

倩碧控股有限公司*

Simplicity Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8367

SHARE OFFER

Sole Sponsor and Joint Lead Manager



VINCO CAPITAL LIMITED

Sole Bookrunner and Joint Lead Manager



PACIFIC FOUNDATION SECURITIES LIMITED

Joint Lead Manager



OCEANWIDE SECURITIES COMPANY LIMITED

* For identification purpose only



IMPORTANT

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

Simplicity Holding Limited 倩碧控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares	:	200,000,000 Shares
Number of Public Offer Shares	:	20,000,000 Shares (subject to reallocation)
Number of Placing Shares	:	180,000,000 Shares (subject to reallocation)
Offer Price	:	Not more than HK\$0.33 per Offer Share and expected to be not less than HK\$0.27 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\$0.01 per Share
Stock Code	:	8367

Sole Sponsor and Joint Lead Manager



Sole Bookrunner and Joint Lead Manager



Pacific Foundation Securities Limited

Joint Lead Manager



Oceanwide Securities Company Limited

Co-Managers

Ample Orient Capital Limited

Astrum Capital Management Limited

Frontpage Capital Limited

Marketsense Securities Limited

Nuada Limited

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 the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI 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 of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Monday, 12 February 2018 (Hong Kong time) or such later date as may be agreed by our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters). The Offer Price will be not more than HK\$0.33 per Offer Share and is expected to be not less than HK\$0.27 per Offer Share unless otherwise announced. The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with our consent, reduce the indicative Offer Price range and/or the number of Offer Shares stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. If this occurs, notice of reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the Stock Exchange's website at www.hkexnews.hk and our website at www.simplicityholding.com.

If, for any reason, our Company and Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to agree on the Offer Price on or before Monday, 12 February 2018 (Hong Kong time) or such later date may be agreed by our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse. Prior to making any investment decision, prospective investors should consider carefully all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Share Offer should note that the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) upon the occurrence of any of the events set forth in the sub-section headed "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) terminate the Public Offer Underwriting Agreement, the Share Offer will not proceed and will lapse. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus. It is important that prospective investors refer to that section for further details.

* For identification purpose only

6 February 2018

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

EXPECTED TIMETABLE

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

(Note 1)

Public Offer commences and **WHITE** and

YELLOW Application Forms available from 9:00 a.m. on Tuesday,
6 February 2018

Application lists of the Public Offer open (Note 2) 11:45 a.m. on Friday,
9 February 2018

Latest time for lodging **WHITE** and

YELLOW Application Forms and to give **electronic**
application instructions to HKSCC (Note 3) 12:00 noon on Friday,
9 February 2018

Application lists of the Public Offer close (Note 2) 12:00 noon on Friday,
9 February 2018

Expected Price Determination Date on or about (Note 4) Monday, 12 February 2018

Announcement of (i) the final Offer Price; (ii) the indication
of the levels of interest in the Placing; (iii) the level of
applications in the Public Offer; (iv) the basis of allotment
of the Public Offer Shares under the Public Offer;
and (v) the number of Offer Shares reallocated to be
published on the Stock Exchange's
website (www.hkexnews.hk) and our Company's
website (www.simplicityholding.com) on or before Friday, 23 February 2018

Announcement of results of allotment of the Public Offer
(with successful applicants' identification document numbers,
where applicable) available through a variety of channels
as described in the paragraph headed "How to Apply for
Public Offer Shares – 10. Publication of results"
in this prospectus on or before Friday, 23 February 2018

Result of allocations in the Public Offer will be
available at www.tricor.com.hk/ipo/result with a
"search by ID Number/Business
Registration Number" function on Friday, 23 February 2018

Despatch/collection of share certificates and/or
deposit of the share certificates into CCASS
in respect of wholly or partially successful
applications pursuant to the Public Offer
on or before (Notes 5 and 6) Friday, 23 February 2018

EXPECTED TIMETABLE

Despatch/collection of refund cheques

in respect of wholly or partially successful applications
(if applicable) or wholly or partially unsuccessful
applications pursuant to the Public Offer

on or before (*Notes 5 and 6*) Friday, 23 February 2018

Dealings in the Shares on GEM expected to commence

at 9:00 a.m. on Monday, 26 February 2018

Notes:

1. All times and dates refer to Hong Kong local times and dates, except as otherwise stated in this prospectus. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 9 February 2018, the application lists will not open or close on that day. Further information is set forth in the paragraph headed “How to Apply for Public Offer Shares – 9. Effect of bad weather on the opening of the application lists” in this prospectus.
3. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC Via CCASS should refer to the paragraph headed “How to Apply for Public Offer Shares – 5. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
4. Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Monday, 12 February 2018. If, for any reason, the final Offer Price is not agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK\$0.33 per Offer Share, applicants must pay the maximum Offer Price of HK\$0.33 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed “How to Apply for Public Offer Shares” in this prospectus.
5. Refund cheques will be issued in respect of wholly or partially unsuccessful applications, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.
6. Applicants who apply on **WHITE** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all information required by their Application Forms, they may collect their refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 23 February 2018. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) authorisation documents acceptable to the Hong Kong Branch Share Registrar.

EXPECTED TIMETABLE

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more Public Offer Shares under the Public Offer and have provided all information required by Application Forms, they may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms is the same as that for **WHITE** Application Form applicants.

Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in the paragraph headed "How to Apply for Public Offer Shares – 13. Despatch/collection of share certificates and refund monies" in this prospectus.

Share certificates for the Offer Shares will only become valid certificates of title to which they relate at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination under the Underwriting Agreements as described in the sub-section headed "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" in this prospectus has not been exercised and has lapsed. Investors who trade our Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Joint Lead Managers, the Sole Bookrunner and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Lead Managers, the Sole Bookrunner, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors”. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a casual dining full service restaurant operator under 3 self-operated brands as at the Latest Practicable Date, namely Marsino, La Dolce and Grand Avenue, and Roast Beef Abura Soba Beefst as franchisee, which is expected to commence operations by March 2018. Marsino is a Chinese noodle specialist, La Dolce offers western cuisine while Grand Avenue offers Thai cuisine. Each of Marsino, La Dolce and Grand Avenue are founded and operated by our Group. As at the Latest Practicable Date, we operated 4 Marsino restaurants, 2 La Dolce restaurants and 4 Grand Avenue restaurants and all of our restaurants are situated across Kowloon and the New Territories in Hong Kong. During the Track Record Period, we opened 4 restaurants, being Tseung Kwan O La Dolce, Tseung Kwan O Grand Avenue, Tiu Keng Leng Grand Avenue and Tuen Mun Marsino, and closed 4 restaurants, being Tiu Keng Leng La Dolce, K-Point Marsino, Ma On Shan Marsino and Ma On Shan La Dolce. Our restaurants are supported by our central kitchen, storage and ancillary office in Kwai Chung.

