



Dining Concepts

THIRD QUARTERLY REPORT 2016/ 17

Dining Concepts Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8056

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*This report, for which the directors (the “**Directors**”) of Dining Concepts Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report 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 report misleading.*

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2016, together with the unaudited comparative figures for the corresponding period in 2015 as set out below. Unless otherwise specified, terms used herein shall have the same meanings as those defined in the Company’s prospectus dated 27 July 2016 (the “**Prospectus**”).

FINANCIAL HIGHLIGHTS

- The Group’s revenue for the nine months ended 31 December 2016 was approximately HK\$359.4 million, representing an increase of approximately 0.6% when compared with that of the corresponding period in 2015.
- Loss and total comprehensive expense attributable to owners of the Company for the nine months ended 31 December 2016 was approximately HK\$28.0 million, while it was profit and total comprehensive income of approximately HK\$12.0 million for the nine months ended 31 December 2015.
- The Board did not recommend payment of any dividend for the nine months ended 31 December 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2016

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	2	140,371	129,034	359,443	357,088
Cost of inventories consumed		(35,130)	(32,502)	(90,064)	(91,164)
Staff costs		(40,381)	(32,460)	(120,143)	(93,872)
Depreciation and amortisation		(8,429)	(7,107)	(20,638)	(23,368)
Rental and related expenses		(26,386)	(23,946)	(75,002)	(66,280)
Utilities and consumables		(5,430)	(5,951)	(14,827)	(16,054)
Listing expenses		—	(796)	(12,314)	(4,303)
Franchise and licensing fees		(3,188)	(3,802)	(8,955)	(10,380)
Other expenses		(14,345)	(11,281)	(38,494)	(33,021)
Other gains and losses		—	—	(2,696)	(208)
Profit (loss) before taxation		7,082	11,189	(23,690)	18,438
Taxation	3	(1,974)	(2,308)	(4,316)	(6,441)
Profit (loss) and total comprehensive income (expense) for the periods attributable to owners of the Company		5,108	8,881	(28,006)	11,997
Earnings (loss) per share (HK\$)					
– basic	5	0.006	0.013	(0.038)	0.018

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 31 December 2016

	Attributable to owners of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
(Unaudited)						
At 1 April 2015	9	30,000	36,966	—	33,102	100,077
Profit and total comprehensive income recognised for the period	—	—	—	—	11,997	11,997
At 31 December 2015	9	30,000	36,966	—	45,099	112,074
(Unaudited)						
At 1 April 2016	9	30,000	36,966	—	51,222	118,197
Loss and total comprehensive expense recognised for the period	—	—	—	—	(28,006)	(28,006)
Dividend paid	—	—	(7,344)	—	—	(7,344)
Issue of new shares by placing	10,969	52,476	—	—	—	63,445
Issue of shares by exercise of options	797	3,816	—	—	—	4,613
Recognition of equity-settled share-based payment	—	—	—	6,621	—	6,621
Capitalisation issue of shares	51,262	(51,262)	—	—	—	—
Expenses incurred in connection with issue of new shares	—	(8,212)	—	—	—	(8,212)
Deemed distribution to a Controlling Shareholder	—	—	(2,352)	—	—	(2,352)
At 31 December 2016	63,037	26,818	27,270	6,621	23,216	146,962

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2016

1. GENERAL INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 May 2014 and its registered office is located at Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and its principal place of business is located at Suite 1701-3, 17/F, Chinachem Hollywood Centre 1, 3, 5, 7, 9, 11 and 13 Hollywood Road, Central, Hong Kong. The shares of the Company were listed on the GEM of The Stock Exchange since 5 August 2016.

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in operation of restaurants and provision of catering management and design services.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2016 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the nine months ended 31 December 2016 are consistent with those adopted in the preparation of accountants’ report included in the Company’s prospectus dated 27 July 2016 (the “**Prospectus**”), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the “**New and Revised HKFRSs**”) (which include all HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the HKICPA that are adopted for the first time for the current periods financial statements.

The adoption of the New and Revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the nine months ended 31 December 2016 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the nine months ended 31 December 2016.

The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group’s results of operations and financial position.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2016 have been prepared on the historical cost basis. The unaudited condensed consolidated financial statements for the nine months ended 31 December 2016 are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company and its subsidiaries.

The condensed consolidated financial statements have not been audited by the Company’s auditors, but have been reviewed by the audit committee of the Company.

