previous periods	(2)	79	254	15	—
Expenses not deductible for tax	611	2,169	2,202	553	1,529
Tax losses utilised from previous periods	(48)	—	(276)	(77)	(267)
Tax losses not recognised	1	647	1,102	504	932
Income not subject to tax	(3)	(62)	(2)	(1)	(1)
Others	(262)	(362)	278	513	(264)
Tax charge at the Group's effective rate of 16.7%, 17.8%, 18.1%, 27.1% and 34.9%	20,930	34,680	39,841	3,848	3,663

12. DIVIDENDS

	Year ended March 31,			Three months ended June 30,	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Proposed final dividend	—	—	200,000	—	—

The proposed final dividend for the year ended March 31, 2014 was approved by the Company's shareholders on August 8, 2014.

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended March 31, 2014 and the three months ended June 30, 2014 was all generated by the subsidiaries now comprising the Group.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Track Record Periods and the three months ended June 30, 2013 as disclosed in note 2.1 of this section.

15. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Air conditioning	Leasehold improvements	Furniture, fixtures and equipment	Kitchen equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
March 31, 2012							
At April 1, 2011:							
Cost	6,330	45,487	175,684	63,920	13,952	1,533	306,906
Accumulated depreciation	(4,555)	(26,883)	(123,211)	(47,217)	(10,739)	(1,205)	(213,810)
Net carrying amount	<u>1,775</u>	<u>18,604</u>	<u>52,473</u>	<u>16,703</u>	<u>3,213</u>	<u>328</u>	<u>93,096</u>
At April 1, 2011, net of accumulated depreciation	1,775	18,604	52,473	16,703	3,213	328	93,096
Additions	1,260	7,819	36,016	17,367	7,036	352	69,850
Write-off	—	(230)	(928)	(76)	—	—	(1,234)
Depreciation provided during the year	(1,029)	(6,842)	(24,361)	(7,720)	(2,385)	(231)	(42,568)
At March 31, 2012, net of accumulated depreciation	<u>2,006</u>	<u>19,351</u>	<u>63,200</u>	<u>26,274</u>	<u>7,864</u>	<u>449</u>	<u>119,144</u>
At March 31, 2012:							
Cost	7,590	49,289	188,880	78,563	20,988	1,885	347,195
Accumulated depreciation	(5,584)	(29,938)	(125,680)	(52,289)	(13,124)	(1,436)	(228,051)
Net carrying amount	<u>2,006</u>	<u>19,351</u>	<u>63,200</u>	<u>26,274</u>	<u>7,864</u>	<u>449</u>	<u>119,144</u>
	Computer equipment	Air conditioning	Leasehold improvements	Furniture, fixtures and equipment	Kitchen equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
March 31, 2013							
At March 31, 2012 and April 1, 2012:							
Cost	7,590	49,289	188,880	78,563	20,988	1,885	347,195
Accumulated depreciation	(5,584)	(29,938)	(125,680)	(52,289)	(13,124)	(1,436)	(228,051)
Net carrying amount	<u>2,006</u>	<u>19,351</u>	<u>63,200</u>	<u>26,274</u>	<u>7,864</u>	<u>449</u>	<u>119,144</u>
At April 1, 2012, net of accumulated depreciation	2,006	19,351	63,200	26,274	7,864	449	119,144
Additions	3,207	584	65,665	21,735	6,807	743	98,741
Depreciation provided during the year	(1,331)	(6,215)	(28,742)	(9,560)	(3,836)	(339)	(50,023)
At March 31, 2013, net of accumulated depreciation	<u>3,882</u>	<u>13,720</u>	<u>100,123</u>	<u>38,449</u>	<u>10,835</u>	<u>853</u>	<u>167,862</u>
At March 31, 2013:							
Cost	10,797	49,873	254,545	100,298	27,795	2,628	445,936
Accumulated depreciation	(6,915)	(36,153)	(154,422)	(61,849)	(16,960)	(1,775)	(278,074)
Net carrying amount	<u>3,882</u>	<u>13,720</u>	<u>100,123</u>	<u>38,449</u>	<u>10,835</u>	<u>853</u>	<u>167,862</u>

	Computer equipment	Air conditioning	Leasehold improvements	Furniture, fixtures and equipment	Kitchen equipment	Motor vehicles	Renovation in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
March 31, 2014								
At March 31, 2013 and April 1, 2013:								
Cost	10,797	49,873	254,545	100,298	27,795	2,628	—	445,936
Accumulated depreciation	(6,915)	(36,153)	(154,422)	(61,849)	(16,960)	(1,775)	—	(278,074)
Net carrying amount	<u>3,882</u>	<u>13,720</u>	<u>100,123</u>	<u>38,449</u>	<u>10,835</u>	<u>853</u>	<u>—</u>	<u>167,862</u>
At April 1, 2013, net of accumulated depreciation	3,882	13,720	100,123	38,449	10,835	853	—	167,862
Additions	2,295	2,316	56,880	12,713	2,802	—	760	77,766
Acquisition of subsidiaries (note 30)	56	277	5,077	730	13	350	—	6,503
Disposal of a subsidiary (note 31)	(94)	—	(561)	(404)	(278)	—	—	(1,337)
Disposals	—	—	(1,168)	—	—	—	—	(1,168)
Depreciation provided during the year	(2,219)	(5,347)	(39,530)	(12,710)	(5,110)	(383)	—	(65,299)
At March 31, 2014, net of accumulated depreciation	<u>3,920</u>	<u>10,966</u>	<u>120,821</u>	<u>38,778</u>	<u>8,262</u>	<u>820</u>	<u>760</u>	<u>184,327</u>
At March 31, 2014:								
Cost	13,007	52,466	292,868	112,399	30,253	2,978	760	504,731
Accumulated depreciation	(9,087)	(41,500)	(172,047)	(73,621)	(21,991)	(2,158)	—	(320,404)
Net carrying amount	<u>3,920</u>	<u>10,966</u>	<u>120,821</u>	<u>38,778</u>	<u>8,262</u>	<u>820</u>	<u>760</u>	<u>184,327</u>
	Computer equipment	Air conditioning	Leasehold improvements	Furniture, fixtures and equipment	Kitchen equipment	Motor vehicles	Renovation in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
June 30, 2014								
At April 1, 2014:								
Cost	13,007	52,466	292,868	112,399	30,253	2,978	760	504,731
Accumulated depreciation	(9,087)	(41,500)	(172,047)	(73,621)	(21,991)	(2,158)	—	(320,404)
Net carrying amount	<u>3,920</u>	<u>10,966</u>	<u>120,821</u>	<u>38,778</u>	<u>8,262</u>	<u>820</u>	<u>760</u>	<u>184,327</u>
At April 1, 2014, net of accumulated depreciation	3,920	10,966	120,821	38,778	8,262	820	760	184,327
Additions	665	863	5,907	1,156	694	—	—	9,285
Write-off	—	(25)	(28)	(113)	—	—	—	(166)
Depreciation provided during the period	(541)	(1,574)	(10,776)	(2,894)	(1,252)	(120)	—	(17,157)
At June 30, 2014, net of accumulated depreciation	<u>4,044</u>	<u>10,230</u>	<u>115,924</u>	<u>36,927</u>	<u>7,704</u>	<u>700</u>	<u>760</u>	<u>176,289</u>
At June 30, 2014:								
Cost	13,569	51,859	295,358	111,252	30,947	2,978	760	506,723
Accumulated depreciation	(9,525)	(41,629)	(179,434)	(74,325)	(23,243)	(2,278)	—	(330,434)
Net carrying amount	<u>4,044</u>	<u>10,230</u>	<u>115,924</u>	<u>36,927</u>	<u>7,704</u>	<u>700</u>	<u>760</u>	<u>176,289</u>

The net carrying amounts of the Group's property, plant and equipment held under finance leases included in the total amounts of motor vehicles as at March 31, 2012, 2013 and 2014 and June 30, 2014 were HK\$400,000, HK\$706,000, HK\$740,000 and HK\$633,000, respectively.

Certain fully-depreciated items of property, plant and equipment with an aggregate carrying cost and accumulated depreciation of HK\$5,242,000, HK\$18,316,000 and HK\$1,722,000 were written off during the years ended March 31, 2012 and 2014 and the three months ended June 30, 2014, respectively.

16. GOODWILL

	<u>HK\$'000</u>
Cost and carrying amount at April 1, 2011, March 31, 2012, April 1, 2012, March 31, 2013 and April 1, 2013	—
Acquisition of subsidiaries (note 30)	<u>58,707</u>
Cost and carrying amount at March 31, 2014, April 1, 2014 and June 30, 2014	<u><u>58,707</u></u>

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the Fulum restaurant operations cash-generating unit at HK\$27,728,000 and the Fulum Concept restaurant operations cash-generating unit at HK\$30,979,000 for impairment testing.

The recoverable amounts of the cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a three-year period. Revenue from restaurant operations is estimated based on the business trend in the industry of restaurant operation, historical average check per guest and guest cover, taking into account the store area and locations, market conditions and economic outlook. Cost of inventories sold is estimated based on rate of increase in revenue and the expected market conditions. The growth rate used to extrapolate the cash flows beyond the three-year period is 1.7%. The discount rate used is before tax and reflects specific risks relating to the cash-generating units. The discount rate applied to the cash flow projections is 20%.

17. INVESTMENT IN A SUBSIDIARY

Company

	<u>March 31, 2014</u>	<u>June 30, 2014</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Unlisted investment, at cost	<u>77,000</u>	<u>77,000</u>

Details of the subsidiaries are disclosed in note 1 of this section.

The amount due from a subsidiary of HK\$200,000,000 included in current assets represents a dividend receivable from a subsidiary which is unsecured, interest-free and has no fixed terms of repayment. It is neither past due nor impaired. There was no recent history of default of the subsidiary.

18. INVENTORIES

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Food and beverage	52,783	80,151	94,554	81,833
Other operating items for restaurant operations	1,448	2,252	3,171	3,391
	<u>54,231</u>	<u>82,403</u>	<u>97,725</u>	<u>85,224</u>

19. TRADE RECEIVABLES

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Credit card receivables	3,469	10,879	3,454	4,243
Due from related parties	2,791	2,907	3,930	—
Others	50	65	963	1,449
	<u>6,310</u>	<u>13,851</u>	<u>8,347</u>	<u>5,692</u>

The Group's trading terms with its third party customers are mainly on cash and credit card settlement while trading terms with related parties are on credit with a credit period of 45 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group has a certain concentration of credit risk as certain of the Group's trade receivables were due from the Group's largest debtor and the five largest debtors as detailed below.

	March 31,			June 30,
	2012	2013	2014	2014
	%	%	%	%
Largest debtor	31	44	33	36
Five largest debtors	<u>67</u>	<u>81</u>	<u>75</u>	<u>76</u>

An aged analysis of the trade receivables, based on the invoice date, is as follows:

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month	6,310	13,851	7,933	5,673
1 to 3 months	—	—	4	3
Over 3 months	—	—	410	16
	<u>6,310</u>	<u>13,851</u>	<u>8,347</u>	<u>5,692</u>

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Neither past due nor impaired	6,310	13,851	7,933	5,673
1 to 3 months past due	—	—	4	3
3 to 12 months past due	—	—	410	16
	<u>6,310</u>	<u>13,851</u>	<u>8,347</u>	<u>5,692</u>

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a few customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Particulars of the amounts due from related parties included in trade receivables are as follows:

March 31, 2012

	March 31, 2012	Maximum amount outstanding during the year	April 1, 2011
	HK\$'000	HK\$'000	HK\$'000
New Central Industrial Limited***	489	489	431
Glory Honor Wealth Creation Limited*	302	332	332
Faith Sky (Hong Kong) Industrial Limited**	380	380	327
China Famous Enterprises Limited**	224	224	178
Sun Profit Hong Kong Development Limited***	179	179	152
China Base Development Limited***	137	137	117
Honest Hong Kong Development Limited*	221	221	214
China Speed Development Limited**	172	172	—
Sunny Boulangerie Et Patisserie Limited*	—	10	10
Foo Lum Food Limited*	30	30	—
Yeung Yun Leung [#]	657	657	—
	<u>2,791</u>	<u>657</u>	<u>1,761</u>

March 31, 2013

	March 31, 2013	Maximum amount outstanding during the year	April 1, 2012
	HK\$'000	HK\$'000	HK\$'000
New Central Industrial Limited***	550	550	489
Glory Honor Wealth Creation Limited*	795	795	302
Faith Sky (Hong Kong) Industrial Limited**	398	398	380
China Famous Enterprises Limited**	223	224	224
Sun Profit Hong Kong Development Limited***	212	212	179
China Base Development Limited***	162	162	137
Honest Hong Kong Development Limited*	287	287	221
China Speed Development Limited**	230	230	172
Foo Lum Food Limited*	7	30	30
Central Dynamic International Limited***	43	43	—
Yeung Yun Leung [#]	—	657	657
	<u>2,907</u>	<u>657</u>	<u>2,791</u>

March 31, 2014

	March 31, 2014	Maximum amount outstanding during the year	April 1, 2013
	HK\$'000	HK\$'000	HK\$'000
New Central Industrial Limited***	—	550	550
Glory Honor Wealth Creation Limited*	503	795	795
Faith Sky (Hong Kong) Industrial Limited**	58	398	398
China Famous Enterprises Limited**	79	223	223
Sun Profit Hong Kong Development Limited***	—	212	212
China Base Development Limited***	—	162	162
Honest Hong Kong Development Limited*	272	287	287
China Speed Development Limited**	—	230	230
Foo Lum Food Limited*	2,727	2,727	7
Central Dynamic International Limited***	—	43	43
China Art Printing Limited*	31	31	—
Yeung Yun Leung [#]	260	260	—
	<u>3,930</u>	<u>260</u>	<u>2,907</u>

June 30, 2014

	June 30, 2014	Maximum amount outstanding during the period	April 1, 2014
	HK\$'000	HK\$'000	HK\$'000
Glory Honor Wealth Creation Limited*	—	503	503
Faith Sky (Hong Kong) Industrial Limited**	—	58	58
China Famous Enterprises Limited**	—	79	79
Honest Hong Kong Development Limited*	—	272	272
Foo Lum Food Limited*	—	2,727	2,727
China Art Printing Limited*	—	31	31
Yeung Yun Leung [#]	—	260	260
	—	—	3,930

* As at March 31, 2012, 2013 and 2014, a director/beneficial shareholder of the Company, Mr. Yeung Wai, or his family member were also the directors/beneficial shareholders of these related companies. During the three months ended June 30, 2014, Mr. Yeung Wai or his family member disposed of the entire equity interest of these companies and these companies became independent third parties thereafter.

** As at the end of each of the Track Record Periods, Mr. Yeung Wai or his family member were also the directors/beneficial shareholders of these related companies.

*** As at March 31, 2012 and 2013, Mr. Yeung Wai was also the director/beneficial shareholder of these related companies. On March 1, 2014, the Group acquired the entire issued capital of these related companies from Mr. Yeung Wai and these companies became indirect subsidiaries of the Company thereafter.

[#] Mr. Yeung Yun Leung is a sibling of the Controlling Shareholders.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments	8,394	11,834	5,934	18,572
Deposits	45,450	56,855	65,407	73,609
Deposits paid to related companies*	4,574	4,574	4,196	13,281
Other receivables	2,609	4,212	1,738	10,212
	<u>61,027</u>	<u>77,475</u>	<u>77,275</u>	<u>115,674</u>
Analysed into:				
Non-current portion	29,608	31,303	37,059	60,858
Current portion	<u>31,419</u>	<u>46,172</u>	<u>40,216</u>	<u>54,816</u>
	<u>61,027</u>	<u>77,475</u>	<u>77,275</u>	<u>115,674</u>

* These related companies are controlled by Mr. Yeung Wai or the Controlling Shareholders.