The table below summarises the key revenue information for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017:

Restaurant brand	Year ended 31 March 2016		Year ended 31 March 2017		Year-to- year revenue growth	Five months ended 31 August				Period-to- period revenue growth
	Percentage of total revenue		Percentage of total revenue			2016		2017		
	Revenue		Revenue			Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	
	HK\$'000	%	HK\$'000	%		HK\$'000	%	HK\$'000	%	
						(unaudited)				
Marsino	64,264	48.5%	61,571	41.1%	-4.2%	28,201	41.6%	25,572	42.3%	-9.3%
La Dolce	47,892	36.1%	44,782	29.9%	-6.5%	23,106	34.0%	15,343	25.4%	-33.6%
Grand Avenue	20,447	15.4%	43,362	29.0%	+112.1%	16,550	24.4%	19,552	32.3%	+18.1%
Total	132,603	100.0%	149,715	100.0%	+12.9%	67,857	100.0%	60,467	100.0%	-10.9%

SUMMARY

The table below sets out the operating profits, operating margins, breakeven periods and investment payback periods for our restaurants:

	Year ended 31 March 2016			Year ended 31 March 2017			Five months ended 31 August 2016			Five months ended 31 August 2017			Investment payback period	
	Operating profit (note 8) HK\$'000	Operating margin (note 8) %	Operating profit (note 8) HK\$'000	Operating margin (note 8) %	Operating profit (note 8) HK\$'000	Operating margin (note 8) %	Operating profit (note 8) HK\$'000	Operating margin (note 8) %	Operating profit (note 8) HK\$'000	Operating margin (note 8) %	Operating profit (note 8) HK\$'000	Operating margin (note 8) %	Break-even period (month(s))	period (months)
Marsino														
K-Point Marsino (note 1)	2,343	17.1%	798	11.6%	1,172	19.5%	-	-	-	-	-	-	1	19
Tiu Keng Leng Marsino (before renovation) (notes 2 & 7)	2,910	19.2%	526	9.7%	784	14.4%	-	-	-	-	-	-	1	12
Tiu Keng Leng Marsino (after renovation) (notes 2 & 7)	-	-	1,292	17.1%	-	-	876	13.3%	876	13.3%	876	13.3%	1	-
Ma On Shan Marsino (notes 3 & 7)	3,031	19.9%	3,460	21.0%	1,590	22.0%	1,436	21.2%	1,436	21.2%	1,436	21.2%	2	10
Ngau Tau Kok Marsino	2,274	20.8%	2,471	21.3%	1,056	21.7%	1,034	21.2%	1,034	21.2%	1,034	21.2%	2	13
Tin Shui Wai Marsino	1,417	15.5%	2,374	21.8%	1,130	24.2%	964	22.4%	964	22.4%	964	22.4%	4	20
Tuen Mun Marsino (note 4)	-	-	291	10.7%	-	-	123	4.0%	123	4.0%	123	4.0%	1	-
La Dolce														
Tiu Keng Leng La Dolce (notes 2 & 7)	2,321	16.7%	436	8.5%	764	15.0%	-	-	-	-	-	-	1	19
Ma On Shan La Dolce (notes 3 & 7)	2,818	17.9%	2,749	18.2%	1,653	23.6%	1,323	22.7%	1,323	22.7%	1,323	22.7%	2	9
Shatin La Dolce	1,288	8.5%	1,165	8.2%	527	8.6%	438	8.6%	438	8.6%	438	8.6%	2	24
Tseung Kwan O La Dolce (notes 5 & 7)	76	2.4%	1,233	12.0%	681	14.0%	706	16.1%	706	16.1%	706	16.1%	2	23
Grand Avenue														
Tsuen Wan Grand Avenue (note 6)	1,017	5.5%	898	4.9%	956	11.2%	496	6.8%	496	6.8%	496	6.8%	3	-
Tseung Kwan O Grand Avenue (notes 5 & 7)	95	5.0%	2,972	17.2%	1,888	23.5%	1,736	26.2%	1,736	26.2%	1,736	26.2%	2	16
Tiu Keng Leng Grand Avenue (notes 2 & 7)	-	-	783	10.1%	-	-	976	17.4%	976	17.4%	976	17.4%	1	-
Ma On Shan Grand Avenue (note 9)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

SUMMARY

Notes:

- 1) K-Point Marsino was closed in September 2016.
- 2) Tiu Keng Leng Marsino and Tiu Keng Leng La Dolce were operated as adjoining restaurants. Tiu Keng Leng La Dolce was subsequently closed in August 2016 and rebranded to Tiu Keng Leng Grand Avenue in October 2016 which was then operated as adjoining restaurants with Tiu Keng Leng Marsino. Tiu Keng Leng Marsino and Tiu Keng Leng Grand Avenue have not achieved investment payback and are expected to achieve investment payback in April 2018 and February 2018 respectively (i.e. investment payback period of 19 and 17 months respectively).
- 3) Ma On Shan Marsino and Ma On Shan La Dolce were operated as adjoining restaurants and were closed in December 2017.
- 4) Tuen Mun Marsino has not achieved investment payback and is expected to achieve investment payback in February 2020 (i.e. investment payback period of 39 months).
- 5) Tseung Kwan O La Dolce and Tseung Kwan O Grand Avenue were operated as adjoining restaurants.
- 6) Tsuen Wan Grand Avenue has not achieved investment payback and is expected to achieve investment payback in June 2018 (i.e. investment payback period of 48 months).
- 7) Our adjoining restaurants share investment costs and operating costs in operation. For the purpose of computing the breakeven period and investment payback period for each individual restaurant, investment costs and operating costs are split *pro rata* to seat numbers and revenue respectively for adjoining restaurants.
- 8) Operating margin is calculated by dividing the operating profit for the year by revenue. Operating profit is defined as profit for the year before other income and gains, other losses, finance costs, and income tax expense.
- 9) Ma On Shan Grand Avenue was opened in October 2017 and is expected to achieve investment payback in July 2019 (i.e. investment payback period of 21 months).

SUMMARY

For analysis of the operating profits, operating margins, breakeven periods and investment payback periods of our restaurants, please refer to sub-section headed “Business – Operating profit, operating margin, breakeven period and investment payback period of our restaurants” in this prospectus.

OUR BUSINESS MODEL

We adopt a multi-brand business model in our restaurant operations and management. Our 3 restaurant concepts, Marsino, La Dolce and Grand Avenue collectively cover 3 specialty cuisines. We believe our commitment to our corporate motto, “Taste with all one’s heart”, has contributed to the strengthening of our brands and promoted customer loyalty.

COMPETITIVE LANDSCAPE AND COMPETITIVE STRENGTHS

According to the Euromonitor Report, the casual dining full service restaurant industry in Hong Kong is highly competitive and fragmented, consisting of both chained and independent restaurants. Nonetheless, our Group holds an estimated 1.1% market share of the casual dining full service restaurants segment in Hong Kong in terms of revenue.

We believe our competitive strengths are:

- (i) our restaurants are located in highly accessible areas enjoying high consumer traffic;
- (ii) our ability to deliver a differentiated customer experience;
- (iii) our broad and diverse customer base;
- (iv) our ability to deploy an efficient and standardised management system; and
- (v) our experienced restaurateur and professional management team.

Please refer to the sub-section headed “Business – Competitive strengths” in this prospectus.

OUR LICENCES AND PERMITS

We require 3 principal types of licences for the operation of our Group’s restaurants and central kitchen in Hong Kong. As at the Latest Practicable Date, our Group had obtained (i) the relevant food licences required for all of our restaurants and food factory licence for our central kitchen in Hong Kong; (ii) a liquor licence in respect of each of our restaurants which sells alcoholic beverages for consumption at the premises; and (iii) the water pollution control licences for our restaurants as required. Details of the licences and approvals required by our Group is set out in the sub-section headed “Business – Licences and permits” in this prospectus.

SUMMARY

OUR CUSTOMERS AND SUPPLIERS

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

During the Track Record Period, our suppliers mainly included food ingredient suppliers, beverage suppliers and ancillary equipment and utensil suppliers. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, the total purchases from our five largest suppliers in aggregate amounted to approximately 26.5%, 24.3% and 25.9%, respectively, and the purchases from our largest supplier amounted to approximately 6.0%, 5.9% and 7.8%, respectively, of our total purchases during the same periods.