2. REVENUE

The Group’s revenue represents the amount received and receivable for the operation of restaurants, net of discounts.

3. TAXATION

	For the three months ended 31 December		For the nine months ended 31 December	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong Profits Tax	2,029	2,392	4,371	6,525
Over provision in respect of prior years	(55)	(84)	(55)	(84)
	1,974	2,308	4,316	6,441

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the relevant periods.

4. DIVIDENDS

Pursuant to the written resolution of the shareholders of the Company passed on 14 July 2016, the Company declared dividends of approximately HK\$7.3 million to the then shareholders and the amount was settled on 18 July 2016 with internal resources.

Save as disclosed above, the Board did not recommend the payment of dividend for the nine months ended 31 December 2016 (nine months ended 31 December 2015: Nil).

5. EARNINGS (LOSS) PER SHARE

The basic earnings (loss) per share is calculated based on the profit (loss) attributable to the owners of the Company and the weighted average number of ordinary shares for the relevant periods on the assumption that the Group's reorganisation and capitalisation issue of the shares of the Company had been effective on 1 April 2015.

	For the three months ended 31 December		For the nine months ended 31 December	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
EARNINGS (LOSS)				
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	5,108	8,881	(28,006)	11,997

	Number of shares (in '000) For the three months ended 31 December		Number of shares (in '000) For the nine months ended 31 December	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SHARES				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	810,250	659,010	740,341	659,010

No diluted earnings or loss per share for the three months and the nine months periods ended 31 December 2016 are presented in respect of the share options granted on 15 July 2016 under the Pre-IPO Share Option Scheme, as the share options would not result in a reduction in earnings nor an increase in loss per share for the three months and the nine months periods ended 31 December 2016. The Group had no potentially dilutive ordinary shares in issue during the three months and the nine months periods ended 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

During the nine months ended 31 December 2016 and up to the date of this report, the Group had been principally engaged in operating a variety of cuisines, mainly Asian, Western and Italian, targeting different customer segments with mid to high spending power.

Business Review

During the nine months ended 31 December 2016, the Group maintained its focus in serving a variety of cuisines at varying prices under different brands to a diversified customer base in Hong Kong. The Group has kept its strength in striving to uphold its core value, "Value for Money", through providing the customers with a boutique dining experience of quality dishes, attentive service and a relaxing environment.

Financial Review

Revenue

During the relevant periods, the Group's revenue was generated from the operation of restaurants in Hong Kong. As at 31 December 2016, the Group was operating 25 restaurants (31 December 2015: 25), of which five restaurants (31 December 2015: one) were newly established and two restaurants (31 December 2015: Nil) were closed for the nine months ended 31 December 2016.

The Group served mainly three categories of cuisines during the relevant periods. The table below sets forth a breakdown of the Group's revenue generated by operation of restaurants by type of cuisine and as a percentage of total revenue generated by operation of restaurants during the relevant periods:

	For the three months ended 31 December				For the nine months ended 31 December			
	2016		2015		2016		2015	
	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Western style	87,674	62.4	71,963	55.8	212,029	59.0	192,953	54.0
Italian style	26,758	19.1	38,705	30.0	75,322	21.0	109,138	30.6
Asian style	25,939	18.5	18,366	14.2	72,092	20.0	54,997	15.4
Total	140,371	100.0	129,034	100.0	359,443	100.0	357,088	100.0

Western style restaurants

The revenue generated from operation of Western style restaurants increased by approximately HK\$19.0 million, or approximately 9.8%, from approximately HK\$193.0 million for the nine months ended 31 December 2015 to approximately HK\$212.0 million for the nine months ended 31 December 2016. Such increase was mainly due to a combined result of (i) the commencement of operation of Le Pain Quotidien (Lee Tung Avenue), Alto Bar & Grill, Le Pain Quotidien (Pacific Place), Iron Fairies & J. Boroski and Bizou in February 2016, July 2016, August 2016, September 2016 and December 2016, respectively, which generated total revenue of approximately HK\$52.7 million for the nine months ended 31 December 2016; (ii) the full-year of operation of London House since its commencement of business in September 2015, the effect of which was partially offset by (i) closure of The Bellbrook, California Vintage and Taco Loco in May 2015, March 2016 and August 2016, respectively, and disposal of Golden Rock that operated Gaucho in January 2016, which led to the decrease in revenue by approximately HK\$26.9 million; (ii) the closure of business of Toro in June 2016 and re-opening Tango (Elements) at the same premise in July 2016; and (iii) the decline in revenue generated from other restaurants due to the economic slowdown.