None of the above assets is either past due nor impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. BALANCES WITH SHAREHOLDERS AND RELATED PARTIES

Group

An analysis of the amounts due from shareholders and related parties is as follows:

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due from shareholders — current	—	—	3,729	6,244
Due from related parties				
Non-current portion	12,410	70,219	—	—
Current portion	14,148	34,909	269,175	103,139
	26,558	105,128	269,175	103,139

None of the amounts due from shareholders and related parties is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

Particulars of the amounts due from shareholders as at March 31, 2014 and June 30, 2014 are as follows:

March 31, 2014

	March 31, 2014	Maximum amount outstanding during the year	April 1, 2013
	HK\$'000	HK\$'000	HK\$'000
Due from shareholders			
Mr. Yeung Wai	3,721	3,721	—
Mr. Yeung Yun Chuen	4	4	—
Mr. Yeung Yun Kei	3	3	—
Mr. Leung Siu Sun	1	1	—
	3,729		—

June 30, 2014

	June 30, 2014	Maximum amount outstanding during the period	April 1, 2014
	HK\$'000	HK\$'000	HK\$'000
Due from shareholders			
Mr. Yeung Wai	6,236	6,236	3,721
Mr. Yeung Yun Chuen	4	4	4
Mr. Yeung Yun Kei	3	3	3
Mr. Leung Siu Sun	1	1	1
	6,244		3,729

Particulars of the amounts due from related parties are as follows:

March 31, 2012

	March 31, 2012	Maximum amount outstanding during the year	April 1, 2011
	HK\$'000	HK\$'000	HK\$'000
Due from related parties			
Sportful Garden Restaurant Limited^^	2,734	2,734	—
Foo Lum Holdings Limited^^	10,939	10,939	51
Sunny Boulangerie Et Patisserie Limited*	539	539	214
Central Steel Limited**	9,000	9,000	—
New Central Industrial Limited***	13	13	13
Glory Honor Wealth Creation Limited*	6	8	8
Faith Sky (Hong Kong) Industrial Limited**	11	17	17
China Famous Enterprises Limited**	1	1	1
Sun Profit Hong Kong Development Limited***	1	4	4
China Speed Development Limited**	2	2	—
China Base Development Limited***	1	1	—
Honest Hong Kong Development Limited*	3	4	4
China Crown Industrial Limited^^	—	6	6
Foo Lum Food Limited*	3,284	3,284	1
Yeung Yun Leung^	24	24	1
	<u>26,558</u>	<u>24</u>	<u>320</u>

March 31, 2013

	March 31, 2013	Maximum amount outstanding during the year	April 1, 2012
	HK\$'000	HK\$'000	HK\$'000
Due from related parties			
Sportful Garden Restaurant Limited^^	23,476	23,476	2,734
Foo Lum Holdings Limited^^	62,774	62,774	10,939
Sunny Boulangerie Et Patisserie Limited*	886	886	539
Central Steel Limited**	9,000	9,000	9,000
New Central Industrial Limited***	18	18	13
Glory Honor Wealth Creation Limited*	11	11	6
Faith Sky (Hong Kong) Industrial Limited**	10	11	11
China Famous Enterprises Limited**	3	3	1
Sun Profit Hong Kong Development Limited***	8	8	1
China Speed Development Limited**	—	2	2
China Base Development Limited***	2	2	1
Honest Hong Kong Development Limited*	4	4	3
Spring Luck Hong Kong Limited^^	6	6	—
Central Big Enterprises Limited^^	60	60	—
Foo Lum Properties Limited^^	4,120	4,120	—
Central Dynamic International Limited***	4	4	—
Sino Billion Development Limited^^	1,462	1,462	—
Foo Lum Food Limited*	3,284	3,284	3,284
Yeung Yun Leung^	—	24	24
	<u>105,128</u>	<u>24</u>	<u>26,558</u>

March 31, 2014

	March 31, 2014	Maximum amount outstanding during the year	April 1, 2013
	HK\$'000	HK\$'000	HK\$'000
Due from related parties			
Sportful Garden Restaurant Limited^^	41,965	41,965	23,476
Megacity Limited^^	934	934	—
Foo Lum Holdings Limited^^	154,699	154,699	62,774
Foo Lum Food Limited*	3,320	3,320	3,284
Sunny Boulangerie Et Patisserie Limited*	929	929	886
Yeung Yun Leung^	3	3	—
Central Steel Limited**	9,000	9,000	9,000
New Central Industrial Limited***	—	18	18
Glory Honor Wealth Creation Limited*	1,600	1,600	11
Faith Sky (Hong Kong) Industrial Limited**	2,524	2,524	10
China Famous Enterprises Limited**	377	377	3
Sun Profit Hong Kong Development Limited***	—	8	8
China Speed Development Limited**	1,207	1,207	—
China Base Development Limited***	—	2	2
Honest Hong Kong Development Limited*	1,002	1,002	4
Spring Luck Hong Kong Limited^^	3,480	3,480	6
Central Big Enterprises Limited^^	420	420	60
Foo Lum Properties Limited^^	4,120	4,120	4,120
Central Dynamic International Limited***	—	4	4
Sino Billion Development Limited^^	6,622	6,622	1,462
China Hall Enterprises Limited^^	1,200	1,200	—
China Crown Industrial Limited^^	1,200	1,200	—
China Spring Development Limited^^	17,357	17,357	—
Golden Dynasty Food & Beverage Group Limited**	15,735	15,735	—
Prime Target Worldwide Holdings Limited**	81	81	—
China Art Printing Limited*	1,400	1,400	—
	<u>269,175</u>	<u>269,175</u>	<u>105,128</u>

June 30, 2014

	June 30, 2014	Maximum amount outstanding during the period	April 1, 2014
	HK\$'000	HK\$'000	HK\$'000
Due from related parties			
Sportful Garden Restaurant Limited^^	—	41,965	41,965
Megacity Limited^^	—	934	934
Foo Lum Holdings Limited^^	63,227	154,699	154,699
Foo Lum Food Limited*	—	3,320	3,320
Sunny Boulangerie Et Patisserie Limited*	—	929	929
Yeung Yun Leung^	—	3	3
Central Steel Limited**	8,908	9,000	9,000
Glory Honor Wealth Creation Limited*	—	1,600	1,600
Faith Sky (Hong Kong) Industrial Limited**	2,524	2,524	2,524
China Famous Enterprises Limited**	377	377	377
China Speed Development Limited**	128	1,207	1,207
Honest Hong Kong Development Limited*	—	1,002	1,002
Spring Luck Hong Kong Limited^^	3,194	3,480	3,480
Central Big Enterprises Limited^^	—	420	420
Foo Lum Properties Limited^^	4,520	4,520	4,120
Sino Billion Development Limited^^	5,907	6,622	6,622
China Hall Enterprises Limited^^	—	1,200	1,200
China Crown Industrial Limited^^	—	1,200	1,200
China Spring Development Limited^^	—	17,357	17,357
Golden Dynasty Food & Beverage Group Limited**	14,354	15,735	15,735
Prime Target Worldwide Holdings Limited**	—	81	81
China Art Printing Limited*	—	1,400	1,400
	<u>103,139</u>	<u>269,175</u>	<u>269,175</u>

An analysis of the amount due to a shareholder and related parties is as follows:

	2012	March 31, 2013	2014	June 30, 2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due to a shareholder — current				
Mr. Yeung Wai	470	100	400	400
Due to related parties:				
Non-current portion	119,704	102,749	—	—
Current portion	99,538	113,931	245,467	75,086
	<u>219,242</u>	<u>216,680</u>	<u>245,467</u>	<u>75,086</u>

An analysis of the amounts due to related parties is as follows:

Due to related parties

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sportful Garden Restaurant Limited^^	41,669	35,464	42,628	47
Megacity Limited^^	37,426	56,463	56,463	54,987
Foo Lum Holdings Limited^^	133,275	116,352	124,380	—
Excel Source Investment Limited^^	302	303	303	266
China Hall Enterprises Limited^^	151	353	54	1,513
China Crown Industrial Limited^^	876	876	876	432
Noble Centre Limited^^	1,108	1,108	1,108	1,108
Spring Luck Hong Kong Limited^^	396	399	399	—
Sino Legend Enterprises Limited^^	224	224	224	196
Sunny Boulangerie Et Patisserie Limited*	—	68	226	—
Foo Lum Hot Pot Restaurant Limited^^	3,815	3,815	3,815	3,844
China Spring Development Limited^^	—	1,255	2,863	2,441
China Sky Industrial Limited**	—	—	16	33
China Speed Development Limited**	—	—	957	—
Prime Target Worldwide Holdings Limited**	—	—	9,337	9,256
China Art Printing Limited*	—	—	321	—
Golden Dynasty Food & Beverage Group Limited**	—	—	1,392	—
Foo Lum Food Limited*	—	—	105	—
China Body Limited^^	—	—	—	689
Central Big Enterprises Limited^^	—	—	—	274
	<u>219,242</u>	<u>216,680</u>	<u>245,467</u>	<u>75,086</u>

* As at March 31, 2012, 2013 and 2014, a director/beneficial shareholder of the Company, Mr. Yeung Wai, or his family member were also the directors/beneficial shareholders of these related companies. During the three months ended June 30, 2014, Mr. Yeung Wai or his family member disposed of the entire equity interest of these companies and these companies became independent third parties thereafter.

** As at the end of each of the Track Record Periods, Mr. Yeung Wai or his family member were also the directors/beneficial shareholders of these related companies.

*** As at March 31, 2012 and 2013, Mr. Yeung Wai was also the director/beneficial shareholder of these related companies. On March 1, 2014, the Group acquired the entire issued capital of these related companies from Mr. Yeung Wai and these companies became indirect subsidiaries of the Company thereafter.

^ Mr. Yeung Yun Leung is a sibling of the Controlling Shareholders.

^^ These related companies are controlled by the Controlling Shareholders.

Except for (i) an aggregate amount due from related parties of HK\$12,410,000 and HK\$70,219,000 as at March 31, 2012 and 2013, respectively, which are not repayable within the next twelve months; (ii) an amount due to a related party of HK\$16,949,000, HK\$30,893,000 and HK\$21,768,000 as at March 31, 2013 and 2014 and June 30, 2014, respectively, which is interest-bearing at 5.3% per annum and repayable within one year; and (iii) an aggregate amount due to related parties of HK\$119,704,000 and HK\$102,749,000 as at March 31, 2012 and 2013, respectively, which are not repayable within the next twelve months, the above balances with shareholders and related parties are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

Company

Particulars of the amounts due from shareholders as at March 31, 2014 are as follows:

March 31, 2014

	March 31, 2014	Maximum amount outstanding during the year	April 1, 2013
	HK\$'000	HK\$'000	HK\$'000
Due from shareholders			
Mr. Yeung Wai	6	6	—
Mr. Yeung Yun Chuen	4	4	—
Mr. Yeung Yun Kei	3	3	—
Mr. Leung Siu Sun	1	1	—
	<u>14</u>		<u>—</u>

June 30, 2014

	June 30, 2014	Maximum amount outstanding during the period	April 1, 2014
	HK\$'000	HK\$'000	HK\$'000
Due from shareholders			
Mr. Yeung Wai	6	6	6
Mr. Yeung Yun Chuen	4	4	4
Mr. Yeung Yun Kei	3	3	3
Mr. Leung Siu Sun	1	1	1
	<u>14</u>		<u>14</u>

The amounts due from shareholders are unsecured, interest-free and have no fixed terms of repayment.

22. CASH AND CASH EQUIVALENTS AND A PLEDGED TIME DEPOSIT

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	235,256	234,555	253,946	215,761
Time deposit	—	2,340	2,349	2,353
	235,256	236,895	256,295	218,114
Less: Time deposit pledged for a bank guarantee for a rental deposit	—	(2,340)	(2,349)	(2,353)
	<u>235,256</u>	<u>234,555</u>	<u>253,946</u>	<u>215,761</u>

All the cash and bank balances are denominated in HK\$. Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposit is made for a period of six months and earns interest at the time deposit rate. The bank balances and time deposit are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Third party suppliers	94,409	83,692	55,767	69,953
Due to related companies:*				
Central International (HK) Limited	7,021	8,015	8,837	—
Foo Lum Food Limited	138	338	265	—
	<u>101,568</u>	<u>92,045</u>	<u>64,869</u>	<u>69,953</u>

* As at March 31, 2012, 2013 and 2014, a director/beneficial shareholder of the Company, Mr. Yeung Wai, or his family member were also the directors/beneficial shareholders of these related companies. During the three months ended June 30, 2014, Mr. Yeung Wai or his family member disposed of the entire equity interest in these companies and these companies became independent third parties thereafter.

An aged analysis of the trade payables as at the end of each of the Track Record Periods, based on the invoice date, is as follows:

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month	69,757	58,649	52,999	54,870
1 to 2 months	14,351	18,664	11,870	14,177
2 to 3 months	17,460	14,732	—	906
	<u>101,568</u>	<u>92,045</u>	<u>64,869</u>	<u>69,953</u>

The trade payables are non-interest-bearing and generally have payment terms of 45 to 90 days.

24. OTHER PAYABLES, ACCRUALS AND DEFERRED INCOME

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables	16,587	13,279	12,149	14,434
Accruals	68,915	90,197	98,980	88,906
Deferred income	2,487	9,456	11,585	13,784
	<u>87,989</u>	<u>112,932</u>	<u>122,714</u>	<u>117,124</u>
Analysed into:				
Non-current liabilities	10,914	17,634	14,775	13,601
Current liabilities	77,075	95,298	107,939	103,523
	<u>87,989</u>	<u>112,932</u>	<u>122,714</u>	<u>117,124</u>

Other payables are non-interest-bearing and have average payment terms of one to three months.

25. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles for its operations. These leases are classified as finance leases and have remaining lease terms ranging from one to five years.

At the end of each of the Track Record Periods, the Group's total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments				Present value of minimum lease payments			
	March 31,		June 30,		March 31,		June 30,	
	2012	2013	2014	2014	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable:								
Within one year	185	229	341	341	162	189	287	292
In the second year	100	222	287	263	88	194	251	232
In the third to fifth years, inclusive	132	393	463	401	125	366	436	380
Total minimum finance lease payments	417	844	1,091	1,005	375	749	974	904
Future finance charges	(42)	(95)	(117)	(101)				
Total net finance lease payables	375	749	974	904				
Portion classified as current liabilities	(162)	(189)	(287)	(292)				
Non-current portion	213	560	687	612				

26. PROVISION

	HK\$'000
At April 1, 2011	16,766
Additional provision	877
At March 31, 2012 and at April 1, 2012	17,643
Additional provision	2,543
Amounts utilised during the year	(413)
At March 31, 2013 and at April 1, 2013	19,773
Additional provision	1,509
Acquisition of subsidiaries (note 30)	1,259
At March 31, 2014 and at April 1, 2014	22,541
Additional provision	1,459
Amounts utilised during the period	(319)
At June 30, 2014	23,681

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Analysed into:				
Non-current portion	15,020	15,358	21,016	20,466
Current portion	2,623	4,415	1,525	3,215
	17,643	19,773	22,541	23,681

The provision represents management's best estimate of the Group's liabilities of the costs of dismantling and removing the leasehold improvements and restoring the sites on which they are located.

27. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Track Record Periods are as follows:

Deferred tax assets

	Depreciation in excess of related depreciation allowance	Losses available for offsetting against future taxable profits	Fair value adjustments arising from acquisition of subsidiaries	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At April 1, 2011	10,726	6,237	—	16,963
Deferred tax charged to profit or loss during the year (<i>note 11</i>)	<u>(203)</u>	<u>(1,850)</u>	<u>—</u>	<u>(2,053)</u>
At March 31, 2012 and April 1, 2012	10,523	4,387	—	14,910
Deferred tax credited/(charged) to profit or loss during the year (<i>note 11</i>)	<u>1,619</u>	<u>(1,353)</u>	<u>—</u>	<u>266</u>
At March 31, 2013 and April 1, 2013	12,142	3,034	—	15,176
Acquisition of subsidiaries	989	95	102	1,186
Disposal of a subsidiary	—	(55)	—	(55)
Deferred tax credited/(charged) to profit or loss during the year (<i>note 11</i>)	<u>232</u>	<u>(342)</u>	<u>—</u>	<u>(110)</u>
At March 31, 2014 and April 1, 2014	13,363	2,732	102	16,197
Deferred tax credited/(charged) to profit or loss during the period (<i>note 11</i>)	<u>740</u>	<u>1,262</u>	<u>(18)</u>	<u>1,984</u>
At June 30, 2014	<u>14,103</u>	<u>3,994</u>	<u>84</u>	<u>18,181</u>

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation	Fair value adjustments arising from acquisition of subsidiaries	Total
	HK\$'000	HK\$'000	HK\$'000
At April 1, 2011	2,202	—	2,202
Deferred tax charged to profit or loss during the year (<i>note 11</i>)	<u>433</u>	<u>—</u>	<u>433</u>
At March 31, 2012 and April 1, 2012	2,635	—	2,635
Deferred tax charged to profit or loss during the year (<i>note 11</i>)	<u>1,063</u>	<u>—</u>	<u>1,063</u>
At March 31, 2013 and April 1, 2013	3,698	—	3,698
Acquisition of subsidiaries	17	323	340
Disposal of a subsidiary	(55)	—	(55)
Deferred tax credited to profit or loss during the year (<i>note 11</i>)	<u>(1,321)</u>	<u>—</u>	<u>(1,321)</u>
At March 31, 2014 and April 1, 2014	2,339	323	2,662
Deferred tax credited to profit or loss during the period (<i>note 11</i>)	<u>(264)</u>	<u>(31)</u>	<u>(295)</u>
At June 30, 2014	<u>2,075</u>	<u>292</u>	<u>2,367</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net deferred tax assets recognised in the consolidated statements of financial position	14,523	13,335	14,826	16,906
Net deferred tax liabilities recognised in the consolidated statements of financial position	(2,248)	(1,857)	(1,291)	(1,092)
	12,275	11,478	13,535	15,814

Deferred tax assets have not been recognised in respect of the following items:

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax losses	1,895	2,542	2,867	3,532
Deductible temporary differences	117	—	—	—
	2,012	2,542	2,867	3,532

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. ISSUED CAPITAL

The Company is a limited liability company incorporated in the Cayman Islands on February 24, 2014 with an authorised share capital of HK\$100,000 divided into 100,000 shares of HK\$1 each.