OUR EMPLOYEES

Our business is labour-intensive and as at 31 March 2016 and 2017 and 31 August 2017, we employed 266 full-time and 178 part-time staff, 242 full-time and 156 part-time staff and 220 full-time and 181 part-time staff, respectively, including chef and kitchen staff, waiters and waitresses, customer service ambassadors and other administrative personnel. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2016 and 2017, our staff costs amounted to approximately HK\$46.7 million, HK\$52.8 million, HK\$22.2 million and HK\$20.2 million, respectively, accounting for approximately 35.3%, 35.3%, 32.6% and 33.4% of our total revenue, respectively. For details of our Group's employees, please refer to the sub-section headed "Business – Employees" in this prospectus.

OUR PROPERTIES

All of our Group's restaurants are operated on leased properties. As at the Latest Practicable Date, we leased a total of 8 properties in Hong Kong as the premises of our restaurants. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2016 and 2017, property rentals and related expenses amounted to approximately HK\$20.9 million, HK\$23.7 million, HK\$10.6 million and HK\$9.6 million and accounted for approximately 15.8%, 15.8%, 15.7% and 15.8% of our revenue for such periods, respectively.

SUMMARY

The table below sets out details of the properties leased by our Group as at the Latest Practicable Date:

Address	Restaurant(s)	Expiration of tenancy
Shop No 1-021, 1-022, 1-023, Level 1, Commercial Portion of Tseung Kwan O Plaza, 1 Tong Tak Street, Tseung Kwan O, New Territories	La Dolce and Grand Avenue	November 2018
G4-7, G/F, Phase 1 Amoy Plaza, 77 Ngau Tau Kok Road, Kwun Tong, Kowloon	Marsino	December 2018
Shop 183, 1/F, Fortune City One, 1 Ngan Shing Street, Shatin, New Territories	La Dolce	February 2019
Shop G23, G/F, Citywalk I, 1 Yeung Uk Road, Tsuen Wan, New Territories	Grand Avenue	March 2019
L2-027 & R03, Level 2, Metro Town Shopping Mall, 8 King Ling Road, Tseung Kwan O, New Territories	Marsino and Grand Avenue	July 2019
Shop A1 & A2, G/F, Tuen King Building, 8 Tsing Hoi Circuit, Tuen Mun, New Territories	Marsino	August 2019

SUMMARY

Address	Restaurant(s)	Expiration of tenancy
No 138, 1/F, Phase 1, Fortune Kingswood, No. 12-18 Tin Yan Road, Tin Shui Wai, Yuen Long, New Territories	Marsino	May 2020
Shop No. 3E-12, Level 3, Sunshine City Plaza, Ma On Shan, Shatin, New Territories	Grand Avenue	August 2020

For information on our leased properties, please refer to sub-section headed “Business – Properties” in this prospectus. For analysis of our property rentals and related expenses, please refer to sub-section headed “Financial Information – Principal components of the combined statements of profit or loss and other comprehensive income – Rental and related expenses” in this prospectus.

OUR INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had registered and obtained 6 trademarks relating to our Group and our 3 brands, namely Marsino, La Dolce and Grand Avenue. Our Group had applied for the registration of two trademarks in Hong Kong. Please refer to the sub-section headed “B. Information about our business – 2. Intellectual property rights of our Group” in Appendix V to this prospectus for more details of our trademarks and domain names.

SUMMARY OF COMBINED FINANCIAL INFORMATION

The tables below summarise our combined financial information for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2016 and 2017, and should be read in conjunction with our financial information included in the Accountants’ Report set forth in Appendix I to this prospectus, including the notes thereto.

SUMMARY

Highlights of combined statements of profit or loss and other comprehensive income

	For the year ended 31 March		For the five months ended 31 August	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Revenue	132,603	149,715	67,857	60,467
Profit (loss) before taxation	7,356	8,711	6,617	(2,055)
Profit (loss) and total comprehensive income (expense) for the year/period	5,724	7,352	5,725	(3,174)
Adjusted profit and total comprehensive income for the year/period (excluding listing expenses)	5,724	8,021	5,725	4,248

Highlights of combined statements of financial position

	As at 31 March		As at 31 August
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Total non-current assets	58,691	61,605	58,694
Total current assets	18,913	10,983	18,827
Total current liabilities	(65,124)	(27,227)	(15,469)
Total liabilities	(66,830)	(28,995)	(32,102)
Total assets less current liabilities	12,480	45,361	62,052
Net current (liabilities) assets	(46,211)	(16,244)	3,358
Net assets	10,774	43,593	45,419

SUMMARY

Highlights of combined statements of cash flows

	For the year ended 31 March		For the five months ended 31 August	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Operating cash flows before movements in working capital	<u>13,931</u>	<u>17,116</u>	<u>10,113</u>	<u>1,087</u>
Net cash from operating activities	13,190	9,753	6,679	2,595
Net cash used in investing activities	(32,928)	(2,846)	(4,191)	(1,603)
Net cash from (used in) financing activities	<u>18,363</u>	<u>(9,262)</u>	<u>(2,411)</u>	<u>5,489</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,375)</u>	<u>(2,355)</u>	<u>77</u>	<u>6,481</u>

Revenue for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2016 and 2017

Our revenue increased by approximately 12.9% from approximately HK\$132.6 million for the year ended 31 March 2016 to approximately HK\$149.7 million for the year ended 31 March 2017. The increase in revenue is primarily attributable to the increase in revenue generated from our Grand Avenue restaurants despite the slight decrease in revenue from our Marsino restaurants and La Dolce restaurants. Our revenue decreased by approximately 10.9% from approximately HK\$67.9 million for the five months ended 31 August 2016 to approximately HK\$60.5 million for the five months ended 31 August 2017 primarily due to (i) the closure of K-Point Marsino in September 2016; (ii) increased competition; and (iii) decrease in customer visit as a result of disturbance caused by renovation of adjacent restaurant in Tseung Kwan O Plaza.

Please refer to the sub-section headed “Financial Information – Period to period review of our results of operations – Revenue” in this prospectus.

SUMMARY

Net current liabilities as at 31 March 2016

For the year ended 31 March 2016, our Group (i) acquired an office premise of approximately HK\$25.5 million; (ii) incurred renovation costs (i.e. acquisition of leasehold improvement) and acquisition of furniture and fixtures and other equipment of the office premise of approximately HK\$4.2 million; (iii) incurred renovation costs and acquisition of furniture and fixtures and kitchen equipment for Tseung Kwan O La Dolce and Tseung Kwan O Grand Avenue of approximately HK\$5.3 million; and (iv) GFCL declared and paid dividends of approximately HK\$1.1 million. The above payments were mainly financed by (i) an increase in amounts due to related parties and amounts due to non-controlling shareholders of subsidiaries; and (ii) an increase in bank borrowings in the amount of approximately HK\$8.0 million leading to a net current liabilities position as at 31 March 2016.

Net current liabilities as at 31 March 2017

For the year ended 31 March 2017, our Group (i) further acquired a private carpark space of approximately HK\$1.3 million; (ii) incurred renovation costs and acquisition of furniture and fixtures, kitchen equipment and other equipment for Tuen Mun Marsino and Tiu Keng Leng Marsino and Grand Avenue of approximately HK\$2.2 million and HK\$5.5 million respectively; (iii) GFCL and WTCIL declared and paid dividends of approximately HK\$0.7 million and HK\$0.5 million respectively; and (iv) repayments of bank borrowings of approximately HK\$1.5 million. The above payments were mainly financed by the net cash generated from operating activities of approximately HK\$9.8 million for the year ended 31 March 2017. However, as at 31 March 2017, we were still carrying a short term bank borrowings of approximately HK\$13.1 million. Therefore, we were still at a net current liabilities position as at 31 March 2017.