Italian style restaurants

The revenue generated from operation of Italian style restaurants decreased by approximately HK\$33.8 million, or approximately 31.0%, from approximately HK\$109.1 million for the nine months ended 31 December 2015 to approximately HK\$75.3 million for the nine months ended 31 December 2016. Such decrease was mainly resulted from (i) the decline in revenue generated from Al Molo by approximately HK\$2.6 million, primarily due to the temporary suspension of business by 22 days for renovation; (ii) the closure of Manzo and Prego in March 2016 and August 2016 respectively, as a result of unsatisfactory business performance, which caused the decrease in revenue by approximately HK\$11.8 million; (iii) the closure of business of Lupa in August 2016 for renovation and re-opening Spiga at the same premise in November 2016; and (iv) decline in revenue generated from other restaurants due to the economic slowdown.

Asian style restaurants

The revenue generated from operation of Asian style restaurants increased by approximately HK\$17.1 million, or approximately 31.1%, from approximately HK\$55.0 million for the nine months ended 31 December 2015 to approximately HK\$72.1 million for the nine months ended 31 December 2016. The increase in revenue was primarily attributable to the commencement of operation of Ophelia in May 2016.

Cost of inventories consumed

The cost of inventories consumed mainly represents the costs of food ingredients and beverages for the operation of the Group's restaurants. The major food ingredients purchased by the Group includes, but is not limited to, vegetable, meat, seafood and frozen food. The cost of inventories consumed is one of the major components of the Group's operating expenses which amounted to approximately HK\$91.2 million and HK\$90.1 million for each of nine months ended 31 December 2015 and 2016, respectively, representing approximately 25.5% and 25.1% of the Group's total revenue generated from operation of restaurants for the corresponding period.

Staff costs

The staff costs represented one of the major components of the Group's operating expenses, which primarily consisted of the Directors' emoluments, salaries, retirement benefit scheme contributions and other benefits. The staff costs increased by approximately HK\$26.2 million from approximately HK\$93.9 million for the nine months ended 31 December 2015 to approximately HK\$120.1 million for the nine months ended 31 December 2016. The significant increase in staff costs was mainly due to (i) share option expense of approximately HK\$6.6 million (2015: Nil) recognised during the period in respect of share options granted under the Pre-IPO Share Option Scheme; (ii) the one-off bonus of HK\$6 million (2015: Nil) paid to a Director of the Company after Listing; (iii) the increase in number of staff due to expansion of businesses; and (iv) increase in remuneration paid to Directors after Listing.

Rental and related expenses

The rental and related expenses increased by approximately HK\$8.7 million from approximately HK\$66.3 million for the nine months ended 31 December 2015 to approximately HK\$75.0 million for the nine months ended 31 December 2016. The increase was mainly due to amortisation of pre-renovation rental as part of the start-up operating costs for new restaurants, and also increases in rent for some of the existing restaurants upon the renewal of tenancy agreements.

Other expenses

Other expenses mainly include advertising, cleaning and laundry expenses, credit card commission, packing and printing materials and repair and maintenance. During the nine months ended 31 December 2015 and nine months ended 31 December 2016, the Group recognised other expenses of approximately HK\$33.0 million and HK\$38.5 million, respectively, representing approximately 9.2% and 10.7% of the Group's total revenue for the corresponding period.

Other losses

Other losses mainly include non-recurring loss on disposals of property, plant and equipment and intangible assets. During the nine months ended 31 December 2015 and nine months ended 31 December 2016, the Group recognised other losses of approximately HK\$0.2 million and HK\$2.7 million, respectively. The increase was mainly caused by the increase in number of restaurants closed during the period.