There was no authorised and issued capital as at March 31, 2012 and 2013 since the Company has not yet been incorporated.

Company

	March 31,	June 30,
	2014	2014
	HK\$'000	HK\$'000
Issued and fully paid:		
15,000 ordinary shares of HK\$1 each	15	15

During the year ended March 31, 2014 and the three months ended June 30, 2014, the movements in the share capital were as follows:

- (a) Pursuant to an ordinary resolution passed on February 24, 2014, 1 ordinary share of HK\$1 was allotted, issued and credited as fully paid to the Company's initial subscriber, and was subsequently transferred to Mr. Yeung Wai.
- (b) Pursuant to an ordinary resolution passed on February 24, 2014, a total of 13,499 ordinary shares of HK\$1 each were issued at par to Mr. Yeung Wai, Mr. Yeung Yun Chuen, Mr. Yeung Yun Kei and Mr. Leung Siu Sun. Details of which are set out in the sub-section headed "Reorganization" in the section headed "History and Corporate Structure — Shareholding and Corporate Structure" in the Prospectus.
- (c) Pursuant to an ordinary resolution passed on March 1, 2014, a total of 1,500 ordinary shares of HK\$1 each were issued at par for acquisition of certain subsidiaries of the Group. Details of the acquisition are set out in note 30 below.
- (d) Pursuant to an ordinary resolution passed on October 28, 2014, each issued and unissued ordinary share of HK\$1 of the Company was sub-divided into 1,000 ordinary shares of HK\$0.001 each.
- (e) Pursuant to an ordinary resolution passed on October 28, 2014, the authorised share capital of the Company was increased from HK\$100,000 to HK\$2,000,000 by the creation of 1,900,000,000 additional ordinary shares of HK\$0.001 each, ranking pari passu in all respects with the existing shares of the Company.

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for each of the Track Record Periods are presented in the consolidated statements of changes in equity on page I-7 of this report.

Merger reserve

The merger reserve represents reserves arising from the Reorganisation.

Other reserve

Other reserve represents (i) the gain on deemed disposal of an interest in a subsidiary amounting to approximately HK\$8,000; and (ii) the difference between the acquisition of additional equity interests from the then non-controlling shareholders and the consideration paid.

(b) Company

	<u>Notes</u>	<u>Share premium</u>	<u>Retained profits</u>	<u>Proposed final dividend</u>	<u>Total</u>
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Issue of shares	28	76,999	—	—	76,999
Profit and total comprehensive income for the period		—	200,000	—	200,000
Proposed 2014 final dividend	12	—	(200,000)	200,000	—
At March 31, 2014, April 1, 2014 and June 30, 2014		<u>76,999</u>	<u>—</u>	<u>200,000</u>	<u>276,999</u>

30. BUSINESS COMBINATION

On March 1, 2014, the Group acquired the entire issued capital of Central Dynamic International Limited, China Base Development Limited, China Forward Development Limited, China Harvest (Hong Kong) Limited, New Central Industrial Limited and Sun Profit Hong Kong Development Limited (collectively, the "Acquired Companies") from Mr. Yeung Wai, a director of the Company. The Acquired Companies are engaged in restaurant operations in Hong Kong. The purchase consideration for the acquisition was satisfied by 1,500 new shares of the Company (the "New Shares") to Mr. Yeung Wai.

The fair values of the identifiable assets and liabilities of the Acquired Companies as at the date of acquisition were as follows:

	<u>Notes</u>	<u>Fair value recognised on acquisition</u>
		<u>HK\$'000</u>
Property, plant and equipment	15	6,503
Deferred tax assets		1,169
Inventories		311
Trade receivables		215
Prepayments, deposits and other receivables		4,913
Due from related parties		25,298
Cash and bank balances		8,986
Trade payables		(5,253)
Other payables, accruals and deferred income		(6,673)
Finance lease payables		(421)
Due to related parties		(12,925)
Tax payable		(2,248)
Deferred tax liabilities		(323)
Provision	26	<u>(1,259)</u>
Total identifiable net assets at fair values		18,293
Goodwill on acquisition	16	<u>58,707</u>
Satisfied by the New Shares		<u><u>77,000</u></u>

The fair value of the New Shares is measured by reference to the acquisition-date fair value of the equity interests in the Acquired Companies determined based on a valuation performed by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, using the discounted cash flow method.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK\$215,000 and HK\$6,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK\$215,000 and HK\$6,000, respectively.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of the Acquired Companies is as follows:

	<u>HK\$'000</u>
Cash and bank balances and inflow of cash and cash equivalents included in cash flows from investing activities	<u><u>8,986</u></u>

Since the acquisition, the Acquired Companies contributed HK\$10,776,000 to the Group's turnover and HK\$1,139,000 to the consolidated profit for the year ended March 31, 2014.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK\$2,331,210,000 and HK\$189,357,000, respectively.

31. DISPOSAL OF A SUBSIDIARY

On March 15, 2014, the Group disposed of its entire equity interest in Sino Industrial Investment Limited to an independent third party for a consideration of HK\$1.

	<u>HK\$'000</u>
Net liabilities disposed of:	
Property, plant and equipment (<i>note 15</i>)	1,337
Trade receivables	15
Prepayments, deposits and other receivables	1,924
Due from related parties	4,954
Cash and bank balances	759
Trade payables	(709)
Other payables and accruals	(4,455)
Due to a shareholder	(2,000)
Due to related parties	(2,793)
Non-controlling interest	<u>68</u>
	(900)
Gain on disposal of a subsidiary (<i>note 6</i>)	<u>900</u>
	<u>—</u>
Satisfied by:	
Cash	<u>—</u>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	<u>HK\$'000</u>
Cash consideration	—
Cash and bank balances disposed of	<u>759</u>
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>759</u>

32. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

- (a) On November 13, 2013 and February 7, 2014, the Group acquired 0.2% and 0.1% of 37 subsidiaries from certain non-controlling shareholders at a total consideration of HK\$4,000,000 and HK\$300,000, respectively. The Group recognised a decrease in non-controlling interests of HK\$350,000 and a decrease in equity attributable to owners of the Company of HK\$3,950,000.
- (b) On November 13, 2013, the Group acquired 0.2% of 11 subsidiaries from a non-controlling shareholder at a consideration of HK\$1,500,000. The Group recognised a decrease in non-controlling interests of HK\$70,000 and a decrease in equity attributable to owners of the Company of HK\$1,430,000.

33. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in this report, the Group had the following material transactions with related parties during the Track Record Periods and the three months ended June 30, 2013:

	Year ended March 31,			Three months ended June 30,	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Sale of food to:					
New Central Industrial Limited***	5,532	5,901	5,846	1,490	—
Glory Honor Wealth Creation Limited*	3,974	4,488	4,513	642	—
Faith Sky (Hong Kong) Industrial Limited**	4,872	4,674	2,673	1,124	—
China Famous Enterprises Limited**	2,566	2,520	2,281	649	—
Sun Profit Hong Kong Development Limited***	2,107	2,337	2,382	602	—
China Speed Development Limited**	1,126	2,587	1,081	647	—
China Harvest (Hong Kong) Limited***	—	—	1,321	—	—
China Forward Development Limited***	—	—	188	—	—
China Base Development Limited***	1,691	1,832	1,809	465	—
Honest Hong Kong Development Limited*	2,708	3,207	3,434	870	—
Foo Lum Food Limited*	211	240	2,957	66	25
Central Dynamic International Limited***	—	240	907	186	—
Sunny Boulangerie Et Patisserie Limited*	143	2	—	—	—
Yeung Yun Leung^	1,346	25	2,243	1,328	—
	<u>26,276</u>	<u>28,053</u>	<u>31,635</u>	<u>8,069</u>	<u>25</u>
Sale of other operating items to:					
New Central Industrial Limited***	239	230	204	45	—
Glory Honor Wealth Creation Limited*	138	228	169	28	—
Faith Sky (Hong Kong) Industrial Limited**	194	198	123	45	—
China Famous Enterprises Limited**	27	24	22	7	—
Sun Profit Hong Kong Development Limited***	50	63	59	16	—
China Speed Development Limited**	64	56	10	9	—
China Harvest (Hong Kong) Limited***	—	—	5	—	—
China Forward Development Limited***	—	—	2	—	—
China Base Development Limited***	22	30	24	6	—
Honest Hong Kong Development Limited*	45	50	36	8	—
Sunny Boulangerie Et Patisserie Limited*	—	—	3	1	—
Central Dynamic International Limited***	—	153	93	23	—
Foo Lum Food Limited*	—	—	31	5	7
	<u>779</u>	<u>1,032</u>	<u>781</u>	<u>193</u>	<u>7</u>
Purchase of food from:					
Foo Lum Food Limited*	1,028	1,510	1,699	314	350
Central International (HK) Limited*	76,060	87,362	105,034	23,728	31,998
Hop Yick Oil & Sauce Company Limited#	372	2,303	596	102	348
	<u>77,460</u>	<u>91,175</u>	<u>107,329</u>	<u>24,144</u>	<u>32,696</u>

	Year ended March 31,			Three months ended June 30,	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Rental fee paid and payable to:					
Central Big Enterprises Limited^^	—	740	4,440	1,055	1,235
Central Steel Limited**	—	—	450	45	144
China Crown Industrial Limited^^	5,760	5,760	10,320	2,577	2,573
China Hall Enterprises Limited^^	6,040	7,920	10,670	2,230	3,610
China Label Industries Limited^^^	—	—	80	—	264
China Sky Industrial Limited^^^	138	138	138	35	53
China Spring Development Limited^^	—	2,240	5,880	836	1,804
Excel Source Investment Limited^^	5,974	7,374	7,374	1,844	2,009
Foo Lum Hot Pot Restaurant Limited^^	3,600	3,600	3,600	900	990
Midway Development Limited**	276	138	—	—	—
Sino Billion Development Limited^^	3,400	5,880	7,680	1,913	2,760
Spring Luck Hong Kong Limited^^	6,514	6,552	6,480	1,590	1,570
China Body Limited^^	—	—	—	—	924
	<u>31,702</u>	<u>40,342</u>	<u>57,112</u>	<u>13,025</u>	<u>17,936</u>
Service fee charged by:					
Noble Centre Limited^^	3,857	—	—	—	—
Disposal of items of property, plant and equipment to:					
Spring Luck Hong Kong Limited^^	<u>—</u>	<u>—</u>	<u>600</u>	<u>600</u>	<u>—</u>

* As at March 31, 2012, 2013, 2014, a director/beneficial shareholder of the Company, Mr. Yeung Wai, or his family member were also the directors/beneficial shareholders of these related companies. During the three months ended June 30, 2014, Mr. Yeung Wai or his family member disposed of the entire equity interest of these companies and these companies became independent third parties thereafter.

** As at the end of each of the Track Record Periods, Mr. Yeung Wai was also the director/beneficial shareholder of these related companies.

*** As at March 31, 2012 and 2013, Mr. Yeung Wai, was also director/beneficial shareholder of these related companies. On March 1, 2014, the Group acquired the entire issued capital of these related companies from Mr. Yeung Wai and these companies became indirect subsidiaries of the Company thereafter.

^ Mr. Yeung Yun Leung is a sibling of the Controlling Shareholders.

^^ These related companies are controlled by the Controlling Shareholders.

^^^ As at the end of each of the Track Record Periods, a director/beneficial shareholder of the Company, Mr. Yeung Yun Chuen, or his family member was also the director/beneficial shareholder of these related companies.

As at the end of each of the Track Record Periods, a senior management of the Company, Mr. Lam Chi Kui, was also the director/beneficial shareholder of this related company.

The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that those related party transactions were conducted in the ordinary course of business of the Group.

(b) Other transactions with related parties:

- (i) As at March 31, 2012, 2013 and 2014 and June 30, 2014, Mr. Yeung Wai, a director of the Company, provided personal guarantees of HK\$25,942,000, HK\$34,956,000, HK\$34,212,000 and HK\$33,637,000, respectively, in respect of the Group's bank guarantee given in lieu of rental and utility deposits.
- (ii) During the Track Record Periods, certain subsidiaries of the Group provided guarantees in respect of facilities granted to companies controlled by the Controlling Shareholders.

(c) Compensation of key management personnel of the Group, including directors' remuneration as disclosed in note 9 to the Financial Information, is as follows:

	Year ended March 31,			Three months ended June 30,	
	2012	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short term employee benefits	5,720	6,544	7,731	1,896	2,318
Post-employment benefits	58	73	96	23	32
	<u>5,778</u>	<u>6,617</u>	<u>7,827</u>	<u>1,919</u>	<u>2,350</u>

34. MAJOR NON-CASH TRANSACTIONS

During the Track Record Periods, the Group had the following major non-cash transactions:

- (a) During the years ended March 31, 2012 and 2013, the Group entered into finance lease arrangements in respect of motor vehicles with a total capital value at the inception of the lease of HK\$320,000 and HK\$560,000, respectively.
- (b) During the year ended March 31, 2014, the Group acquired certain non-controlling interests at a total cash consideration of HK\$5,800,000 which was settled by a related party, a company which is controlled by Controlling Shareholders.
- (c) During the year ended March 31, 2014, the Company issued shares to various shareholders at a total cash consideration of HK\$13,500 which was settled through the current accounts with the shareholders.
- (d) During the year ended March 31, 2014, the Group acquired equity interests in 51 subsidiaries as part of the Reorganisation at a total cash consideration of HK\$5,000 which was settled through the current accounts with related parties, companies which are controlled by the Controlling Shareholders.
- (e) During the years ended March 31, 2012, 2013 and 2014 and the three months ended June 30, 2014, the Group entered into rental agreements in respect of certain of its restaurant properties under operating leases. Pursuant to the terms and conditions of the rental agreements, the Group is required to restore the restaurant properties to the conditions as stipulated in the rental agreements. Accordingly, the Group has accrued and capitalised the estimated restoration cost of HK\$877,000, HK\$2,543,000, HK\$1,509,000 and HK\$1,459,000, respectively, when such obligations arose.
- (f) During the years ended March 31, 2013 and 2014, the Group entered into sponsorship agreements with certain utility companies. Pursuant to the terms and conditions of the sponsorship agreements, the Group received certain items of property, plant and equipment with a total value of HK\$1,733,000 and HK\$2,737,000, respectively, at nil consideration. The Group has capitalised these items of property, plant and equipment with corresponding entries to a deferred income account on receipt of such items.

35. CONTINGENT LIABILITIES

At the end of each of the Track Record Periods, contingent liabilities not provided for in the Financial Information were as follows:

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank guarantees given in lieu of rental and utility deposits	25,942	34,956	34,212	33,637
Guarantees given to banks in connection with facilities granted to related companies*	<u>28,852</u>	<u>24,932</u>	<u>260,797</u>	<u>246,056</u>
	<u>54,794</u>	<u>59,888</u>	<u>295,009</u>	<u>279,693</u>

* These related companies are controlled by the Controlling Shareholders.

As at the end of each of the Track Record Periods, the guarantees given to banks in connection with facilities granted to related companies were utilised to the extent of HK\$28,852,000, HK\$24,932,000, HK\$210,797,000 and HK\$196,056,000, respectively.

36. COMMITMENTS

(a) Operating lease arrangements — As lessee

The Group leases certain of its restaurants, office premises and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to ten years.

As at the end of each of the Track Record Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	148,577	178,967	192,728	270,717
In the second to fifth years, inclusive	213,570	213,859	256,580	396,065
Beyond five years	<u>2,351</u>	<u>6,229</u>	<u>3,806</u>	<u>1,517</u>
	<u>364,498</u>	<u>399,055</u>	<u>453,114</u>	<u>668,299</u>

In addition, the operating lease rentals for certain restaurants are based on the higher of a fixed rental and a contingent rent based on the sales of these restaurants pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these restaurants could not be reliably determined, the relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table.