Net current assets as at 31 August 2017

For the five months ended 31 August 2017, our Group (i) advanced to related parties of approximately HK\$1.5 million; (ii) repaid related parties of approximately HK\$1.4 million; and (iii) repaid bank borrowings of approximately HK\$13.1 million. The above payments were mainly financed by (i) the net cash from operating activities of approximately HK\$2.6 million for the five months ended 31 August 2017; (ii) the drawdown of new bank borrowings of HK\$15.0 million; and (iii) the second tranche of Pre-IPO Investment through issue of shares of the Company amounted to HK\$5.0 million. As such, the Group recorded the net current assets of approximately HK\$3.4 million as at 31 August 2017.

Reasons for improvement in the net current liabilities position

During the year ended 31 March 2017, our Group's net current liabilities position has been improved which is attributable to (i) the amounts due to related parties of approximately HK\$23.6 million were waived and credited as deemed contribution from shareholders in equity; (ii) the decrease in amounts due to non-controlling shareholders of subsidiaries in the amount of approximately HK\$7.1 million; and (iii) the first tranche of Pre-IPO Investment through issue of shares of the Company amounted to HK\$3.0 million. As such, the net current liabilities as at 31 March 2017 decreased significantly compared to that of 31 March 2016.

SUMMARY

Our Group's net current liabilities position as at 31 March 2017 was further improved to a net current assets position as at 31 August 2017 which is attributable to (i) the Group obtaining the bank's confirmation not to exercise its right to demand immediate repayment of the term loans of HK\$15.0 million until 19 June 2020 so that the bank borrowings were refinanced from current liabilities to non-current liabilities; and (ii) the second tranche of Pre-IPO Investment through issue of shares of the Company amounted to HK\$5.0 million. As such, the Group recorded net current assets as at 31 August 2017.

Combined statements of cash flows

For further details on the combined statements of cash flows, please refer to the sub-section headed "Financial information – Liquidity and capital resources – Cash flow" in this prospectus.

Summary of key financial ratios

The following table sets out a summary of key financial ratios of our Group during the Track Record Period. For more detailed information on the calculation basis of these key financial ratios, please refer to the sub-section headed "Financial Information – Key financial ratios" in this prospectus.

	Year ended/ as at 31 March		Five months ended/ as at 31 August
	2016	2017	2017
PROFITABILITY RATIOS			
Net profit margin (%)	4.3	4.9	N/A
Return on equity (%)	52.8	15.2	N/A
Return on total assets (%)	7.4	10.1	N/A
LIQUIDITY RATIOS			
Current ratio	0.3	0.4	1.2
Quick ratio	0.3	0.4	1.2
Inventory turnover days	2.8	2.9	2.6
CAPITAL ADEQUACY RATIOS			
Gearing ratio (%)	468.6	36.2	35.8
Interest coverage (times)	20.9	31.5	N/A

SUMMARY

OPERATIONAL PERFORMANCE OF OUR RESTAURANTS DURING THE TRACK RECORD PERIOD

The tables below set out the key operational information of our restaurants for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2016 and 2017:

Restaurant	Year ended 31 March 2016						Year ended 31 March 2017							
	Number of customer visits	Number of operation days	Total revenue	Average spending per customer	Average daily revenue	Number of seats	Seat turnover rate (Notes (11 to 13))	Number of customer visits	Number of operation days	Total revenue	Average spending per customer	Average daily revenue	Number of seats	Seat turnover rate (Notes (11 to 13))
			HK\$'000	(Note (9)) HK\$	(Note (10)) HK\$'000		(Notes (11 to 13))			HK\$'000	(Note (9)) HK\$	(Note (10)) HK\$'000		(Notes (11 to 13))
Marsino	1,584,033	1,825	64,264	40.6	35.2	430	10.3	1,468,970	1,676	61,571	41.9	36.7	493	10.5
K-Point Marsino (Note 1)	351,177	365	13,729	39.1	37.6	115	8.4	166,891	173	6,866	41.1	39.7	115	8.4
Tiu Keng Leng Marsino (Note 2)	352,482	365	15,170	43.0	41.6	91	10.6	297,922	297	13,006	43.7	43.8	86	11.7
Ma On Shan Marsino (Note 3)	397,410	365	15,246	38.4	41.8	100	10.9	421,466	364	16,493	39.1	45.3	100	11.6
Ngau Tau Kok Marsino	274,237	365	10,954	39.9	30.0	60	12.5	278,267	358	11,603	41.7	32.4	60	13.0
Tin Shui Wai Marsino	208,727	365	9,165	43.9	25.1	64	8.9	241,225	364	10,888	45.1	29.9	64	10.4
Tuen Mun Marsino (Note 4)	-	-	-	-	-	-	-	63,199	120	2,715	43.0	22.6	68	7.7
La Dolce	924,000	1,187	47,892	51.8	40.3	383	8.1	890,323	1,215	44,782	50.3	36.9	383	7.9
Tiu Keng Leng La Dolce (Note 5)	267,732	365	13,861	51.8	38.0	92	8.0	100,842	123	5,109	50.7	41.5	92	8.9
Ma On Shan La Dolce (Note 3)	301,651	365	15,727	52.1	43.1	100	8.3	304,408	364	15,095	49.6	41.5	100	8.4
Shatin La Dolce	292,663	365	15,126	51.7	41.4	120	6.7	272,202	364	14,283	52.5	39.2	120	6.2
Tseung Kwan O La Dolce (Note 6)	61,954	92	3,178	51.3	34.5	71	9.5	212,871	364	10,295	48.4	28.3	71	8.2
Grand Avenue	315,475	411	20,447	64.8	49.7	209	6.0	602,942	903	43,362	71.9	48.0	283	7.3
Tsuen Wan Grand Avenue	294,173	365	18,532	63.0	50.8	116	6.9	281,399	364	18,311	65.1	50.3	116	6.7
Tseung Kwan O Grand Avenue (Note 7)	21,302	46	1,915	89.9	41.6	93	5.0	200,456	364	17,299	86.3	47.5	93	5.9
Tiu Keng Leng Grand Avenue (Note 8)	-	-	-	-	-	-	-	121,087	175	7,752	64.0	44.3	74	9.4
Total	2,823,508	3,423	132,003	47.0	38.7	1,022	8.1	2,962,235	3,794	149,715	50.5	39.5	1,159	8.6

Note (1): K-Point Marsino was closed in September 2016.

Note (2): Tiu Keng Leng Marsino was temporarily closed for renovation in August and September 2016.

Note (3): Ma On Shan Marsino and Ma On Shan La Dolce were closed in December 2017.

Note (4): Tuen Mun Marsino was opened in December 2016.

Note (5): Tiu Keng Leng La Dolce was closed in August 2016.

Note (6): Tseung Kwan O La Dolce was opened in December 2015.

Note (7): Tseung Kwan O Grand Avenue was opened in February 2016.

Note (8): Tiu Keng Leng Grand Avenue was opened in October 2016.

Note (9): Average spending per customer is calculated by total revenue divided by total number of customer visits.

Note (10): Average daily revenue is calculated by total revenue divided by total number of operation days.

Note (11): Seat turnover rate by restaurant is calculated by number of customer visits divided by the product of number of operation days times the number of seats.

Note (12): Seat turnover rate by brand is calculated by adding the seat turnover rate of all restaurants under each brand and then divided by the total number of restaurants under each brand.

Note (13): Total seat turnover rate is calculated by adding the seat turnover rate of all 3 brands and then divided by the total number of the brands.