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the nine months ended 31 December 2016 was approximately HK\$28.0 million, while it was profit of approximately HK\$12.0 million for the nine months ended 31 December 2015. The decrease in profit attributable to owners of the Company was mainly attributable to the factors mentioned in the Prospectus and the 2016/17 interim report dated 14 November 2016, including (i) the start-up operating costs of approximately HK\$5.3 million (2015: HK\$1.7 million) for new restaurants opened during the period; (ii) the non-recurring listing expenses of approximately HK\$12.3 million (2015: HK\$4.3 million) incurred by the Group during the period in relation to the Listing; (iii) share option expense of approximately HK\$6.6 million (2015: Nil) recognised during the period in respect of options granted under the Pre-IPO Share Option Scheme; (iv) the decrease in revenue from existing restaurants as affected by the slowdown of Hong Kong economy; and (v) the one-off bonus of HK\$6 million (2015: Nil) paid to a Director of the Company and increase in remuneration paid to Directors after Listing. The loss for the period was also contributed by the additional costs incurred for closure of two restaurants (2015: Nil) and rebranding of two restaurants (2015: two), including the loss in revenue and fixed costs incurred during renovation, and loss on disposal of assets, of approximately HK\$6.9 million (nine months ended 31 December 2015: HK\$0.7 million).

Outlook

Despite the keen competition and challenging operating environment in food and beverage industry, the Group has emerged as one of the well-known restaurant chains in Hong Kong. The Group continues to optimise its existing restaurants portfolio by upgrading existing restaurants, changing different brands and restaurant concepts in existing premises, and exploring new opportunities to introduce new restaurant concepts to the diners. Although these investments may have had an impact on the Group's short-term financial performance, the Group believes that the ability to understand the market and resilient to changes are the keys to succeed in the industry and pave the way to the long-term sustainable growth in the future.

The Group will continue to control its operating costs. The Group will continue to centralise the purchase negotiations with its suppliers to leverage its extensive restaurant network for reduced costs and negotiate with the lessors for leases of longer terms and favourable conditions so as to reduce its rental costs.

The Group sees the challenges to its business going forward. In Hong Kong, consumers' expectation to boutique dining is rising and diners become more budget-cautious to spending. The Group will stay focus to the services provided to customers, and constantly re-think, innovate and improve its values in terms of freshness, authenticity, presentation, attitude, friendliness, warmth, décor and design, in order to cultivate loyalty from the diners.

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the date of this report, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the shares as at the date of this report:

Name of Director	Capacity/Nature of interest	No. of shares held/ interested in	Approximate shareholding percentage of interest (%)
Mr. Sandeep Sekhri ("Mr. Sekhri") ^{Note 1}	Interest in controlled corporation	260,598,000 shares	32.16%
Mr. Jugdish Johnny Uttamchandani ("Mr. Uttamchandani") ^{Note 2}	Beneficial owner	34,782,000 shares	4.29%
Ms. Shalu Anil Dayaram ("Ms. Dayaram") ^{Note 3}	Interest in controlled corporation	82,542,000 shares	10.19%

Notes:

1. These shares are held by Dining Concepts (International) Limited, a company wholly owned by Total Commitment Holdings Limited which is in turn wholly owned by Mr. Sekhri. By virtue of the SFO, Mr. Sekhri is deemed to be interested in the shares held by Dining Concepts (International) Limited. Mr. Sekhri is also a director of Total Commitment Holdings Limited and Dining Concepts (International) Limited.
2. Mr. Uttamchandani is also a director of Indo Gold Limited, one of the Controlling Shareholders. Indo Gold Limited is owned as to 25% by Mr. Uttamchandani.
3. These shares are held by Ideal Winner Investments Limited, a company which is wholly owned by Ms. Dayaram. By virtue of the SFO, Ms. Dayaram is deemed to be interested in the shares held by Ideal Winner Investments Limited. Ms. Dayaram is also a director of Ideal Winner Investments Limited.

Save as disclosed above, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the date of this report, the interests and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions of the shares as at the date of this report:

Name	Capacity/Nature of interest	No. of shares held/ interest in	Approximate shareholding percentage of interest (%)
Dining Concepts (International) Limited	Beneficial owner	260,598,000 shares	32.16%
Total Commitment Holdings Limited ^{Note 1}	Interest in controlled corporation	260,598,000 shares	32.16%
Ideal Winner Investments Ltd. ^{Note 2}	Beneficial owner	82,542,000 shares	10.19%
Indo Gold Ltd.	Beneficial owner	97,074,000 shares	11.98%
Prometheus Capital (International) Co. Ltd. ^{Note 3}	Beneficial owner	80,880,000 shares	9.98%

Notes:

1. Dining Concepts (International) Limited is wholly owned by Total Commitment Holdings Limited which is in turn wholly-owned by Mr. Sekhri. By virtue of the SFO, Mr. Sekhri and Total Commitment Holdings Limited are deemed to be interested in the shares held by Dining Concepts (International) Limited.
2. Ideal Winner Investments Ltd. is wholly owned by Ms. Dayaram. By virtue of the SFO, Ms. Dayaram is deemed to be interested in the shares held by Ideal Winner Investments Ltd.
3. Prometheus Capital (International) Co. Ltd is wholly owned by Mr. Wang Sicong. By virtue of the SFO, Mr. Wang Sicong is deemed to be interested in the shares held by Prometheus Capital (International) Co. Ltd.