(b) Operating lease arrangements — As lessor

The Group subleased certain of the leased properties under operating lease arrangements, with leases negotiated for terms ranging from two to three years.

As at the end of each of the Track Record Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	111	—	—	—

(c) Capital commitments

In addition to the operating lease commitments above, the Group had the following capital commitments at the end of each of the Track Record Periods:

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracted, but not provided for:				
Property, plant and equipment	1,020	266	264	8,958
Intangible assets	—	—	—	6,500
	1,020	266	264	15,458

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Track Record Periods are as follows:

Group*Financial assets*

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loans and receivables:				
Trade receivables	6,310	13,851	8,347	5,692
Financial assets included in prepayments, deposits and other receivables (<i>note 20</i>)	52,633	65,641	71,341	97,102
Due from related parties	26,558	105,128	269,175	103,139
Due from shareholders	—	—	3,729	6,244
Pledged time deposit	—	2,340	2,349	2,353
Cash and cash equivalents	235,256	234,555	253,946	215,761
	320,757	421,515	608,887	430,291

Financial liabilities

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial liabilities at amortised cost:				
Trade payables	101,568	92,045	64,869	69,953
Financial liabilities included in other payables, accruals and deferred income (<i>note 24</i>)	26,551	29,147	33,330	31,174
Bank overdrafts, unsecured	—	138	—	445
Finance lease payables	375	749	974	904
Due to related parties	219,242	216,680	245,467	75,086
Due to a shareholder	470	100	400	400
	<u>348,206</u>	<u>338,859</u>	<u>345,040</u>	<u>177,962</u>

Company

Financial assets

	March 31,	June 30,
	2014	2014
	HK\$'000	HK\$'000
Loans and receivables:		
Due from a subsidiary	200,000	200,000
Due from shareholders	14	14
	<u>200,014</u>	<u>200,014</u>

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts				Fair values			
	March 31,		June 30,		March 31,		June 30,	
	2012	2013	2014	2014	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets								
Deposits, non-current portion	29,608	31,303	37,059	60,858	27,226	27,290	35,588	56,451
Due from related parties, non-current portion	12,410	70,219	—	—	12,045	68,153	—	—
	<u>42,018</u>	<u>101,522</u>	<u>37,059</u>	<u>60,858</u>	<u>39,271</u>	<u>95,443</u>	<u>35,588</u>	<u>56,451</u>
Financial liabilities								
Finance lease payables	375	749	974	904	417	844	1,091	1,005
Due to related parties, non-current portion	119,704	102,749	—	—	123,223	105,770	—	—
	<u>120,079</u>	<u>103,498</u>	<u>974</u>	<u>904</u>	<u>123,640</u>	<u>106,614</u>	<u>1,091</u>	<u>1,005</u>

Management has assessed that the fair values of cash and cash equivalents, a pledged time deposit, trade receivables, trade payables, the current portion of financial assets included in prepayments, deposits and other receivables, the current portion of financial liabilities included in other payables, accruals and deferred income, unsecured bank overdrafts, the current portion of amounts due from/to related parties, and amounts due from/to shareholders approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of deposits, amounts due from related parties, amounts due to related parties, and finance lease payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables as at March 31, 2012, 2013 and 2014 and June 30, 2014 was assessed to be insignificant.

Fair value hierarchy

At the end of each of the Track Record Periods, neither the Group nor the Company had any financial assets or financial liabilities measured at fair value.

At the end of each of the Track Record Periods, all financial assets and financial liabilities for which fair values are disclosed are categorised within Level 3 of the fair value hierarchy.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, trade payables, other payables and accruals and balances with shareholders and related parties.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Details in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the Financial Information. The credit risk of the Group's other financial assets, which comprise a pledged time deposit and cash and cash equivalents, deposits and other receivables and amounts due from shareholders and related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

In order to manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each of the Track Record Periods, based on the contractual undiscounted payments, was as follows:

	March 31, 2012			
	On demand/ no fixed terms of repayment	Less than 1 year	1 to 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	—	101,568	—	101,568
Financial liabilities included in other payables, accruals and deferred income	—	26,551	—	26,551
Finance lease payables	—	185	232	417
Due to related parties	99,538	—	119,704	219,242
Due to a shareholder	470	—	—	470
Guarantees given to banks in connection with facilities granted to related companies	28,852	—	—	28,852
	<u>128,860</u>	<u>128,304</u>	<u>119,936</u>	<u>377,100</u>
	March 31, 2013			
	On demand/ no fixed terms of repayment	Less than 1 year	1 to 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	—	92,045	—	92,045
Financial liabilities included in other payables, accruals and deferred income	—	29,147	—	29,147
Bank overdrafts, unsecured	138	—	—	138
Finance lease payables	—	229	615	844
Due to related parties	96,982	17,293	102,749	217,024
Due to a shareholder	100	—	—	100
Guarantees given to banks in connection with facilities granted to related companies	24,932	—	—	24,932
	<u>122,152</u>	<u>138,714</u>	<u>103,364</u>	<u>364,230</u>
	March 31, 2014			
	On demand/ no fixed terms of repayment	Less than 1 year	1 to 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	—	64,869	—	64,869
Financial liabilities included in other payables, accruals and deferred income	—	33,330	—	33,330
Finance lease payables	—	341	750	1,091
Due to related parties	—	246,224	—	246,224
Due to a shareholder	400	—	—	400
Guarantees given to banks in connection with facilities granted to related companies	210,797	—	—	210,797
	<u>211,197</u>	<u>344,764</u>	<u>750</u>	<u>556,711</u>

June 30, 2014

	June 30, 2014			
	On demand/no fixed terms of repayment	Less than 1 year	1 to 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	—	69,953	—	69,953
Financial liabilities included in other payables, accruals and deferred income	—	31,174	—	31,174
Bank overdrafts, unsecured	445	—	—	445
Finance lease payables	—	341	664	1,005
Due to related parties	—	75,086	—	75,086
Due to a shareholder	400	—	—	400
Guarantees given to banks in connection with facilities granted to related companies	196,056	—	—	196,056
	<u>196,901</u>	<u>176,554</u>	<u>664</u>	<u>374,119</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, return capital to the shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Periods.

The Group monitors capital using a gearing ratio, which is interest-bearing debt divided by capital. Debt includes unsecured bank overdrafts, finance lease payables and an interest-bearing payable to a related party. Capital represents equity attributable to owners of the Company. The gearing ratios as at the end of each of the Track Record Periods were as follows:

	March 31,			June 30,
	2012	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts, unsecured	—	138	—	445
Finance lease payables	375	749	974	904
Due to a related party	—	16,949	30,893	21,768
	<u>375</u>	<u>17,836</u>	<u>31,867</u>	<u>23,117</u>
Equity attributable to owners of the Company	<u>66,725</u>	<u>215,527</u>	<u>483,721</u>	<u>490,566</u>
Gearing ratio	<u>0.6%</u>	<u>8.3%</u>	<u>6.6%</u>	<u>4.7%</u>

40. OTHER SIGNIFICANT EVENT

The Group's subsidiaries, along with nine entities currently or previously controlled by certain of the Controlling Shareholders were defendants of a settled legal proceeding initiated by an industry peer over the Group's "Fulum 富臨" brand. On June 15, 2014, a settlement agreement and a co-existence agreement were entered into between the Group and the industry peer whereby both parties have mutually consented to the use by the other party of the "Fulum 富臨" brand and have mutually agreed not to object to the other party's application to register certain trademarks as specified in the agreement which may include Chinese characters "富臨" or relevant English words in Hong Kong and the PRC in parallel. The details of which are set out in "Business — Legal proceedings" in the Prospectus. As at the date of this report, the Group is in the application process to register these trademarks to the relevant government authorities.

III. SIGNIFICANT EVENTS AFTER THE TRACK RECORD PERIODS

- (a) On October 28, 2014, the Company adopted a pre-IPO share option scheme, pursuant to which the Company conditionally granted share options to certain employees, executives and officers of the Group and directors of the Company. Further details of the pre-IPO share option scheme and the share options granted are set out in the section headed "Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus.
- (b) On October 28, 2014, the Controlling Shareholders, collectively as indemnifiers, have entered into a deed of indemnity in favor of the Group, whereby they jointly and severally covenant and undertake with the Group to indemnify the Group from and against losses, liabilities, damages, costs, claims and expenses incurred by the Group in relation to events or circumstances as specified in "H. Other Information — 14. Indemnities given by our Controlling Shareholders" in "Appendix IV — Statutory and General Information" in the Prospectus and details of which are set out therefrom.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to June 30, 2014.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following information sets out in this appendix does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place on June 30, 2014. This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at June 30, 2014 or any future dates:

	Consolidated net tangible assets attributable to owners of the Company as at June 30, 2014	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Notes 3 and 4)
Based on an Offer Price of HK\$1.26 per share	431,859	357,903	789,762	0.61
Based on an Offer Price of HK\$1.66 per share	<u>431,859</u>	<u>485,173</u>	<u>917,032</u>	<u>0.71</u>

Notes:

- The consolidated net tangible assets attributable to the owners of the Company as at June 30, 2014 is arrived at after deducting goodwill of HK\$58,707,000 from the audited consolidated net assets of HK\$490,566,000 as at June 30, 2014, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$1.26 and HK\$1.66 per Share, being the lower end to higher end of the stated offer price range, after deduction of the estimated underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments as described in note 2 above and on the basis that 1,300,000,000 Shares are in issue assuming that the Global Offering and the Capitalization Issue have been completed on June 30, 2014 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme.
4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share does not take into account a final dividend of HK\$200,000,000 declared and paid by the Company subsequent to June 30, 2014. Had the final dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would be HK\$0.45 (assuming an Offer Price of HK\$1.26 per Share) and HK\$0.55 (assuming an Offer Price of HK\$1.66 per Share), respectively.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2014.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.



22/F, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

November 4, 2014

The Directors
Fulum Group Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Fulum Group Holdings Limited (formerly known as Fu Lum Tao Yuen Holdings Company Limited) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purpose only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at June 30, 2014, and the related notes as set out in Appendix II to the prospectus issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at June 30, 2014 as if the transaction had taken place at June 30, 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the three months ended June 30, 2014, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to *Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 24, 2014 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted to take effect on the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution — majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in subparagraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition, notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles, the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from March 11, 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court; or voluntarily, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 24, 2014 as “Fu Lum Tao Yuen Holdings Company Limited 富臨陶源控股有限公司”. Accordingly, we operate subject to Cayman Islands law and our constitution comprising the Memorandum and Articles of Association. A summary of various provisions of our constitution and relevant aspects of our constitution and relevant aspects of the Cayman Islands company law are set out in Appendix III to this prospectus. Our current name, “Fulum Group Holdings Limited 富臨集團控股有限公司”, was adopted by our Shareholders on May 19, 2014 and came into effect on May 21, 2014.

Our registered place of business in Hong Kong and our Group’s headquarter is at 15/F., Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on July 2, 2014. Ms. WU Tai Kum 胡棣琴 has been appointed as our agent for the acceptance of service of process in Hong Kong. The address for service of process is 11/F, Kailey Tower, 16 Stanley Street, Central, Hong Kong. The telephone number of our headquarter is +852 3667 7208.

2. Changes in the share capital of our Company

Set out below are the changes to our Company’s share capital since the date of our incorporation until the date of this prospectus:

- (1) At the date of our incorporation, our authorized share capital was HK\$100,000, divided into 100,000 shares of par value of HK\$1.00 each. On the same day, one Share was issued and allotted and credited as fully-paid to our initial subscriber, which was subsequently transferred to Mr. Yeung. On the same date, 5,454 Shares, 4,185 Shares, 2,835 Shares and 1,025 Shares were issued and allotted, credited as fully-paid, to Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung respectively at par.
- (2) On March 1, 2014, 1,500 Shares were issued and allotted, credited as fully-paid, to Mr. Yeung as part of our Reorganization.
- (3) On October 28, 2014, our Shareholders resolved that each issued and unissued Share of HK\$1.0 each in our share capital be sub-divided into 1,000 Shares of HK\$0.001 each.
- (4) On October 28, 2014, our Shareholders resolved to increase the authorized share capital of our Company to HK\$2,000,000 divided into 2,000,000,000 Shares of HK\$0.001 each.

- (5) Pursuant to the written resolutions of our Shareholders passed on October 28, 2014, conditional upon the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors were authorized to allot and issue on the Listing Date a total of 974,985,000 Shares credited as fully paid at par to the Shareholders whose names appear on the register of members of our Company at close of business on October 28, 2014 in proportion to their respective shareholdings by way of capitalization of the sum of HK\$974,985 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to the Capitalization Issue shall rank *pari passu* in all respects with the existing issued Shares.

Assuming that the Global Offering becomes unconditional and the Offer Shares are issued but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued and issued pursuant to the exercise of any Pre-IPO Share Option and/or Post-IPO Share Option, the number of shares issued by us will be 1,300,000,000 Shares fully-paid, with 700,000,000 Shares remaining unissued.

On the basis that the Over-allotment Option is exercised in full and no Pre-IPO Share Option and/or Post-IPO Share Option has been exercised, a total of 1,348,750,000 Shares will have been issued and issued as fully-paid and 651,250,000 Shares will remain unissued.

Save as disclosed above, there has been no alternation in our share capital within two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries

There has been no change in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

4. Corporate Reorganization

In preparation for the Listing, the companies comprising our Group underwent our Reorganization and our Company became the holding company of our Group. Our Reorganization involved the following steps:

- (1) On February 24, 2014, our Company was incorporated with limited liability as “Fu Lum Tao Yuen Holdings Company Limited 富臨陶源控股有限公司” in the Cayman Islands with an authorized share capital of HK\$100,000 divided into 100,000 Shares of HK\$1.00 each. On the same day, one Share was allotted and issued, credited as fully-paid, to our initial subscriber, and was subsequently transferred to Mr. Yeung. On the same date, 5,454 Shares, 4,185 Shares, 2,835 Shares and 1,025 Shares, respectively, were issued and allotted, credited as fully-paid, to Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung at par. Our current name “Fulum Group Holdings Limited 富臨集團控股有限公司” was adopted by our Shareholders on May 19, 2014 and came into effect on May 21, 2014.

- (2) Each of Chung Sing and Chung Wong was incorporated with limited liability on February 24, 2014 in the BVI, while each of Chung Fu, Chung Tao, Chung Ling and Fu Tao (China) Holdings Limited was incorporated with limited liability on February 25, 2014 in the BVI. The authorized shares of each such companies, on incorporation, were 50,000 ordinary shares of a single class without par value. On February 24, 2014, one share in Chung Sing was issued, allotted and credited as fully-paid to our Company. On February 24, 2014, one share in Chung Wong was issued, allotted and credited as fully paid to Chung Sing. On March 5, 2014, one share in each of Chung Fu, Chung Tao, Chung Ling and Fu Tao (China) Holdings Limited was issued, allotted, credited as fully paid, to Chung Sing.
- (3) On March 1, 2014, Chung Wong acquired entire issued share capital of each of New Central Industrial Limited, Central Dynamic International Limited, China Base Development Limited, China Forward Development Limited, China Harvest (Hong Kong) Limited and Sun Profit Hong Kong Development Limited (collectively, the *"Relevant Operating Companies"*) from Mr. Yeung and GDFB (as appropriate), in consideration for our Company issuing and allotting, credited as fully-paid, 1,500 Shares to Mr. Yeung. Upon completion, the Relevant Operating Companies became indirectly wholly-owned subsidiaries of our Company.
- (4) On March 28, 2014, the entire issued share capital in each of the FL Operating Companies (except for New Central Industrial Limited, China Extreme Limited and Central Top Hong Kong Limited) were transferred to Chung Fu by their respective shareholders. The consideration for such transfer was settled with nominal value of the shares transferred to Chung Fu, payable to the vendors pro-rata to their respective interests in each such FL Operating Company (except for New Central Industrial Limited, China Extreme Limited and Central Top Hong Kong Limited). Upon completion, all FL Operating Companies became indirectly wholly-owned subsidiaries of our Company.
- (5) On March 28, 2014, the entire issued share capital in each of the SG Operating Companies were transferred to Chung Tao by their respective shareholders. The consideration for such transfer was settled with nominal value of the shares transferred to Chung Tao, payable to the vendors pro-rata to their respective interests in each such SG Operating Company. Upon completion, all SG Operating Companies became indirectly wholly-owned subsidiaries of our Company.
- (6) On March 28, 2014, the entire issued share capital in each of China Kings Development Limited and China Order Limited were transferred to Chung Wong by their respective shareholders. The consideration for such transfer was settled with nominal value of the shares transferred to Chung Wong, payable to the vendors pro-rata to their respective interests each such company. Upon completion, China Kings Development Limited and China Order Limited became indirectly wholly-owned subsidiaries of our Company.
- (7) On March 28, 2014, the entire issued share capital in each of the Management Companies were transferred to Chung Ling by their respective shareholders. The consideration for such transfer was settled with nominal value of the shares transferred to Chung Ling, payable to the vendors pro-rata to their respective interests each such Management Companies. Upon completion, all Management Companies became indirectly wholly-owned subsidiaries of our Company.