SUMMARY

Restaurant	Five months ended 31 August 2016					Five months ended 31 August 2017							
	Number of customer visits	Number of operation days	Total spending per customer	Average daily revenue	Number of seats	Seat turnover rate (Notes (11) to (13))	Number of customer visits	Number of operation days	Total revenue	Average spending per customer	Average daily revenue	Number of seats	Seat turnover rate (Notes (11) to (13))
			HK\$'000 (unaudited)	(Note (9)) HK\$	(Note (10)) HK\$'000				HK\$'000	(Note (9)) HK\$	(Note (10)) HK\$'000		
Marsino	685,264	735	28,201	41.2	38.4	430	580,568	765	25,572	44.0	33.4	378	9.9
K-Point Marsino (Note 1)	147,662	153	5,998	40.6	39.2	115	–	–	–	–	–	–	–
Tiu Keng Leng Marsino (Note 2)	125,419	123	5,445	43.4	44.3	91	145,786	153	6,595	45.2	43.1	86	11.1
Ma On Shan Marsino (Note 3)	186,974	153	7,224	38.6	47.2	100	166,112	153	6,775	40.8	44.3	100	10.9
Ngau Tau Kok Marsino	121,020	153	4,862	40.2	31.8	60	106,920	153	4,866	45.5	31.8	60	11.6
Tin Shui Wai Marsino	104,189	153	4,672	44.8	30.5	64	91,961	153	4,296	46.7	28.1	64	9.4
Tuen Mun Marsino (Note 4)	–	–	–	–	–	–	69,789	153	3,040	43.6	19.9	68	6.7
La Dolce	461,094	582	23,106	50.1	39.7	383	311,259	459	15,343	49.3	33.4	291	7.2
Tiu Keng Leng La Dolce (Note 5)	100,842	123	5,110	50.7	41.5	92	–	–	–	–	–	–	–
Ma On Shan La Dolce (Note 3)	140,672	153	6,991	49.7	45.7	100	122,002	153	5,828	47.8	38.1	100	8.0
Shatin La Dolce	116,326	153	6,133	52.7	40.1	120	102,336	153	5,117	50.0	33.4	120	5.6
Tseung Kwan O La Dolce (Note 6)	103,254	153	4,872	47.2	31.8	71	86,921	153	4,398	50.6	28.7	71	8.0
Grand Avenue	219,405	306	16,550	75.4	54.1	209	297,852	459	19,552	65.6	42.6	283	7.0
Tsuen Wan Grand Avenue	128,441	153	8,501	66.2	55.6	116	115,897	153	7,295	62.9	47.7	116	6.5
Tseung Kwan O Grand Avenue (Note 7)	90,964	153	8,049	88.5	52.6	93	86,212	153	6,638	77.0	43.4	93	6.1
Tiu Keng Leng Grand Avenue (Note 8)	–	–	–	–	–	–	95,743	153	5,619	58.7	36.7	74	8.5
Total	1,365,763	1,623	67,857	49.7	41.8	1,022	1,189,679	1,683	60,467	50.8	35.9	952	8.0

Note (1): K-Point Marsino was closed in September 2016.

Note (2): Tiu Keng Leng Marsino was temporarily closed for renovation in August and September 2016.

Note (3): Ma On Shan Marsino and Ma On Shan La Dolce were closed in December 2017.

Note (4): Tuen Mun Marsino was opened in December 2016.

Note (5): Tiu Keng Leng La Dolce was closed in August 2016.

Note (6): Tseung Kwan O La Dolce was opened in December 2015.

Note (7): Tseung Kwan O La Dolce was opened in February 2016.

Note (8): Tiu Keng Leng Grand Avenue was opened in October 2016.

Note (9): Average spending per customer is calculated by total revenue divided by total number of customer visits.

Note (10): Average daily revenue is calculated by total revenue divided by total number of operation days.

Note (11): Seat turnover rate by restaurant is calculated by number of customer visits divided by the product of number of operation days times the number of seats.

Note (12): Seat turnover rate by brand is calculated by adding the seat turnover rate of all restaurants under each brand and then divided by the total number of restaurants under each brand.

Note (13): Total seat turnover rate is calculated by adding the seat turnover rate of all 3 brands and then divided by the total number of the brands.

SUMMARY

IMPACT OF LISTING EXPENSES ON THE FINANCIAL PERFORMANCE OF OUR GROUP FOR THE YEAR ENDING 31 MARCH 2018

The total estimated expenses in relation to the Listing borne by our Group are approximately HK\$22.8 million based on the mid-point of our indicative Offer Price of HK\$0.30 per Share. Approximately HK\$0.7 million and HK\$7.4 million had been incurred and recognised in our profit and loss account during the year ended 31 March 2017 and the five months ended 31 August 2017 respectively; approximately HK\$8.6 million is directly attributable to the issue of new Shares to the public and is to be accounted for as an equity deduction upon Listing; and approximately HK\$6.1 million is expected to be charged to the profit and loss of our Group for the year ending 31 March 2018. **The recognition of the listing expenses is expected to materially affect our financial results for the year ending 31 March 2018.** The estimated listing-related expenses of our Group are subject to adjustments based on the actual amount of expenses incurred/to be incurred by our Company upon the completion of the Listing. For further details, please refer to sub-section headed “Financial Information – Listing expenses” in this prospectus.

RECENT DEVELOPMENT

Subsequent to the Track Record Period, we opened Ma On Shan Grand Avenue in October 2017. In relation to the opening of Ma On Shan Grand Avenue, the Group (i) incurred capital expenditure of approximately HK\$4.2 million for the renovation works and the acquisition of kitchen equipment of which approximately HK\$2.8 million had been paid from September 2017 to January 2018; and (ii) paid the rental deposit of approximately HK\$1.2 million in September 2017.

In relation to the closure of Ma On Shan Marsino and Ma On Shan La Dolce in December 2017 upon expiry of lease, the Group (i) had written off all fixed assets with net book value of approximately HK\$0.2 million; (ii) had carried out the reinstatement works of the rental property which the provision for such reinstatement works of approximately HK\$0.2 million has been accounted for the year ended 31 March 2017; (iii) had settled the severance payment and long service payment of all employees to be dismissed by reason of redundancy which will not incur material liability to the Group as the severance payment and long service payment were mainly settled by the employer’s Mandatory Provident Fund contributions previously paid by the Group; and (iv) had partially received the refund of other deposits of approximately HK\$0.1 million.

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Since it is expected that Ma On Shan Grand Avenue will have a higher average spending per customer than Ma On Shan Marsino and Ma On Shan La Dolce, the Directors expect that Ma On Shan Grand Avenue will be able to recoup a majority portion of the decrease in revenue as a result of the closure of Ma On Shan Marsino and Ma On Shan La Dolce despite Ma On Shan Grand Avenue is expected to host fewer seats (i.e. 104 seats, as compared to an aggregate of 200 seats for Ma On Shan Marsino and Ma On Shan La Dolce). On the other hand, it is expected that the operating costs of Ma On Shan Grand Avenue will be lower compared to that of Ma On Shan Marsino and Ma On Shan La Dolce primarily due to fewer number of staff employed at Ma On Shan Grand Avenue.

Based on the unaudited combined management accounts of the Company for the one month ended 30 November 2017, being the first month of operation of Ma On Shan Grand Avenue and the second last month of operation of Ma On Shan Marsino and Ma On Shan La Dolce, the total revenue recorded by Ma On Shan Grand Avenue was slightly more than the total revenue recorded by Ma On Shan Marsino and Ma On Shan La Dolce and the average spending per customer of Ma On Shan Grand Avenue, Ma On Shan Marsino and Ma On Shan La Dolce were approximately HK\$60.5, HK\$40.9 and HK\$47.8, respectively. Accordingly, the Directors expect that the closure of Ma On Shan Marsino and Ma On Shan La Dolce and the opening of Ma On Shan Grand Avenue will not have a material adverse effect on the Group's business operations, financial results and cash flow of the Group for the year ending 31 March 2018.