SHARE OPTIONS

(a) Pre-IPO Share Option Scheme

The Company's Pre-IPO Share Option Scheme was adopted on 14 July 2016 and the principal terms of which were set out in the Prospectus. There were 51,000,000 share options granted to the grantees. Up to 31 December 2016, there were 10,250,000 options under the Pre-IPO Share Option Scheme have been exercised. The remaining 40,750,000 share options under the Pre-IPO Share Option Scheme will lapse on 14 July 2019. Details of which are as follows:

	Date of grant	Exercise price per share	Exercisable period	Number or share options			Outstanding as at 31 December 2016
				Outstanding as at 1 April 2016	Grant during the period	Exercised during the period	
Directors	15 July 2016	HK\$0.45	5 August 2016 to 14 July 2019	—	4,000,000	—	4,000,000
	15 July 2016	HK\$0.45	5 August 2017 to 14 July 2019	—	4,000,000	—	4,000,000
Other employees and financial advisers	15 July 2016	HK\$0.45	5 August 2016 to 14 July 2019	—	21,000,000	(10,250,000)	10,750,000
	15 July 2016	HK\$0.45	5 August 2017 to 14 July 2019	—	22,000,000	—	22,000,000
Total				—	51,000,000	(10,250,000)	40,750,000

(b) Post-IPO Share Option Scheme

Pursuant to a written resolution passed by the shareholders of the Company on 14 July 2016, the Company conditionally adopted the Post-IPO Share Option Scheme, the principal terms of which were set out in the Prospectus of the Company. Up to 31 December 2016, no option has been granted by the Company pursuant to the Post-IPO Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 2016.

DIRECTORS' INTERESTS IN CONTRACTS

As at 31 December 2016, no Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

DIRECTORS' INTEREST IN COMPETING INTERESTS

As at 31 December 2016, none of the directors or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted written guidelines regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiries have been made to all Directors and the Directors confirmed that they have complied with the required stand of dealings and the said guidelines regarding directors' securities transactions during the nine months ended 31 December 2016.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

To the best knowledge of the Directors, the Directors consider that up to the date of this report, the Company has complied with the applicable code provisions of Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules, except for certain deviations as specified with considered reasons for such deviations as explained below.

Under Code Provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

During the nine months ended 31 December 2016 under review, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Sekhri is the chairman and chief executive officer. With extensive experience in the restaurant industry, Mr. Sekhri is responsible for the overall strategic planning, management and operation of the Group and is instrumental to the growth and business expansion since the establishment in 2002. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises two executive Directors (including Mr. Sekhri), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Company's compliance adviser, Quam Capital Limited (the "**Compliance Adviser**"), save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 22 September 2015, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established an audit committee (the “**Audit Committee**”) with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this report, the Audit Committee comprises Mr. Zen Chung Hei, Hayley (chairman of the Audit Committee), Mr. Chan Ming Sun Jonathan and Mr. Amit Agarwal, all of whom are independent non-executive Directors.

The third quarterly results have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures have been made. The condensed consolidated financial results for the nine months ended 31 December 2016 are unaudited.

DIVIDEND

Pursuant to the written resolution of the shareholders of the Company passed on 14 July 2016, the Company declared dividends of approximately HK\$7.3 million to the then shareholders and the amount was settled on 18 July 2016 with internal resources.

Save as disclosed above, the Board did not recommend the payment of dividend to shareholders of the Company for the nine months ended 31 December 2016.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries or associates during the nine months ended 31 December 2016.

By order of the Board

Dining Concepts Holdings Limited

Sandeep Sekhri

Chief executive officer and executive Director

Hong Kong, 13 February 2017

As at the date of this report, the executive Directors are Mr. Sandeep Sekhri and Mr. Sandip Gupta; the non-executive Directors are Mr. Jugdish Johnny Uttamchandani and Ms. Shalu Anil Dayaram; and the independent non-executive Directors are Mr. Chan Ming Sun Jonathan, Mr. Zen Chung Hei, Hayley and Mr. Amit Agarwal.