- (8) On May 30, 2014, Mr. Yeung transferred his 6,955 Shares in our Company to China Sage, his directly wholly-owned company.
- (9) On October 28, 2014, our Shareholders resolved that each issued and unissued Share of HK\$1.0 each in our share capital be sub-divided into 1,000 Shares of HK\$0.001 each.
- (10) On October 28, 2014, our Shareholders resolved to increase the authorized share capital of our Company to HK\$2,000,000 divided into 2,000,000,000 Shares of HK\$0.001 each.

See "History and Corporate Structure — Shareholding and Corporate Structure — Reorganization" in this prospectus for further details of our Reorganization.

5. Written Resolutions of our Shareholders Passed on October 28, 2014

Written resolutions of our Shareholders were passed on October 28, 2014 approving, among others, the following:

- (a) conditional upon (1) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options and such permission has not been withdrawn prior to the Listing Date; (2) the Offer Price having been duly agreed between the Joint Global Coordinators and our Company; (3) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and (4) the obligations of the Underwriters under the Underwriting Agreements having become and remain unconditional and not having been terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in such agreements:
 - (i) the Global Offering was approved and our Directors were authorized to approve the allotment and issue of the Shares pursuant to the Global Offering on and subject to the terms and conditions thereof as set out in this prospectus and the Application Forms;
 - (ii) the proposed Listing of the Shares on the Main Board of the Stock Exchange was approved and our Directors were authorized to implement such Listing;
 - (iii) the Over-allotment Option was approved and our Directors were authorized to effect the same and to issue and allot the Shares upon exercise of the Over-allotment Option;
 - (iv) the issuance of the 325,000,000 Offer Shares and up to 373,750,000 Offer Shares upon exercise of the Over-allotment Option was approved;

- (v) the Issuing Mandate, which is a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make and grant offers, agreements and options, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a right issue or any arrangement that would be regulated under Chapter 17 of the Listing Rules or any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association or pursuant to a specific authority granted by the Shareholders in general meeting(s), Shares with a total nominal value not exceeding 20% of the aggregate of the total nominal value of our entire issued share capital immediately following completion of the Capitalization Issue and Global Offering, such Issuing Mandate to remain in effect until the conclusion of our next annual general meeting unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions, or the expiration of the period within which our next annual general meeting is required by the Articles or any applicable laws of the Cayman Islands to be held, or when revoked or varied by an ordinary resolution of our Shareholders in general meeting, which occurs first;
- (vi) the Repurchase Mandate, which is a general unconditional mandate was given to our Directors authorizing them to exercise all powers to repurchase on the Stock Exchange or on any other approved stock exchange on which our securities may be listed and which is recognized by the SFC and Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or requirements of the Listing Rules or of any other stock exchange on which our securities may be listed, as amended from time to time such number of Shares will represent up to 10% of the aggregate nominal amount of our entire issued share capital immediately following completion of the Capitalization Issue and Global Offering, such Repurchase Mandate to remain in effect until the conclusion of our next annual general meeting unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions, or the expiration of the period within which our next annual general meeting is required by the Articles or any applicable laws of the Cayman Islands to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;
- (vii) the Issuing Mandate in paragraph (v) above be extended by the addition to the aggregate nominal value of our share capital which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of our share capital repurchased us pursuant to the Repurchase Mandate referred in paragraph (vi) above;

- (viii) the Post-IPO Share Option Scheme, the principal terms of which are set out in “— G. Post-IPO Share Option Scheme” in this appendix below, were approved and adopted and our Directors or any committee established by our Board were authorized, at their sole discretion, to (aa) administer the Post-IPO Share Option Scheme; (bb) modify/amend the Post-IPO Share Option Scheme from time to time as required by the Stock Exchange; (cc) grant Post-IPO Share Options to subscribe for Shares under the Post-IPO Share Option Scheme before up to the limits referred to in the Post-IPO Share Option Scheme; (dd) allot, issue and deal with the Shares pursuant to the exercise of any of the Post-IPO Share Options which may be granted under the Post-IPO Share Option Scheme; (ee) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the Post-IPO Share Options granted under the Post-IPO Share Option Scheme; and (ff) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Post-IPO Share Option Scheme; and
- (ix) the Pre-IPO Share Option Scheme, the principal terms of which are set out in “— F. Pre-IPO Share Option Scheme” in this appendix below, were approved and adopted and our Directors or any committee established by our Board were authorized, at their sole discretion, to (i) administer the Pre-IPO Share Option Scheme; (ii) grant Pre-IPO Share Options to subscribe for Shares under the Pre-IPO Share Option Scheme before up to the limits referred to in the Pre-IPO Share Option Scheme; (iii) allot, issue and deal with the Shares pursuant to the exercise of any Pre-IPO Share Options which may be granted under the Pre-IPO Share Option Scheme; and (iv) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Pre-IPO Share Option Scheme.
- (b) our Articles were adopted in substitution for and to the exclusion of the existing articles of association of our Company with effect from the Listing Date.
- (c) each issued and unissued Share of HK\$1 each in our share capital was sub-divided into 1,000 Shares of HK\$0.001 each.
- (d) the authorized share capital of our Company was increased to HK\$2,000,000 divided into 2,000,000,000 Shares of HK\$0.001 each.
- (e) the Memorandum was adopted in substitution for and to the exclusion of the existing memorandum of association of the Company with immediate effect.

- (f) conditional upon the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors were authorized to allot and issue on the Listing Date a total of 974,985,000 Shares, credited as fully-paid, at par to our Shareholders whose names appear of the register of members of our Company at close of business on October 28, 2014 in proportion to their then respective shareholdings by way of capitalization of the sum of HK\$974,985 standing to the credit of the share premium account of our Company, and such Shares to be allotted and issued pursuant to the Capitalization Issue shall rank *pari passu* in all respects with the existing issued Shares.

B. REPURCHASE OF OUR SHARES

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our own securities.

1. Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(a) Shareholders' approval

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders, either by way of general mandate or by specific approval of a particular transaction.

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Memorandum of Association, our Articles and the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made either out of our profits, our share premium account, the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Islands Companies Law, out of our capital. Any amount of premium payable on the purchase over the par value of the shares to be repurchased may be made out of our profits, our share premium or, subject to the Cayman Islands Companies Law, out of our capital.

(c) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(d) Status of Repurchased Shares

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(e) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(f) Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a “core connected person”, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a core connected person is prohibited from knowingly selling his securities to the company.

2. Reasons for Repurchase

Our Directors believe that it is in the best interest of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

3. Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Articles, the Listing Rules and the applicable laws of the Cayman Islands. On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

4. General

Exercise in full of the Repurchase Mandate, on the basis of 1,300,000,000 Shares in issue after completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options), could accordingly result in up to 130,000,000 Shares being repurchased by us during the period prior to the earliest of:

- (a) the conclusion of our next annual general meeting;
- (b) the expiration of the period within which our next annual general meeting is required by the Articles or the applicable Cayman Islands law to be held; or
- (c) the revocation, variation or renewal of the Repurchase Mandate by an ordinary resolution of our Shareholders in general meeting.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum of Association, the Articles or any other applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of us is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No core connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

C. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the share purchase agreement dated March 1, 2014, entered into among Mr. Yeung, GDFB, Chung Wong and our Company, pursuant to which Chung Wong purchased the entire issued share capital of China Forward Development Limited, China Harvest (Hong Kong) Limited, Central Dynamic International Limited, China Base Development Limited, New Central Industrial Limited and Sun Profit Hong Kong Development Limited in consideration for our Company issuing and allotting 1,500 Shares to Mr. Yeung, credited as fully-paid;
- (b) the share purchase agreement dated March 4, 2014, entered into among Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung, Mr. Leung and Chung Sing, pursuant to which Chung Sing purchased the entire issued share capital of Megacity in consideration for US\$100 in aggregate;

- (c) the share purchase agreement dated March 28, 2014 entered into between FLHL and Chung Fu, pursuant to which Chung Fu purchased the entire issued share capital of Acezone Enterprises Limited, Central Green International Limited, Central King Development Limited, Centralink International Development Limited, Centro (Asia) Limited, China Beauty Enterprises Limited, China Elegant Industrial Limited, China Miracle Limited, China Professional Asia Limited, China Show Industrial Limited, China Talent Asia Limited, China Vantage Enterprise Limited, Gold China Enterprise Limited, Grander Creation Limited, Mid Well Investments Limited, Midway Enterprise Limited, New Central Hong Kong Development Limited, Sino Talent Investment Limited, Sino Well Properties Limited and Sinobond Investment Development Limited in consideration for HK\$2,000 in aggregate;
- (d) the share purchase agreement dated March 28, 2014 entered into among Mr. Yeung, FLHL and Chung Fu, pursuant to which Chung Fu purchased the entire issued share capital of China Solar Industrial Limited, Luck China International Trading Limited, Central Method Limited, China Topworld Investment Limited, China Mutual Development Limited and China Excellent International Limited in consideration for HK\$600 in aggregate;
- (e) the share purchase agreement dated March 28, 2014 entered into between SGRL and Chung Tao, pursuant to which Chung Tao purchased the entire issued share capital of Central Champion Limited, China Honest Development Limited, Middle East Development Limited and Park Sun Property Agency Limited in consideration for HK\$400 in aggregate;
- (f) the share purchase agreement dated March 28, 2014 entered into among Mr. Yeung, SGRL and Chung Tao, pursuant to which Chung Tao purchased the entire issued share capital of Central Loyal Limited and Central Group (Hong Kong) Limited in consideration for HK\$200 in aggregate;
- (g) the share purchase agreement dated March 28, 2014 entered into among Mr. Yeung, FLHL and Chung Wong, pursuant to which Chung Wong purchased the entire issued share capital of China Kings Development Limited and China Order Limited in consideration for HK\$200 in aggregate;
- (h) the share purchase agreement dated March 28, 2014 entered into among Mr. Yeung, FLHL and Chung Ling, pursuant to which Chung Ling purchased the entire issued share capital of Sino Mountain Trading Limited and Sino Forest Limited in consideration for HK\$200 in aggregate;

- (i) the share purchase agreement dated March 28, 2014 entered into between Foo Lum Management Limited and Chung Ling, pursuant to which Chung Ling purchased the entire issued share capital of Sino Rank Limited in consideration for HK\$100;
- (j) the share purchase agreement dated March 28, 2014 entered into among Mr. Yeung, Megacity and Chung Ling, pursuant to which Chung Ling purchased the entire issued share capital of Foo Lum Management Limited in consideration for HK\$100;
- (k) the share purchase agreement dated March 28, 2014 entered into among Mr. Yeung, FLHL and Chung Fu, pursuant to which Chung Fu purchased the entire issued share capital of China Easy Investment Limited, Chung Chun Enterprises Limited, Sino Major Company Limited, Sino Rainbow Development Limited, Sino Scene Development Limited and Sino Target Investments Limited in consideration for HK\$600 in aggregate;
- (l) the share purchase agreement dated March 28, 2014 entered into among Mr. Yeung, Mr. YC Yeung, FLHL and Chung Fu, pursuant to which Chung Fu purchased the entire issued share capital of Sino Emotion Limited in consideration for HK\$100;
- (m) the share purchase agreement dated March 28, 2014 entered into among Mr. Yeung, SGRL and Chung Tao, pursuant to which Chung Tao purchased the entire issued share capital of Great Sino International Industrial Limited, Sino Favour (Hong Kong) Limited, Sinotec H.K. Investments Limited and Super Rich International Limited in consideration for HK\$400 in aggregate;
- (n) the share purchase agreement dated March 28, 2014 entered into among Mr. Yeung, Mr. YK Yeung, SGRL and Chung Tao, pursuant to which Chung Tao purchased the entire issued share capital of China Weal (HK) Limited in consideration for HK\$100;
- (o) the share purchase agreement dated March 28, 2014 entered into among Mr. YEUNG Chun Nin, FLHL and Chung Fu, pursuant to which Chung Fu purchased the entire issued share capital of China Start Limited in consideration for HK\$100;
- (p) the Hong Kong Underwriting Agreement.

2. Our material intellectual property rights

As at the Latest Practicable Date, our Group had two registered trademarks in Hong Kong. Our registered trademarks all relate to restaurant operations. Set out below is a summary of our material intellectual property rights, which were determined by our Directors on the basis of their materiality to our business operation, financial position and prospects:

(a) Trademark

As at the Latest Practicable Date, we were the registered owner of the following trademarks which we believe are material to our business:

Trademark	Place of Registration	Class	Registration Number	Registration Date	Expiry Date
Sportful Garden Restaurant 陶源酒家(鮑魚專門店)	Hong Kong	43	301181169	August 14, 2008	August 13, 2018



PLEASANT PALACE 蕙臨門酒家	Hong Kong	43	301181187	August 14, 2008	August 13, 2018
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As at the Latest Practicable Date, we have filed applications for registration of the following trademarks which we believe are material to our business:

Trademark	Place of Registration	Class	Application Number	Application Date
The Orient Barbecue Cuisine 正東燒豬料理	Hong Kong	43	302805192	November 18, 2013










TREASURE CITY HOT POT SEAFOOD RESTAURANT 富城火鍋海鮮酒家	Hong Kong	43	302805183	November 18, 2013
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FULUM FISHERMAN'S WHARF RESTAURANT 富臨漁港	Hong Kong	43	302805273	November 18, 2013
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<u>Trademark</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Application Number</u>	<u>Application Date</u>
Fulum Restaurant 富臨酒家  <i>Fulum Restaurant</i>	Hong Kong	43	302805237	November 18, 2013
FULUM PALACE 富臨皇宮 	Hong Kong	43	302805246	November 18, 2013
富臨 A  B 	Hong Kong	16, 43	302906460	February 26, 2014
Fu Lum Tao Yuen 富臨陶源 Fu Lum Tao Yuen 富臨陶源 A  B 	Hong Kong	16, 43	302911905	March 4, 2014
Winter Steam Pot Restaurant 正冬火鍋料理 	Hong Kong	43	302805264	November 18, 2013

(b) Domain Names

As at the Latest Practicable Date, we were the registered owner of the following domain names we believe is material to our business.

<http://www.fulum.com.hk>

<http://www.flghk.com>

D. FURTHER INFORMATION ABOUT DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests of the Directors and chief executives in our share capital and our associated corporations following the Global Offering*

The following table sets out the interests of the Directors immediately following the completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options) in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed:

<u>Name of Director/ Chief Executive</u>	<u>Capacity/ nature of interest</u>	<u>Relevant company (including associated corporation)</u>	<u>Number of Shares immediately after the Global Offering</u>	<u>Approximate percentage of shareholding in the total issued share capital of the relevant company after the Global Offering</u>
Mr. Yeung	Interest held jointly with other another person <i>(Note 1)</i>	Our Company	908,375,000	69.9%
Mr. YC Yeung	Interest held jointly with other another person <i>(Note 1)</i>	Our Company	908,375,000	69.9%
Mr. YK Yeung	Interest held jointly with other another person <i>(Note 1)</i>	Our Company	908,375,000	69.9%
Mr. Leung	Registered owner	Our Company	66,625,000	5.1%

Note:

- (1) Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung are siblings, associates of each other under the Listing Rules and persons acting in concert with each other under the Takeovers Code.