On 1 November 2017, we entered into the Franchise Agreement with the Franchisor in relation to the franchise to operate and develop Roast Beef Abura Soba Beefst restaurants in Hong Kong. In consideration of the grant of the franchise rights, FBL had paid to the franchisor a franchise fee in the sum of JPY 5 million (approximately HK\$357,000). For further details of the Franchise Agreement and our planned new Japanese ramen restaurants, please refer to the sub-section headed "Business – Business strategies" in this prospectus.

In order to cope with the intense competition in the casual dining segment, we have implemented a series of marketing promotions to strengthen our brand images and to enhance our competitiveness. In September 2017, we launched a beer promotional campaign in collaboration with Carlsberg Hong Kong Limited, to promote the sales from beverages. In November 2017, we entered into a cooperation arrangement for the delivery of our Grand Avenue Thai cuisine with Deliveroo Hong Kong Limited, an online food delivery services provider, which has already commenced in January 2018. In December 2017, we have launched a promotional campaign with a credit card services provider to offer customers dining at our Marsino restaurants and Grand Avenue restaurants discounts when concluding transactions with designated credit cards.

On the cost side, we continued to strive to lower our food costs by increasing the portion of food and raw materials subject to bulk purchase. We also continued our efforts in managing staff costs by re-arranging staff work schedule, such as reducing the working hours during relatively less busy operating hours.

SUMMARY

MATERIAL ADVERSE CHANGE

Save as disclosed above, our Directors confirm that there has been no material adverse change in our financial or trading position since 31 August 2017 (being the date to which the latest audited combined financial statements of our Group were made up) and up to the date of this prospectus. Furthermore, since (i) we are either subject to fixed or contingent rent based on our restaurants' revenue; (ii) our staff costs are budgeted and under constant scrutiny by our management; (iii) the franchise fees and royalties associated with our planned new Japanese ramen restaurants are determined after arm's length negotiation between the parties and budgeted; and (iv) none of our existing leases as at the Latest Practicable Date will expire on or before 31 March 2018, our Directors expect that the increasing rentals and staff costs, together with the payment of franchising fees and royalties for our planned new Japanese ramen restaurants will not have any material adverse effect on the Group's financial position for the year ending 31 March 2018.

DIVIDENDS

During the Track Record Period and up to the Latest Practicable Date, our Company did not declare any dividends. During the year ended 31 March 2016, GFCL declared and paid dividends of HK\$1.1 million to its then shareholders. During the year ended 31 March 2017, GFCL and WTCIL declared and paid dividends of approximately HK\$0.7 million and HK\$0.5 million to their respective then shareholders. Our Company does not currently have a fixed dividend policy or any pre-determined dividend distribution ratio. The declaration of future dividends will be subject to the recommendation(s) by our Board at its discretion in accordance with our Articles of Association and will depend on various factors including our results of operations, cash flows and financial condition, general business conditions and strategies, our operating and capital requirements, the amount of distributable profits based on the generally accepted accounting principles in Hong Kong and other factors as our Board considers relevant. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. For further details, please refer to the sub-section headed "Financial Information – Dividends" in this prospectus.

RISK FACTORS

Our Group believes that there are certain risks and uncertainties involved in its operations, some of which are beyond our Group's control. The following highlights some of the risks which are considered to be material by our Directors:

- our Group's business and results of operations may be adversely affected in the event that we are not able to stay competitive as we face intense competition from other competitors;
- our Group's financial condition and results of operations may be adversely affected as we are exposed to risks relating to the commercial real estate market;

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- our sales and profit may be adversely affected by failure to obtain or renew any or all of the approvals and licences for our restaurants;
- our Group's profitability may be adversely affected by shortage in labour or increase in labour costs;
- increase in statutory minimum wage rate in Hong Kong may further increase and impact our staff costs in the future; and
- our success depends on the members of our management and our business may be harmed if we lose their services or they are unable to successfully manage our growing operations.

Please refer to the section headed "Risk Factors" in this prospectus for further details.

LEGAL AND REGULATORY COMPLIANCE

During the Track Record Period, our Group had failed to comply with certain laws and regulations. Such non-compliant incidents include obstruction of means of escape and fire exit and contravention of food safety and hygiene regulations by our Group. Please refer to the sub-section headed "Business – Non-compliances" in this prospectus for further information of the above non-compliant incidents. Our Directors are of the view that (i) no provision is necessary to be made in respect of the immaterial non-compliant incidents referred to above and (ii) these incidents of non-compliance, whether individually or collectively, have not caused and will not have a material adverse effect on our business, results of operations and financial condition.

SHAREHOLDER INFORMATION

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares that may be allotted and issued upon exercise of any options to be granted under the Share Option Scheme), MJL will control approximately 67.5% of the issued share capital of our Company. MJL is owned by Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma. Please refer to the section headed "History, Reorganisation and Group Structure" in this prospectus for further details.

PRE-IPO INVESTMENT

On 16 March 2017, our Company, the Pre-IPO Investor and Ms. ST Wong (as guarantor) entered into the Subscription Agreement, pursuant to which the Pre-IPO Investor agreed to subscribe for and our Company agreed to allot and issue 2,000 Shares, representing 18.2% of our Company's then issued share capital before completion of the Capitalisation Issue and the Share Offer. Our Directors believe that our Company can benefit from the Pre-IPO Investment as it will

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broaden our Shareholder base and provide additional working capital for our Group. Further information on the Pre-IPO Investment is set out in the section headed “History, Reorganisation and Group Structure” in this prospectus.

BUSINESS STRATEGIES AND USE OF PROCEEDS

Our primary objective is to strengthen our market position in the casual dining industry in Hong Kong, and we will pursue 5 main business strategies to achieve our objective:

- (i) we plan to expand the capacity of our central kitchen to support our business expansion plans;
- (ii) we will continue to expand our restaurant network;
- (iii) we will strengthen our brand image through increased marketing and promotional initiatives;
- (iv) we will attract, motivate and retain talent; and
- (v) we will continue to develop our food selection to enrich dining experience at our restaurants.

Please refer to the sub-section headed “Business – Business strategies” in this prospectus for a detailed description of these strategies.

We estimate that the aggregate net proceeds from the Share Offer after deducting underwriting commissions and estimated expenses paid and payable by us in connection with the Share Offer to be approximately HK\$37.2 million, assuming an Offer Price of HK\$0.30 per Offer Share, being the mid-point of the proposed Offer Price per Offer Share. We intend to apply the net proceeds to implement the abovementioned business strategies as follows:

- approximately 53.8% of the net proceeds, or approximately HK\$20.0 million, for opening 4 new Japanese ramen restaurants;
- approximately 13.4% of the net proceeds, or approximately HK\$5.0 million, for opening one new Grand Avenue restaurant;
- approximately 13.4% of the net proceeds, or approximately HK\$5.0 million, for opening one new Marsino restaurant;
- approximately 10.8% of the net proceeds, or approximately HK\$4.0 million, for expanding our central kitchen storage facilities;
- approximately 4.0% of the net proceeds, or approximately HK\$1.5 million, for upgrading our computer system;

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- approximately 3.2% of the net proceeds, or approximately HK\$1.2 million, for implementing marketing and promotional initiatives; and
- approximately 1.4% of the net proceeds, or approximately HK\$0.5 million, for our general working capital requirement.