(b) Interests of the substantial shareholders in the Shares which are disclosable under Divisions 2 and 3 of Part XV of the SFO

Immediately following the completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options), so far as the Directors are aware, the following persons (not being a Director or a chief executive of us) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/nature of interest	Relevant company (including associated corporation)	Number of Shares immediately after the Global Offering	Approximate percentage of shareholding in the total issued share capital of the relevant company after the Global Offering
Ms. LAM Man Ki, Elane 林敏琪 ^(Note 1)	Interest of a spouse	Our Company	908,375,000	69.9%
Ms. YUNG Yuk Ling 容玉玲 ^(Note 2)	Interest of a spouse	Our Company	908,375,000	69.9%
Ms. HUI Lin Na 許蓮娜 ^(Note 3)	Interest of a spouse	Our Company	908,375,000	69.9%
Ms. LEUNG Siu Kuen 梁少娟 ^(Note 4)	Interest of a spouse	Our Company	66,625,000	5.1%

Notes:

- (1) Ms. LAM Man Ki, Elane 林敏琪 is the wife of Mr. Yeung and is therefore deemed to be interested in the Shares that Mr. Yeung is interested in under the SFO.
- (2) Ms. YUNG Yuk Ling 容玉玲 is the wife of Mr. YC Yeung and is therefore deemed to be interested in the Shares that Mr. YC Yeung is interested in under the SFO.
- (3) Ms. HUI Lin Na 許蓮娜 is the wife of Mr. YK Yeung and is therefore deemed to be interested in the Shares that Mr. YK Yeung is interested in under the SFO.
- (4) Ms. LEUNG Siu Kuen 梁少娟 is the wife of Mr. Leung and is therefore deemed to be interested in the Shares that Mr. Leung is interested in under the SFO.

(c) Negative statements regarding interests in securities

None of our Directors or our chief executives will immediately following the completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options) have any disclosure interests (as referred to in (a) above), other than as disclosed at (a) above.

Taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any persons who will immediately following the completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options) have a notifiable interest (for the purposes of the SFO) in the Shares or, having such a notifiable interest, have any short positions (within the meaning of the SFO) in the Shares, other than as disclosed at (b) above.

2. Particulars of Directors' service agreements and letters of appointment

Each of our Executive Directors has signed a service agreement with us for an initial term of three years, commencing from October 28, 2014 (subject to termination in certain circumstances as stipulated in the relevant service agreement).

The annual remuneration payable to our Executive Directors by our Group (excluding any discretionary bonus) is as follows:

Director	Remuneration (per annum)
Mr. Yeung	HK\$1,200,000
Mr. YC Yeung	HK\$1,080,000
Mr. YK Yeung	HK\$960,000
Mr. Leung	HK\$960,000

Each of the Independent Non-executive Directors has signed a letter of appointment with us for an initial term of three years commencing from October 28, 2014 (subject to termination in certain circumstances as stipulated in the relevant letters of appointment).

The annual remuneration payable to each of our Independent Non-executive Directors under the relevant letters of appointment is as follows:

Director	Remuneration (per annum)
FAN Chun Wah Andrew 范駿華	HK\$180,000
LOCK Kwok On Anthony 駱國安	HK\$180,000
WU Kam On Keith 鄔錦安	HK\$180,000

Save as disclosed in this prospectus, none of our Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

3. Agency fees or commission

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of us or any of our subsidiaries.

4. Related party transactions

For details of the related party transactions, see Note 33 of the Accountants' Report set out in Appendix I to this prospectus. Our Directors confirm that all related party transactions are conducted on normal commercial terms, and that their terms are fair and reasonable.

E. DISCLAIMERS

Save as disclosed herein:

- (a) none of the Directors or our chief executives has any interest or short position in the shares, underlying shares or debentures of us or any of our associated corporation (within the meaning of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO of which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;
- (b) none of the Directors or experts referred to in the section headed "H. Other Information — 7. Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of the Directors or experts referred to in the section headed "H. Other Information — 7. Qualifications of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

- (e) taking no account of Shares which may be taken up under the Capitalization Issue and Global Offering or upon the exercise of the Over-allotment Option and any Pre-IPO Share Options, none of the Directors knows of any person (not being a Director or chief executive of us) who will, immediately following completion of the Global Offering, have an interest or short position in the shares or underlying shares of us which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (f) none of the experts referred to under the section headed "H. Other Information — 7. Qualifications of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to the Directors, none of the Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of our share capital have any interests in the five largest customers or the five largest suppliers of our Group.

F. PRE-IPO SHARE OPTION SCHEME

The purpose of Pre-IPO Share Option Scheme is to motivate Eligible Persons (as set out in paragraph 2 in "— G. Post-IPO Share Option Scheme" below) to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. The principal terms of the Pre-IPO Share Option Scheme approved and adopted by the written resolutions of our Shareholders on October 28, 2014, are substantially the same as the terms of the Post-IPO Share Option Scheme (where applicable) except for the following principal terms:

- (i) the subscription price of the Pre-IPO Share Options shall be 60% of the Offer Price;
- (ii) no adjustment will be allowed to such effect that the subscription price of any Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme is lower than 60% of the Offer Price;
- (iii) the Pre-IPO Share Option Scheme will expire on the Listing Date and no Pre-IPO Share Options shall be further granted after the commencement of dealings in Shares on the Main Board of the Stock Exchange;
- (iv) any Pre-IPO Share Option will lapse automatically if the Listing does not take place by December 31, 2014;

- (v) any exercise of the Pre-IPO Share Options will be subject to (a) the Listing Approval being granted in respect of the Shares to be issued upon the exercise of the Pre-IPO Share Options and Post-IPO Share Options; and (b) the commencement of dealings in Shares on the Main Board of the Stock Exchange;
- (vi) the total number of Shares which may be issued and allotted upon exercise of all Pre-IPO Share Options shall be 54,000,000 Shares, representing approximately 4.15% of the enlarged issued share capital of our Company immediately upon completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options) and paragraph 10 and 11 under " — G. Post-IPO Share Option Scheme" in this appendix below shall not apply;
- (vii) no Pre-IPO Share Option is exercisable before the second anniversary date of the Listing Date;
- (viii) on the second anniversary date of the Listing Date, 33% of the Pre-IPO Share Options granted to an individual Grantee shall become exercisable by such Grantee;
- (ix) on the third anniversary date of the Listing Date, a further 33% of the Pre-IPO Share Options granted to an individual Grantee shall become exercisable by such Grantee;
- (x) on the fourth anniversary date of the Listing Date, the remaining 34% of the Pre-IPO Share Options granted to an individual Grantee shall become exercisable by such Grantee;
- (xi) all unexercised Pre-IPO Share Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the Listing Date;
- (xii) the Pre-IPO Share Option Scheme shall be valid and effective from October 28, 2014 and expire on the Listing Date;
- (xiii) Directors, members of our senior management and connected persons of our Company shall not exercise any Pre-IPO Share Options if as a result of such exercise our Company would not be able to comply with the minimum public float requirement under the Listing Rules; and
- (xiv) the Pre-IPO Share Option Scheme may be altered in any respect by a resolution of our Board except that the following shall not be carried out except with prior sanction of an ordinary resolution of the Shareholders in general meeting:
 - (a) any change to the authority of our Directors in relation to any alternation to the terms of the Pre-IPO Share Option Scheme; and
 - (b) any alternation to this paragraph (xiv).

Outstanding options

As at the Latest Practicable Date, Pre-IPO Share Options to subscribe for an aggregate of 54,000,000 Shares, representing approximately 4.15% of the issued share capital of our Company upon completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options), or approximately 3.99% of the enlarged issued share capital of our Company upon full exercise of all the outstanding Pre-IPO Share Options on completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options), at an exercise price of 60% of the Offer Price, were conditionally granted by our Company to a total of four Directors, four members of the senior management, three Grantees having the right to subscribe for 1,000,000 Shares or more, five connected persons of our Company and 330 Other Grantees under the Pre-IPO Share Option Scheme.

Assuming the Pre-IPO Share Options (i) have been exercised in full (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options); and (ii) have been in issue throughout the year ended March 31, 2014 and without taking into account the recognition of the share-based compensation expense, the shareholding of our Shareholders immediately upon completion of the Capitalization Issue and Global Offering will be diluted by approximately 4.0% and the earnings per Share for the year ended March 31, 2014 be reduced by approximately 4.0% (unaudited).

Assuming the Offer Price is at HK\$1.46 (being the mid-point of the Offer Price range stated in this prospectus), the fair value of the Pre-IPO Share Options which is expected to be recognized as share-based compensation in the year ending March 31, 2015 is expected to be approximately HK\$4.9 million.

(a) Disclosed Grantees

Our Directors, senior management, Grantees having the rights to subscribe for 1,000,000 Shares or more and certain connected persons of our Company, are granted Pre-IPO Share Options under the Pre-IPO Share Option Scheme to subscribe for a total of 36,500,000 Shares, representing approximately 2.81% of the issued share capital of our Company upon completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options). None of our Directors was granted Pre-IPO Share Options for more than 8,300,000 Shares under the Pre-IPO Share Option Scheme.

Below is a list of our Directors, senior management and connected persons of our Company who are Grantees under the Pre-IPO Share Option Scheme and Grantees having the rights to subscribe for 1,000,000 Shares or more:

Name of Grantee	Address	Consideration paid for the grant	Exercise price	Number of Shares under the Pre-IPO Share Options granted	Date of grant	Option period	Approximate percentage of issued Shares immediately after completion of Global Offering and Capitalization Issue ⁽²⁾
Directors							
YEUNG Wai 楊維 (Chief executive officer/Chairman of the Board/ Executive Director)	Flat H, 2/F, Block 21 Laguna City 11 Laguna Street Kowloon, Hong Kong	HK\$1.00	60% of the Offer Price	8,300,000	October 28, 2014	Five years	0.64%
YEUNG Yun Chuen 楊潤全 (Co-chief operating officer/ Executive Director)	Flat D, 5/F Block 5 One Beacon Hill Kowloon, Hong Kong	HK\$1.00	60% of the Offer Price	6,000,000	October 28, 2014	Five years	0.46%
YEUNG Yun Kei 楊潤基 (Co-chief operating officer/ Executive Director)	Flat A, 35/F Tower 2A The Latitude 638 Prince Edward Road East San Po Kong Kowloon, Hong Kong	HK\$1.00	60% of the Offer Price	4,000,000	October 28, 2014	Five years	0.31%
LEUNG Siu Sun 梁兆新 (Executive chef/ Executive Director)	Flat B, 37/F, Tower 1 Florient Rise No.38 Cherry Street Tak Kok Tsui Kowloon, Hong Kong	HK\$1.00	60% of the Offer Price	4,000,000	October 28, 2014	Five years	0.31%

<u>Name of Grantee</u>	<u>Address</u>	<u>Consideration paid for the grant</u>	<u>Exercise price</u>	<u>Number of Shares under the Pre-IPO Share Options granted</u>	<u>Date of grant</u>	<u>Option period</u>	<u>Approximate percentage of issued Shares immediately after completion of Global Offering and Capitalization Issue⁽²⁾</u>
Senior management							
LEUNG Ka Lok 梁家樂 (Chief financial officer/Company Secretary)	Flat D, 26/F, Block 28 Park Island Ma Wan Lantau Islands, Hong Kong	HK\$1.00	60% of the Offer Price	1,000,000	October 28, 2014	Five years	0.08%
LAM Wai Kan 林慧勤 (General manager/ business development)	Flat C, 6/F, Block 8, Villa Esplanada Tsing Yi New Territories, Hong Kong	HK\$1.00	60% of the Offer Price	200,000	October 28, 2014	Five years	0.02%
LAM Chi Kui 林子駒 ⁽³⁾ (Operations director)	Flat H, 2/F, Block 21 Laguna City 11 Laguna Street Kowloon, Hong Kong	HK\$1.00	60% of the Offer Price	2,800,000	October 28, 2014	Five years	0.21%
CHAN Chok Him 陳作謙 (Business director)	Flat D, 16/F No.8 Cho Yuen Street The Spectacle Yau Tong Kowloon, Hong Kong	HK\$1.00	60% of the Offer Price	2,000,000	October 28, 2014	Five years	0.15%
Grantees having the rights to subscribe for 1,000,000 Shares or more							
WU Tai Shan 胡隸珊 ⁽³⁾ (Business director (Fulum))	Flat C, 18/F, Block 2 Tsui Chuk Garden Chuk Yuen Kowloon, Hong Kong	HK\$1.00	60% of the Offer Price	2,000,000	October 28, 2014	Five years	0.15%
LAM Kwong Ting 林廣廷 (Senior finance manager)	Room 3603, Block B Kam Tai Court 33 Ning Tai Road Ma On Shan New Territories, Hong Kong	HK\$1.00	60% of the Offer Price	1,000,000	October 28, 2014	Five years	0.08%
TAM Mo Chun 譚慕椿 (Audit director)	Flat B, 14/F To Li Garden 15-19 To Li Terrace, Hong Kong	HK\$1.00	60% of the Offer Price	1,500,000	October 28, 2014	Five years	0.12%

Name of Grantee	Address	Consideration paid for the grant	Exercise price	Number of Shares under the Pre-IPO Share Options granted	Date of grant	Option period	Approximate percentage of issued Shares immediately after completion of Global Offering and Capitalization Issue ⁽²⁾
Connected persons							
YANG Zhenpeng 楊振鵬 (Assistant procurement manager)	中國廣東省珠海市香洲區南屏北山正街南一巷109號 (109 Nanyi alley, Beishan Main Street, Nanping, Xiangzhou district, Zhuhai, Guangdong, PRC)	HK\$1.00	60% of the Offer Price	600,000	October 28, 2014	Five years	0.05%
YANG Runliang 楊潤良 (Procurement manager)	中國廣東省珠海市香洲區南屏北山正街南一巷128號 (128 Nanyi alley, Beishan Main Street, Nanping, Xiangzhou district, Zhuhai, Guangdong, PRC)	HK\$1.00	60% of the Offer Price	1,800,000	October 28, 2014	Five years	0.14%
LIANG Zhaohuang 梁兆煌 (Assistant production manager)	中國廣東省中山市南朗鎮永新村58號 (58 Yongxin Village, Nanlang town, Zhongshan, Guangdong, PRC)	HK\$1.00	60% of the Offer Price	500,000	October 28, 2014	Five years	0.04%
ZHANG Haisen 張海森 (Production manager)	中國廣東省珠海市香洲區灣仔鎮南山41號 (41 Nanshan, Wanzai town, Xiangzhou district, Zhuhai, Guangdong, PRC)	HK\$1.00	60% of the Offer Price	500,000	October 28, 2014	Five years	0.04%
YEUNG Chun Nin 楊振年 (Business manager)	Flat D, 5/F Block 5 One Beacon Hill Kowloon, Hong Kong	HK\$1.00	60% of the Offer Price	300,000	October 28, 2014	Five years	0.02%

Notes:

- Each Grantee, upon accepting the Pre-IPO Share Options, is deemed to have undertaken to our Company that he/she will comply with all applicable laws, legislation and regulations (including all applicable exchange control, fiscal and other laws to which he/she is subject) in connection with the acceptance of the grant of his/her Pre-IPO Share Options, the holding and exercise of his/her Pre-IPO Share Options in accordance with the rules of the Pre-IPO Share Option Scheme, the allotment and issue of Share to him/her upon exercise of his/her Pre-IPO Share Options and the holding of such Shares.
- These percentages are calculated on the basis of 1,300,000,000 Shares in issue immediately following completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options).
- Mr. LAM Chi Kui 林子駒 and Mr. WU Tai Shan 胡棣珊 are connected persons of our Company.

(b) Other Grantees

Among the Grantees, other than our Directors, members of our senior management, Grantees having the rights to subscribe for 1,000,000 Shares or more and connected persons of our Company, 330 Other Grantees are granted Pre-IPO Share Options under the Pre-IPO Share Option Scheme to subscribe for a total of 17,500,000 Shares, representing approximately 1.34% of the issued share capital of our Company upon completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options), with the number of Shares to be issued upon exercise of the relevant Pre-IPO Share Options ranging from 20,000 Shares to 300,000 Shares individually.

The table below shows the details of options granted to Other Grantees:

<u>Consideration paid for the grant</u>	<u>Exercise price</u>	<u>Number of Shares under the Pre-IPO Share Options granted</u>	<u>Date of grant</u>	<u>Option period</u>	<u>Approximate percentage of issued Shares immediately upon completion of Global Offering and Capitalization Issue</u>
HK\$1.00	60% of the Offer Price	17,500,000	October 28, 2014	Five years	1.34%

Notes:

- Each Grantee, upon accepting the Pre-IPO Share Options, is deemed to have undertaken to our Company that he/she will comply with all applicable laws, legislation and regulations (including all applicable exchange control, fiscal and other laws to which he/she is subject) in connection with the acceptance of the grant of his/her Pre-IPO Share Options, the holding and exercise of his/her Pre-IPO Share Options in accordance with the rules of the Pre-IPO Share Option Scheme, the allotment and issue of Share to him/her upon exercise of his/her Pre-IPO Share Options and the holding of such Shares.
- These percentages are calculated on the basis of 1,300,000,000 Shares in issue immediately following completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and Post-IPO Share Options).

Assuming that the Over-allotment Option is not exercised, the shareholding in our Company before and after the full exercise of all the Pre-IPO Share Options for the Grantees under the Pre-IPO Share Option Scheme (without taking into account any Shares to be issued upon the exercise of the Post-IPO Share Options) will be as follows:

Name	Immediately upon completion of the Capitalization Issue and Global Offering and prior to the exercise in full of unexercised Pre-IPO Share Options		Immediately following the completion of the Capitalization Issue and Global Offering and upon the exercise in full of unexercised Pre-IPO Share Options	
	Number of Shares	% ⁽²⁾	Number of Shares	% ⁽²⁾
Directors				
YEUNG Wai 楊維	8,300,000	0.64%	8,300,000	0.62%
YEUNG Yun Chuen 楊潤全	6,000,000	0.46%	6,000,000	0.44%
YEUNG Yun Kei 楊潤基	4,000,000	0.31%	4,000,000	0.30%
LEUNG Siu Sun 梁兆新	4,000,000	0.31%	4,000,000	0.30%
Senior management				
LEUNG Ka Lok 梁家樂	1,000,000	0.08%	1,000,000	0.07%
LAM Wai Kan 林慧勤	200,000	0.02%	200,000	0.01%
LAM Chi Kui 林子駒 ⁽¹⁾	2,800,000	0.21%	2,800,000	0.21%
CHAN Chok Him 陳作謙	2,000,000	0.15%	2,000,000	0.15%
Grantees having the rights to subscribe for 1,000,000 Shares or more				
WU Tai Shan 胡棣珊 ⁽¹⁾	2,000,000	0.15%	2,000,000	0.15%
LAM Kwong Ting 林廣廷	1,000,000	0.08%	1,000,000	0.07%
TAM Mo Chun 譚慕椿	1,500,000	0.12%	1,500,000	0.11%
Connected persons				
YANG Zhenpeng 楊振鵬	600,000	0.05%	600,000	0.04%
YANG Runliang 楊潤良	1,800,000	0.14%	1,800,000	0.13%
LIANG Zhaohuang 梁兆煌	500,000	0.04%	500,000	0.04%
ZHANG Haisen 張海森	500,000	0.04%	500,000	0.04%
YEUNG Chun Nin 楊振年	300,000	0.02%	300,000	0.02%
Other Grantees				
Employees of our Group	17,500,000	1.34%	17,500,000	1.29%

Notes:

1. Mr. LAM Chi Kui 林子駒 and Mr. WU Tai Shan 胡棣珊 are connected persons of our Company.
2. The percentages are approximate and subject to rounding.

Except as set out above, no other Pre-IPO Share Options are granted or agreed to be granted by our Company under the Pre-IPO Share Option Scheme.

Assuming that the Over-allotment Option is not exercised, the shareholding in the Company before and after the full exercise of all the Pre-IPO Share Options for the Grantees and those who will exercise, or control the exercise of, 5% or more of voting power at general meetings of our Company upon completion of the Capitalization Issue and Global Offering but before the exercise of the options granted under the Pre-IPO Share Option Scheme (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options) will be as follows:

	<u>Before full exercise</u>	<u>After full exercise</u>
Mr. Yeung	34.8%	34.0%
Mr. YC Yeung	20.9%	20.5%
Mr. YK Yeung	14.2%	13.9%
Mr. Leung	5.1%	5.2%

We will ensure compliance with the minimum public float requirement under Rule 8.08 of the Listing Rules. Our Directors, members of senior management and our connected persons confirm that they will not exercise any Pre-IPO Share Options if as a result of such exercise our Company would not be able to comply with the minimum public float requirement of the Listing Rules.

Waiver and exemption

Our Company has applied for and has been granted a waiver from (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption from the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the disclosure requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. See “Waiver from Strict Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance” for details.

G. POST-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by the written resolutions of the Shareholder of our Company on October 28, 2014. The following summary does not form, nor is intended to be, part of the Post-IPO Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Post-IPO Share Option Scheme.

1. Purpose

The purpose of the Post-IPO Share Option Scheme is to motivate Eligible Persons (as set out in paragraph 2 below) to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Eligible Persons

Our Board may, at its sole discretion, invite any director or proposed director (including an independent non-executive director) of any member of our Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group (an "Employee"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an "Executive"), a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of our Group, or a Close Associate (as defined under the Listing Rules) of any of the foregoing persons (together, the "Eligible Persons" and each an "Eligible Person").

3. Conditions and administration

The Post-IPO Share Option Scheme shall come into effect on the Listing Date, subject to:

- (a) the Stock Exchange granting approval for the listing of and permission to deal on the Shares in the Company to be issued and allotted pursuant to the exercise of the Post-IPO Share Options; and
- (b) the commencement of dealings in the Shares on the Main Board of the Stock Exchange.

The Post-IPO Share Option Scheme shall be subject to the administration of our Board whose decision on all matters arising in relation to the Post-IPO Share Option Scheme or its interpretation or effect shall (except as otherwise provided in the rules of Post-IPO Share Option Scheme) be final and binding on all parties thereto. Our Board may delegate any or all of its powers in relation to the Post-IPO Share Option Scheme to any of its committees.

4. Determination of eligibility

- (a) Our Board may, at its absolute discretion, offer to grant to any Eligible Person a Post-IPO Share Option to subscribe for Shares under the Post-IPO Share Option Scheme.
- (b) The basis of eligibility of any Eligible Person to the grant of any Post-IPO Share Option shall be determined by the Directors from time to time on the basis of their contributions to the development and growth of our Group.
- (c) For the avoidance of doubt, the grant of any Post-IPO Share Option by our Company for the subscription of Shares to any person who falls within the definition of Eligible Persons shall not, by itself, unless our Directors otherwise determine, be construed as a grant of Post-IPO Share Options under the Post-IPO Share Option Scheme.
- (d) An Eligible Person or grantee shall provide our Board such information and supporting evidence as the Board may in its absolute discretion request from time to time (including, without limitation, before the offer of a grant of Post-IPO Share Option, at the time of acceptance of a grant of Post-IPO Share Option, and at the time of exercise of a Post-IPO Share Option) for the purpose of assessing and/or determining his eligibility or continuing eligibility as an Eligible Person and/or grantee or that of his Close Associates or for purposes in connection with the terms of a Post-IPO Share Option (and the exercise thereof) or the Post-IPO Share Option Scheme and the administration thereof.

5. Duration

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date. However, our Shareholders in general meeting may by resolution at any time terminate the Post-IPO Share Option Scheme. Upon the expiry or termination of the Post-IPO Share Option Scheme as aforesaid, no further Post-IPO Share Option shall be offered but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect. All Post-IPO Share Options granted prior to such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the terms of the Post-IPO Share Option Scheme.

6. Grant of Post-IPO Share Options

On and subject to the terms of the Post-IPO Share Option Scheme, our Board shall be entitled at any time within the period of the Post-IPO Share Option Scheme to offer the grant of any Post-IPO Share Option to any Eligible Person as our Board may in its absolute discretion select, and on acceptance of the offer, grant such part of the Post-IPO Share Option as accepted to the Eligible Person.

Subject to the provisions of the Post-IPO Share Option Scheme, our Board may in its absolute discretion when offering the grant of a Post-IPO Share Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Post-IPO Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Post-IPO Share Option) including (without prejudice to the generality of the foregoing) continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Post-IPO Share Option in respect of all or some of the Shares which the Post-IPO Share Option relates shall vest.

An offer of the grant of a Post-IPO Share Option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Post-IPO Share Option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by within the period specified in the letter containing the offer of the grant of the Post-IPO Share Option. Once such acceptance is made, the Post-IPO Share Option shall be deemed to have been granted and to have taken effect from the offer date.

7. Subscription price of Shares

The subscription price in respect of any particular Post-IPO Share Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Post-IPO Share Option (and shall be stated in the letter containing the offer of the grant of the Post-IPO Share Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of Share;
- (b) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (c) the average of the closing prices of Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the offer date.

The subscription price shall also be subject to adjustment in accordance with paragraph 13 of this section.

8. Exercise of Post-IPO Share Options

- (a) A Post-IPO Share Option shall be exercised in whole or in part by the Grantee according to the procedures for the exercise of Post-IPO Share Options established by our Company from time to time. Every exercise of a Post-IPO Share Option must be accompanied by a remittance for the full amount of the subscription price for the Shares to be issued upon exercise of such Post-IPO Share Option.

- (b) A Post-IPO Share Option shall be personal to the grantee and shall not be and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Post-IPO Share Option or purport to do so. Any breach of the foregoing shall entitle our Company to cancel, revoke or terminate any outstanding Post-IPO Share Option or part thereof granted to such grantee without any compensation.
- (c) Subject to paragraph 8(e) and any conditions, restrictions or limitations imposed in relation to the particular Post-IPO Share Option pursuant to the provisions of paragraphs 6, 10 or 12 and subject as hereinafter provided, a Post-IPO Share Option may be exercised at any time during the option period, provided that:
- (i) if the grantee (being an individual) dies or becomes permanently disabled before exercising an Post-IPO Share Option (or exercising it in full), he (or his legal representative(s)) may exercise the Post-IPO Share Option up to the grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as our Board may determine;
 - (ii) in the event of the grantee ceasing to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to our Group at the relevant time, his Post-IPO Share Option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period;
 - (iii) in the event of the grantee ceasing to be an Executive by reason of his transfer of employment to an affiliate company of our Company, his Post-IPO Share Option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the Post-IPO Share Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined;
 - (iv) in the event of the grantee ceasing to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time, transfer of employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or culpable termination, the Post-IPO Share Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which event the Post-IPO Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

- (v) in the event of the grantee ceasing to be an Executive by reason of the termination of his employment by resignation or culpable termination, the Post-IPO Share Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his employment (in the case of culpable termination) and not be exercisable unless our Board otherwise determines in which event the Post-IPO Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such service or notification. A resolution of our Board resolving that the Executive's Post-IPO Share Option has lapsed pursuant to this sub-paragraph shall be final and conclusive;
- (vi) if a grantee being an executive director of ceases to be an Executive but remains a non-executive director, his Post-IPO Share Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the Post-IPO Share Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined;
- (vii) if (1) our Board in its absolute discretion at any time determines that a grantee has ceased to be an Eligible Person; or (2) a grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Post-IPO Share Option or which were the basis on which the Post-IPO Share Option was granted, the Post-IPO Share Option (to the extent not already exercised) shall lapse on the date on which the grantee is notified thereof (in the case of (1)) or on the date on which the grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (2)) and not be exercisable unless our Board otherwise determines in which event the Post-IPO Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such notification or the date of such failure/non-satisfaction/non-compliance. In the case of (1), a resolution of our Board resolving that the grantee's Post-IPO Share Option has lapsed pursuant to this sub-paragraph shall be final and conclusive;
- (viii) if a grantee (being a corporation) (1) has a liquidator, provisional liquidator, receiver or any person carrying out any similar function appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee; or (2) has suspended or ceased or threatened to suspend or cease business; or (3) is unable to pay its debts (within the meaning of section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any similar provisions under the Cayman Island Companies Law as amended from time to time); or (4) otherwise becomes insolvent; or (5) suffers a change in its constitution, directors, shareholding or management which in the opinion of our Board is material; or (6) commits a breach of any contract entered into between the grantee or his Associate and any member of our Group, the option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or other similar person or on the date of suspension or cessation of business or on the date when the grantee is

deemed to be unable to pay its debts as aforesaid or on the date of notification by our Company that the said change in constitution, directors, shareholding or management is material or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Post-IPO Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's Post-IPO Share Option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;

- (ix) if a grantee (being an individual) (1) is unable or has no reasonable prospect of being able to pay his debts within the meaning of the Bankruptcy Ordinance or any other applicable law or has otherwise become insolvent; or (2) has made any arrangements or compositions with his creditors generally; or (3) has been convicted of any criminal offence involving his integrity or honesty; or (4) commits a breach of any contract entered into between the grantee or his Associate and any member of our Group, the Post-IPO Share Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Post-IPO Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's Post-IPO Share Option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;
- (x) if a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of the Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Post-IPO Share Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

- (xi) in the event of an effective resolution being passed for the voluntary winding-up of our Company, and if the grantee immediately prior to such event had any subsisting Post-IPO Share Option which had not been fully exercised, the grantee may by notice in writing to our Company within one month after the date of such resolution elect to be treated as if the Post-IPO Share Option had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in such notice and shall accordingly be entitled to receive out of the assets available in the liquidation, *pari passu* with the holders of Shares, such sum as would have been received in respect of the Shares the subject of such election reduced by an amount equal to the subscription price which would otherwise have been payable in respect thereof; and
 - (xii) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have unexercised Post-IPO Share Options at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of: (1) the option period; (2) the period of two months from the date of such notice; and (3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his Post-IPO Share Option. Except insofar as exercised in accordance with this paragraph 8(c)(xii), all Post-IPO Share Options outstanding at the expiry of the relevant period referred to in this paragraph 8(c)(xii) shall lapse. Our Company may thereafter require each grantee to transfer or otherwise deal with the Shares issued on exercise of the Post-IPO Share Option to place the grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement, provided that in determining the entitlement of any grantee to exercise an Post-IPO Share Option at any particular date, our Board may in its absolute discretion relax or waive, in whole or in part, conditionally or unconditionally, any additional conditions, restrictions or limitations imposed in relation to the particular Post-IPO Share Option pursuant to the provisions of paragraph 6 and/or deem the right to exercise the Post-IPO Share Option in respect of the Shares the subject thereof to have been exercisable notwithstanding that according to the terms of the particular Post-IPO Share Option such right shall not have then vested.
- (d) The Shares to be allotted upon the exercise of a Post-IPO Share Option shall be subject to all the provisions of the memorandum of association and the articles of association of our Company and the laws of the Cayman Islands in force from time to time and shall rank *pari passu* in all respects with then existing fully-paid Shares in issue on the allotment date, and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date, other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefore shall

be before the allotment date. Subject as aforesaid, no grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of a Post-IPO Share Option pursuant to the Post-IPO Share Option Scheme.

- (e) Our Company is entitled to refuse any exercise of a Post-IPO Share Option if such exercise is not in accordance with the terms of the Post-IPO Share Option Scheme or the procedures for exercise of Post-IPO Share Option established by from time to time or if such exercise may cause to contravene or breach any laws, enactment or regulations for the time being in force in Hong Kong and the Cayman Islands or other jurisdiction where applicable or the Listing Rules or any rules governing the Listing of the Shares on a Stock Exchange.

9. Lapse of Post-IPO Share Options

A Post-IPO Share Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of the occurrence of any of the following events unless otherwise relaxed or waived (conditionally or unconditionally) by our Company:

- (a) the expiry of the option period;
- (b) the expiry of any of the periods referred to in paragraph 8(c);
- (c) (subject to paragraph 8(c)(xi)) the date of the commencement of the winding-up of our Company;
- (d) there is an unsatisfied judgment, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts within the meaning of the Bankruptcy Ordinance;
- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in paragraphs 8(c)(viii), 8(c)(ix) or paragraph 9(d); or
- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Post-IPO Share Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

10. Maximum number of shares available for subscription

The maximum number of Shares to be issued upon exercise of all Post-IPO Share Options which may be granted under the Post-IPO Share Option Scheme (and under any other Post-IPO share option schemes) shall not in aggregate exceed 10% of the Shares in issue immediately after completion of the Global Offering and as at the Listing Date (the "Scheme Mandate Limit"), provided that our Company may at any time as our Board may think fit seek approval from the Shareholders to refresh the scheme mandate limit, except that the maximum number of Shares to be issued upon exercise of all Post-IPO Share Options which may be granted under the Post-IPO Share Option Scheme (and under any other Post-

IPO share option schemes of our Company) shall not exceed 10% of the Shares in issue as at the date of approval by the Shareholders in general meeting where such limit is refreshed. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes (including those outstanding, cancelled, and lapsed in accordance with the terms of the Post-IPO Share Option Scheme or any other share option schemes or exercised options under the said schemes of our Company) shall not be counted for the purpose of calculating the limit as refreshed. Our Company shall send a circular containing the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules to the Shareholders. In addition, our Company may seek separate approval from the Shareholders in general meeting for granting Post-IPO Share Options beyond the Scheme Mandate Limit, provided that the Post-IPO Share Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by our Company before such approval is sought and for whom specific approval is obtained. Our Company shall issue a circular to the Shareholders containing the information required under Rule 17.03(3) of the Listing Rules.