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

REASONS FOR THE LISTING

Our Directors believe that the Listing will facilitate the implementation of our business strategies and plans as stated in the sub-section headed “Business – Business strategies” in this prospectus. The net proceeds from the Share Offer will provide financial resources to our Group to achieve our business strategies and plans which will further strengthen our branding, market position and expand our market share in the casual dining industry in Hong Kong. Moreover, a public listing status will also enhance our corporate profile and assist us in reinforcing our brand awareness and market reputation. We believe that with an ever changing and evolving customer taste and preference, we need to be innovative with our dishes, yet consistent with quality and pleasing to the eye. Therefore, the proceeds of the Share Offer will assist us in achieving this goal. We believe that a public listing status on GEM is a complementary advertising for our Group to potential investors and customers and can enhance our corporate profile and our credibility with the public and potential business partners. All of these in turn will strengthen our competitiveness and provide us more leverage in future business negotiations. Furthermore, the Listing will also enable our Group to have access to capital market for raising funds both at the time of Listing and at later stages, which would in turn assist us in our future business development. A public listing status on GEM may offer our Company a broader shareholder base which could potentially lead to a more liquid market in the trading of the Shares. We also believe that our internal control and corporate governance practices could be further enhanced following the Listing.

Following the Listing, we will have access to the capital markets, providing us additional avenues for future fundraising through the issuance of equity and debt securities for business development in the long run. Our Directors believe that a listing status will allow us to gain leverage in obtaining bank financing with relatively more favourable terms. Therefore, the Listing will offer us more flexibility to finance our operation. Our Directors also consider that the use of equity financing would be a better alternative than debt financing because banks would normally require personal guarantees from our Shareholders and collateral for securing the bank borrowings. Therefore, sole reliance on bank borrowings to finance our capital requirements will place significant financial burden on our Group. This substantially hinders the development and expansion of our business. Our Directors considered that it is in the interest of our Group to maintain a combination of different financing sources and an appropriate debt-to-equity ratio.

SUMMARY

The banking facilities obtained by our Group during the Track Record Period and up to the Latest Practicable Date were bank overdraft and three-years term loans. Our Directors considered such banking facilities are not suitable for providing long-term financial support for our expansion plans. In addition, our Directors understand from the banks that they will only provide long-term banking facilities to our Group for expansion with material assets as collaterals and personal guarantee(s) from our Controlling Shareholder(s) prior to the Listing. Since our Group has no further material fixed assets available for collateral, our Directors consider there is a genuine need to pursue the Listing in order to source additional avenues for future fundraising for business development in the long run and to raise funds through the Share Offer to finance our Group's expansion plan.

OFFERING STATISTICS

	Based on the minimum indicative Offer Price of HK\$0.27 per Share	Based on the maximum indicative Offer Price of HK\$0.33 per Share
Market capitalisation ⁽¹⁾	HK\$216,000,000	HK\$264,000,000
Unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company per Share ⁽²⁾	HK\$0.11	HK\$0.12

Notes:

- (1) The calculation of the market capitalisation of our Company is based on 800,000,000 Shares in issue immediately following the completion of the Share Offer but does not take into account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company as at 31 August 2017 per Share is calculated based on 776,780,000 Shares, taking into account of (i) 10,613 Shares in issues attributable to the Controlling Shareholders and Pre-IPO Investor as at 31 August 2017 and the impact of share subdivision and share consolidation of our Company; (ii) issuance of 8,613 Shares to the Controlling Shareholders for acquisition of FGL as part of the Reorganisation; (iii) related Capitalisation Issue in respect of (i) and (ii) as aforementioned; and (iv) 200,000,000 Shares to be issued pursuant to the Share Offer.

DEFINITIONS

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

“Accountants’ Report”	the accountant’s report of our Group prepared by reporting accountants set out in Appendix I in this prospectus
“ACL”	Art Capital Limited (京藝有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of our Company following the Reorganisation
“AGIL”	Access Gear Investment Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of our Company following the Reorganisation
“AHL”	All Happiness Limited (群喜有限公司), a company incorporated in Hong Kong and an indirect 70% owned subsidiary of our Company following the Reorganisation
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) or, where the context so requires, any of them, relating to the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company, conditionally adopted on 29 January 2018 to become effective upon the Listing, a summary of which is set out in Appendix IV to this prospectus, and as amended from time to time
“ASCL”	Access Smart Corporation Limited (貫傑有限公司), a company incorporated in Hong Kong and an indirect 90% owned subsidiary of our Company following the Reorganisation
“associate(s)” or “close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Audit Committee”	the audit committee of our Company
“Board”	our board of Directors
“business day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong or a day which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted) on which licensed banks in Hong Kong are generally open for normal business to the public

DEFINITIONS

“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 599,980,000 Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “A. Further information about our Group – 3. Written resolutions of our Shareholders passed on 29 January 2018” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CDIL”/“Pre-IPO Investor”	Charm Dragon Investments Limited (美龍投資有限公司), a company incorporated in the BVI on 12 June 2007, which is beneficially owned as to 100% by Mr. Cheung Wai Yin Wilson
“CM”	C M of (Hong Kong) LLC Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of our Company following the Reorganisation
“Companies Law” or “Cayman Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Companies (WUMP) Ordinance” or “Companies Ordinance (Miscellaneous Provisions)”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Registry”	the Companies Registry of Hong Kong
“Company” or “our Company”	Simplicity Holding Limited (倩碧控股有限公司*), a company incorporated in the Cayman Islands as an exempted company with limited liability on 27 January 2017 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 12 April 2017
“connected person” or “core connected person”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of this prospectus, means the controlling shareholders of our Company, namely MJL, Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma
“Corporate Governance Code”	Appendix 15 to the GEM Listing Rules as amended, supplemented or otherwise modified from time to time
“Deed of Indemnity”	the deed of indemnity dated 29 January 2018 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for our subsidiaries) containing the indemnities more particularly referred to in paragraph headed “D. Other Information – 2. Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 29 January 2018 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for our subsidiaries) regarding certain non-competition undertakings, a summary of the principal terms of which is set out in the section headed “Relationship with Controlling Shareholders” in this prospectus
“Director(s)”	director(s) of our Company

* For identification purpose only

DEFINITIONS

“Euromonitor”	Euromonitor International Limited, an independent market research company
“Euromonitor Report”	the industry research report prepared by Euromonitor
“FBL”	Foodies Branding Limited (飲食新世代品牌有限公司), formerly known as Gain Bravo Limited (盈頌有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of our Company following the Reorganisation
“FGL”	Foodies Group Limited, formerly known as Wealth Galaxy International Limited, a company incorporated in the BVI and a direct wholly-owned subsidiary of our Company following the Reorganisation
“FML”	Foodies Management Limited (飲食新世代管理有限公司), formerly known as Sea Compass Limited (海蔚有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of our Company following the Reorganisation
“Franchise Agreement”	the franchise agreement dated 1 November 2017 entered into between FBL and the Franchisor in relation to the franchise to operate and develop Roast Beef Abura Soba Beefst restaurants in Hong Kong
“Franchisor”	Eat & Co Limited, a company established and existing under the laws of Japan and an Independent Third Party, the issued shares of which are listed on the Tokyo Stock Exchange (stock code: 2882)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time
“GEM Website”	the Internet website at www.hkgem.com operated by the Stock Exchange for the purposes of GEM

DEFINITIONS

“GFCL”	Glory Fine Corporation Limited (曉朗有限公司), a company incorporated in Hong Kong and an indirect 54% owned subsidiary of our Company following the Reorganisation
“GLIL”	Golden Legend Investment Limited (金利佳投資有限公司), a company incorporated in Hong Kong
“GPL”	Gold Pavilion Limited (金亭有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of our Company following the Reorganisation
“GWHL”	Grace Wealth Holdings Limited (寶欣集團有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of our Company following the Reorganisation
“Group”, “our Group”, “we”, “us” or “our”	our Company and our subsidiaries or any of them, or where the context so requires, in respect of the period before our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time or the businesses which have since been acquired or carried on by them or has the case may be their predecessors
“HIBOR”	Hong Kong Interbank Offered Rate
“HKFRSs”	Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of our Company