Notwithstanding the preceding paragraph, the maximum number of Shares to be issued upon exercise of all outstanding Post-IPO Share Options granted and yet to be exercised under the Post-IPO Share Option Scheme (and under any other Post-IPO share option schemes of the Company) shall not exceed 30% of the Shares in issue from time to time.

The maximum number of Shares issued and to be issued upon exercise of the Post-IPO Share Options granted to any one Eligible Person (including exercised and outstanding Post-IPO Share Options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of Post-IPO Share Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Post-IPO Share Options granted and which may be granted to such Eligible Person (including exercised, cancelled and outstanding Post-IPO Share Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his close associates (or his associates of such Eligible Person is a connected person) abstaining from voting. The applicable requirements of Rule 17.03(4) of the Listing Rules shall be complied with.

The maximum numbers set out in this paragraph 10 above shall be subject to adjustment in accordance with paragraph 12 but shall not in any event exceed the limits imposed by Chapter 17 of the Listing Rules.

11. Maximum number of Shares per grantee who is a core connected person

Each grant of Post-IPO Share Options to a Director, chief executive or substantial Shareholder of our Company or any of their respective associates under the Post-IPO Share Option Scheme shall be approved by Independent Non-executive Directors of our Company (excluding the Independent Non-executive Director of the Company who is the proposed grantee of the Post-IPO Share Options). Where any grant of Post-IPO Share Options to a substantial Shareholder or an Independent Non-executive Director of our Company or any of their respective associates would result in the securities issued and to be issued upon exercise of all Post-IPO Share Options already granted and which may be granted (including Post-IPO

Share Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of Post-IPO Share Options must be approved by the Shareholders.

Our Company shall send a circular to the Shareholders containing the information required under Rule 17.04 of the Listing Rules. The relevant Eligible Person, his associates and all core connected persons of our Company shall abstain from voting at such general meeting. Any vote taken at the meeting to approve the grant of such Post-IPO Share Options must be taken on a poll.

12. Cancellation of Post-IPO Share Options

Our Board shall be entitled for the following causes to cancel any Post-IPO Share Option in whole or in part by giving notice in writing to the grantee stating that such Post-IPO Share Option is thereby cancelled with effect from the date specified in such notice (the "Cancellation Date"):

- (a) the grantee commits or permits or attempts to commit or permit a breach of paragraphs 4(d) or 8(b) of this appendix or any terms or conditions attached to the grant of the Post-IPO Share Option;
- (b) the grantee makes a written request to our Board for, or agrees to, the Post-IPO Share Option to be cancelled; or
- (c) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Post-IPO Share Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Post-IPO Share Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case. Where our Company cancels a Post-IPO Share Option held by a grantee and issues new Post-IPO Share Options to the same grantee, the issue of such new Post-IPO Share Options may only be made under the Post-IPO Share Option Scheme with available unissued Post-IPO Share Options (excluding the cancelled Post-IPO Share Option) within the limit approved by the Shareholders set out in paragraph 10 of this section.

13. Reorganization of capital structure

In the event of any change in the capital structure of the Company while any Post-IPO Share Option may become or remains exercisable, whether by way of a capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the number of Shares subject to outstanding Post-IPO Share Options;
- (b) the subscription price of each outstanding Post-IPO Share Option; and/or
- (c) the number of Shares subject to the Post-IPO Share Option Scheme.

Where our Board determines that adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors or the independent financial advisors (as our Board may select) shall certify in writing to our Board that any such adjustments to be in their opinion fair and reasonable and in compliance with Rule 17.03(13) of the Listing Rules (as amended from time to time) and the notes thereto and the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issues relating to share option schemes, provided that:

- (a) the aggregate percentage of the issued share capital of our Company available for the grant of options shall remain as nearly as possible the same as it was before such change but shall not be greater than the maximum number prescribed by the Listing Rules from time to time;
- (b) any such adjustments shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any Post-IPO Share Option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event;
- (c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and
- (d) any such adjustments shall, as nearly as practicable, be made on the basis that the proportion of the issued share capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issues relating to share option schemes) for which any grantee is entitled to subscribe pursuant to the options held by him shall remain the same as (but shall not be greater than) that to which he was previously entitled (as interpreted in accordance with the supplementary guidance as amended from time to time).

For the avoidance of doubt only, the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring an adjustment.

The capacity of the auditors or the independent financial advisors (as the case may be) in this paragraph 13 is that of experts and not of arbitrators and their certification or confirmation shall, in the absence of manifest error, be final, conclusive and binding on our Company and the grantees. The costs of the auditors or the independent financial advisors (as the case may be) shall be borne by our Company.

14. Distributions

Upon distribution by our Company to holders of the Shares of any cash or in specie of assets (other than dividends in the ordinary course) ("Distribution"), may make a downward adjustment to the subscription price of any Post-IPO Share Option granted but not exercised as at the date of such Distribution by an amount which our Board considers as reflecting the impact such Distribution will have or will likely to have on the trading price of the Shares provided that (a) our Board's determination of any adjustments shall be final and binding on all Grantees; (b) the amount of adjustment shall not exceed the amount of such Distribution to be made to the Shareholders; (c) such adjustment shall take effect on or after the date of such Distribution by our Company; (d) any adjustment provided for in this paragraph 14 shall be cumulative to any other adjustments contemplated under paragraph 13 or approved by the Shareholders in general meeting; and (e) the adjusted subscription price shall not, in any case, be less than the nominal value of the Shares.

15. Share capital

The exercise of any Post-IPO Share Option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company. Subject thereto, our Board shall make available sufficient authorized but unissued share capital of our Company to meet subsisting requirements on the exercise of Post-IPO Share Options.

16. Disputes

Any dispute arising in connection with the Post-IPO Share Option Scheme (whether as to the number of Shares, the subject of a Post-IPO Share Option, the amount of the subscription price or otherwise) shall be referred to the auditors or the independent financial advisors (as the case may be) for decision, who shall act as experts and not as arbitrators and whose decision shall be final and binding.

17. Alteration of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme may be altered in any respect by a resolution of our Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the Shareholders in general meeting:

- (a) any material alteration to its terms and conditions or any change to the terms of options granted (except where the alterations take effect under the existing terms of the Post-IPO Share Option Scheme);
- (b) any alteration to the provisions of the Post-IPO Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules;

- (c) any change to the authority of our Directors in relation to any alteration to the terms of the scheme; and
- (d) any alteration to this paragraph 17,

provided always that the amended terms of the Post-IPO Share Option Scheme shall comply with the applicable requirements of Chapter 17 of the Listing Rules.

18. Termination

Our Company by resolution in general meeting may at any time terminate the operation of the Post-IPO Share Option Scheme. Upon the expiry or termination of the Post-IPO Share Option Scheme as aforesaid, no further Post-IPO Share Options shall be offered but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect. All Post-IPO Share Options granted prior to such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Post-IPO Share Option Scheme.

Note: The principal terms of the Post-IPO Share Option Scheme are substantially the same as the terms of the Pre-IPO Share Option Scheme, except as disclosed under “ — F. Pre-IPO Share Option Scheme” in this appendix above. When read in the context of the Pre-IPO Share Option Scheme, the defined terms “Post-IPO Share Option Scheme” and “Post-IPO Share Option(s)” contained in the summary above shall, respectively, mean “Pre-IPO Share Option Scheme” and “Pre-IPO Share Option(s)” and the relevant contents shall be construed accordingly.

H. OTHER INFORMATION

1. Litigation

Except as disclosed in this prospectus, as at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

2. Preliminary expenses and the Sole Sponsor’s fees

Our preliminary expenses are estimated to be HK\$271,227 and were paid by us.

The Sole Sponsor will be paid by our Company an aggregate fee of USD400,000 to act as the sponsor to the Global Offering.

3. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

4. Application for Listing

The Sole Sponsor have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering are Capitalization Issue, any Shares which may be issued upon the exercise of the Over-allotment Option and any Share to be issued pursuant to the exercise of the Pre-IPO Share Options and Post-IPO Share Options. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

5. No material adverse change

Our Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since June 30, 2014, the date of the latest audited consolidated financial statements of our Group.

6. Agency fees and commissions received

The Underwriters will receive an underwriting commission as referred to in “Underwriting — Underwriting Arrangements and Expenses — Underwriting Commission and Expenses” in this prospectus.

7. Qualifications of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this prospectus are as follows:

Name	Qualifications
Deutsche Securities Asia Limited . . .	Licensed corporation registered under the SFO to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of regulated activities as defined in the SFO
Deacons	Qualified Hong Kong solicitors
Ernst & Young	Certified public accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Commerce & Finance Law Offices . . .	Qualified PRC lawyers
Frost & Sullivan	Independent industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited . .	Independent property valuer and consultant

8. Consents

Each of the experts listed in the preceding paragraph has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Taxation of holders of our Shares

Dealings in Shares registered on our Hong Kong Branch Register will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred. Dividends paid on Shares will not be subject to tax in Hong Kong and no tax is imposed in Hong Kong in respect of capital gains. However, profits from dealings in the Shares derived by persons carrying on a business of trading or dealings in securities in Hong Kong arising in or derived from Hong Kong may be subject to Hong Kong profits tax.

11. Incidents where the audited accounts were not laid before the annual general meetings of our subsidiaries with the statutory prescribed period

Pursuant to section 122 of the Predecessor Companies Ordinance, the directors of a company incorporated in Hong Kong are required to cause a profit and loss account and balance sheet to be made up and laid before its shareholders at each of its annual general meetings, and such accounts must be made up to a date falling not more than nine months before the date of the relevant annual general meeting.

During the Track Record Period and up to the Latest Practicable Date, there had been 48 incidents where the audited accounts of some of our subsidiaries were not laid before the annual general meeting under section 122 of the Predecessor Companies Ordinance due to unintended and inadvertent omissions by our then company secretary. Our Directors consider these non-compliance with section 122 of the Predecessor Companies Ordinance are non-systemic and immaterial to our Group as a whole.

We have been advised that, under section 122 of the Predecessor Companies Ordinance, if any person being a director of a company fails to take all reasonable steps to comply with the provisions of the section, he shall, in respect of each offence, be liable to imprisonment and a fine provided that:

- (a) in any proceedings against a person in respect of an offence under the section, it shall be a defence to prove he had reasonable ground to believe and did believe that a competent and reliable person was charged with the duty of seeing that the provisions of the section were complied with and was in a position to discharge that duty; and
- (b) a person shall not be sentenced to imprisonment for such an offence unless, in the opinion of the court dealing with the case, the offence was committed wilfully.

For such purpose, the maximum penalty is 12 months' imprisonment and a fine of HK\$300,000 for each occasion.

As our Directors did not commit the offense wilfully and had reasonable ground to believe that our then company secretary with relevant experience shall be a competent person, our Directors believe that it is unlikely for the relevant directors to be liable to imprisonment and/or a fine.

12. Miscellaneous

Save as otherwise disclosed in this prospectus:

- (i) within the two years preceding the date of this prospectus, no share or loan capital of our Company or of any of our principal operating subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (ii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
- (iii) within the two years preceding the date of this prospectus, no commission has been paid or is payable (except commissions to underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;
- (iv) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (v) no share or loan capital of our Company or any of our consolidated subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (vi) none of the parties (save in connection with the Underwriting Agreement) listed in “— H. Other information — 7. Qualification of experts” in this appendix above:
 - (a) is interested legally or beneficially in any securities of any member of our Group; or
 - (b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (vii) no company within our Group is presently listed on any stock exchange or traded on any trading system; and
- (viii) there is no arrangement under which future dividends are waived or agreed to be waived.

13. Estate duty




Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

14. Indemnities given by our Controlling Shareholders

Under the Deed of Indemnity, Mr. Yeung, China Sage, Mr. YC Yeung and Mr. YK Yeung, each being a Controlling Shareholder (together the “Indemnifiers”) have jointly and severally undertaken to and covenanted with our Company that they will indemnify and at all times keep our Group fully indemnified against any actions, claims, losses, liabilities, damages, costs, charges or expenses which may be made, suffered or incurred by any of them in respect of or arising directly or indirectly from any claims which are covered by the indemnities in relation to taxation, estate duty and claims (as set out below) including, but not limited to, all reasonable costs (including legal costs), charges, expenses, penalties and other liabilities which our Group may reasonably and properly incur in connection with:

- (a) the investigation, assessment or the contesting of any claim;
- (b) the settlement of any claim;
- (c) any legal proceedings in which our Group claims under or in respect of the Deed of Indemnity and in which judgment is given in favour of our Group;
- (d) the enforcement of any such settlement or judgment in respect of any claim; or
- (e) building orders and fire safety directions issued by the Building Authority and/or Buildings Department served on any member of our Group and/or the landlords or incorporated owners of the premises where our restaurants are located at, in relation to any unauthorized building structure(s) and/or equipment(s) prior to the date on which conditions set out in “Structure and Conditions of the Global Offering — Conditions of the Global Offering” in this prospectus are fulfilled, on the relevant premises where any of our Group’s restaurants was/is located at.

In addition, pursuant to the Deed of Indemnity, the Indemnifiers also agree and undertake, jointly and severally, with our Company, subject to the terms of the Deed, to indemnify our Company and our Group (on its own behalf and as trustee for our Group) and at all times keep the same fully indemnified on demand against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses, penalties and fines falling on our Company or our Group directly or indirectly resulting from, or relating to or in consequence of:

- (a) our Reorganization;
- (b) any trademark infringement claims initiated by the relevant third party or Forum Restaurant (1977) Limited in relation to, among others, the  "富臨集團控股有限公司", "富臨皇宮"  and "富臨酒家"  by our Group prior to the date on which conditions set out in "Structure and Conditions of the Global Offering" in this prospectus are fulfilled;
- (c) any possible or alleged violation or non-compliance by our Group Companies with any Hong Kong laws or regulations (including but not limited to the Food Business Regulation (Chapter 132X of the Laws of Hong Kong), the Buildings Ordinance and the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong)) prior to the date on which conditions set out in "Structure and Conditions of the Global Offering" in this prospectus are fulfilled, including in relation to (i) non-compliance with the Companies Ordinance and (ii) the requirement to obtain all relevant licenses, approvals, permit and certificates for conducting its business, prior to the date on which conditions set out in "Structure and Conditions of the Global Offering" in this prospectus are fulfilled; and
- (d) claims by any person alleging to be so interested with or without being registered in the register of members our Group prior to the date on which conditions set out in "Structure and Conditions of the Global Offering" in this prospectus are fulfilled.

15. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under Section 4 of the Companies Ordinance (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

16. Independence of the Sole Sponsor

Deutsche Securities Asia Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE, YELLOW** and **GREEN** Application Forms; (ii) copies of each of the material contracts referred to in paragraph (k) of this appendix; and (iii) the written consents referred to in paragraph (l) of this appendix.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Deacons, 5/F Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles;
- (b) the accountants' report from Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the report from Ernst & Young on the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of the Group as have been prepared for the years ended March 31, 2012, 2013, 2014 and the three months ended June 30, 2014;
- (e) the Hong Kong legal opinion prepared by Deacons, our legal advisers on Hong Kong laws in respect of the applicable laws and regulations of our operations in Hong Kong as well as our operational and corporate matters in Hong Kong;
- (f) the letter issued by Conyers Dill & Pearman (Cayman) Limited, our legal advisers on Cayman Islands law, summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (g) the Frost & Sullivan Report;
- (h) the PRC legal opinion prepared by Commerce & Finance Law Offices, our legal advisers on PRC laws, in respect of the Excluded PRC Restaurants and the applicable laws and regulations of our prospective operations in the PRC;
- (i) a letter prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, our independent property valuer, in relation to the Connected Tenancy Agreements as referred to in "Continuing Connected Transactions" in this prospectus;
- (j) the Cayman Islands Companies Law;
- (k) the material contracts referred to in "Appendix IV — Statutory and General Information — C. Further Information about the Business of our Company — 1. Summary of material contracts";

- (l) the written consents referred to in "Appendix IV — Statutory and General Information — H. Other Information — 8. Consents";
- (m) the service agreements and letters of appointment referred to "Appendix IV — Statutory and General Information — D. Further Information about Directors, Chief Executive and Substantial Shareholders — 2. Particulars of Directors' service agreements and letters of appointment";
- (n) the rules of the Pre-IPO Share Option Scheme;
- (o) the rules of the Post-IPO Share Option Scheme; and
- (p) the full list of all the Grantees of the Pre-IPO Share Option Scheme, containing all the details in respect of each option required under paragraph 10 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix I to the Listing Rules.



正宗 大福料理
HONG KONG FU RESTAURANT

富臨酒家
Fulum Restaurant

富臨酒家



Fulum Group Holdings Limited
富臨集團控股有限公司