DEFINITIONS

“Independent Third Party(ies)”	a person(s) or company(ies) who or which is/are independent of and not connected (within the meaning of the GEM Listing Rules) with any of the directors, chief executive, or substantial shareholders of our Company or its subsidiaries or any of their respective associates
“Joint Lead Managers”	collectively, Pacific Foundation Securities Limited, Vinco Capital Limited and Oceanwide Securities Company Limited and each a Joint Lead Manager
“JSGL”	Jumbo Spirit Group Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of our Company following the Reorganisation
“Latest Practicable Date”	30 January 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing and the commencement of dealings of the Shares on GEM
“Listing Date”	the date, expected to be on or about 26 February 2018, on which the Shares are listed on GEM and from which date dealings in the Shares are permitted to first commence on GEM
“Listing Division”	the Listing Division of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on 29 January 2018 and as supplemented, amended or otherwise modified from time to time
“MJL”	Marvel Jumbo Limited, a company incorporated in the BVI on 26 January 2017 and beneficially owned as to 31.0% by Ms. SH Wong, 31.0% by Ms. LF Chow, 18.7% by Ms. ST Wong, 15.0% by Ms. SC Wong and 4.3% by Mr. SH Ma and is one of our Controlling Shareholders
“Mr. MF Wong”	Mr. Wong Muk Fai Woody, one of the founders of our Group and an executive Director; he is also spouse of Ms. LF Chow

DEFINITIONS

“Mr. SH Ma”	Mr. Ma Sui Hong, one of our Controlling Shareholders and an executive Director
“Mr. SK Cheung”	Mr. Cheung Shing Kang, a member of our senior management
“Ms. LF Chow”	Ms. Chow Lai Fan, one of our Controlling Shareholders
“Ms. SC Wong”	Ms. Wong Suet Ching, one of our Controlling Shareholders and a member of our senior management of our Company
“Ms. SH Wong”	Ms. Wong Suet Hing, one of the founders of our Group, one of our Controlling Shareholders and an executive Director
“Ms. ST Wong”	Ms. Wong Sau Ting Peony, one of our Controlling Shareholders and an executive Director
“Nomination Committee”	the nomination committee of our Company
“Offer Price”	the offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.33 per Offer Share and expected to be not less than HK\$0.27 per Offer Share, such price to be agreed upon by our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before the Price Determination Date
“Offer Shares”	collectively, the Placing Shares and the Public Offer Shares
“PBEL”	Pacific Best Enterprises Limited (恒柏企業有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of our Company
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company, for cash at the Offer Price with professional, institutional and other investors in Hong Kong as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus

DEFINITIONS

“Placing Shares”	180,000,000 new Shares (subject to reallocation) offered for subscription by our Company at the Offer Price under the Placing and a “Placing Share” means one of these Shares
“Placing Underwriters”	the underwriters of the Placing Shares who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional underwriting agreement related to the Placing expected to be entered into, amongst others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Placing Underwriters on or about the Price Determination Date
“PRC”	the People’s Republic of China which, for the purposes of this prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Pre-IPO Investment”	the subscription of 2,000 Shares in our Company by the Pre-IPO Investor pursuant to the Subscription Agreement
“Price Determination Agreement”	the agreement to be entered into between the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date on which the Offer Price is to be determined, which is expected to be on or about Monday, 12 February 2018
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price on and subject to the terms and conditions stated in this prospectus and in the Application Forms as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Shares”	the 20,000,000 new Shares (subject to reallocation) initially being offered by our Company for subscription in the Public Offer, as described under the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer Shares whose names are set out in the section headed “Underwriting” in this prospectus

DEFINITIONS

“Public Offer Underwriting Agreement”	the conditional underwriting agreement relating to the Public Offer entered into by our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters on or around 5 February 2018, details of which are set forth in the section headed “Underwriting” in this prospectus
“Remuneration Committee”	the remuneration committee of our Company
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Group Structure” in this prospectus
“SDGL”	Sweetie Deli Garden Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of our Company following the Reorganisation
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the capital of our Company
“Share Offer”	the Public Offer and the Placing
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 29 January 2018, a summary of its principal terms is set out in the paragraph headed “D. Other information – 1. Share Option Scheme” in Appendix V to this prospectus
“Sole Bookrunner”	Pacific Foundation Securities Limited
“Sole Sponsor”	Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340), a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the Share Offer

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the agreement dated 16 March 2017 entered into between our Company, the Pre-IPO Investor and Ms. ST Wong (as guarantor) in relation to the subscription of 2,000 Shares for HK\$8,000,000
“subsidiary” or “subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules, unless the context otherwise requires
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“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
“Track Record Period”	the period comprising the two years ended 31 March 2016 and 2017 and the five months ended 31 August 2017
“UCL”	Union Choice Limited (盈全有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of our Company following the Reorganisation
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“VDAL”	Vast Dragon Asia Limited (偉龍亞洲有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of our Company following the Reorganisation
“WDL”	Wealthy Development (Hong Kong) Limited (駿源發展(香港)有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of our Company following the Reorganisation

DEFINITIONS

“WHITE Application Form(s)”	the application form(s) for use by the public who require (s) such Public Offer Shares to be issued in the applicant’s or applicant’s own name(s)
“WSEL”	Wealth Step Enterprise Limited (進寶企業有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of our Company following the Reorganisation
“WTCIL”	Wealth Treasure Capital Investment Limited (信寶創富有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of our Company following the Reorganisation
“YELLOW Application Form(s)”	the application form(s) for use by the public who require (s) such Public Offer Shares to be deposited directly into CCASS
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“JPY”	Japanese yen, the lawful currency of Japan
“US\$” or “US dollars”	United States dollars, the lawful currency of United States
“%”	per cent

All dates and times in this prospectus refer to Hong Kong time unless otherwise stated.

Unless the context requires otherwise, translation of US\$ into HK\$ and JPY into HK\$ and vice versa are made in this prospectus, for illustration purposes only, at the rate of US\$1.00 to HK\$7.80 and JPY100.00 to HK\$7.13 respectively. Such conversions shall not be construed as representations that any amount in US\$, HK\$ and JPY were or can be or could have been or may have been or may be converted into those currencies or vice versa at the above rates or at any other rates.

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

In this prospectus, if there is any inconsistency between Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with “” are for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain definitions of technical terms used in this prospectus in connection with the business of our Group. As such, some terms and definitions may not correspond to standard industry definitions or usage of these terms.

“CCTV”	Close circuit television
“DCO”	Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong)
“DCR”	Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Law of Hong Kong)
“ECO”	Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)
“EPD”	Environmental Protection Department of Hong Kong
“ERP”	Enterprise Resource Planning
“FBR”	Food Business Regulation (Chapter 132X of the Laws of Hong Kong)
“FEHD”	Food and Environmental Hygiene Department of Hong Kong
“HM”	Hygiene Manager
“HS”	Hygiene Supervisor
“HS Scheme”	Scheme introduced by the FEHD requiring certain food establishments to appoint a HM or a HS
“LLB”	Liquor Licensing Board
“MWO”	Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)
“POS”	Point of Sale
“SOPs”	Standard Operating Procedures
“sq.ft.” and “sq.m.”	square feet and square metres, respectively
“WPCO”	Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong)

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that state our Company's belief, expectations, or intentions for the future. These forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business" and "Financial Information" in this prospectus, which are, by their nature, subject to risks and uncertainties.

The words "aim", "anticipate", "believe", "could", "estimate", "expect", "forecast", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "project", "seek", "should", "will", "would", "wish" and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements.

These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are, by their nature, subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus, some of which are beyond our control. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and plan of operation and our various measures to implement such strategies;
- our operations and business prospects, including development plans for our existing business;
- our capital expenditure plans;
- changes in policies, legislation, regulations or practices in the industry and those countries or territories in which we operate that may affect our business operations;
- our financial condition and results of operations;
- changes in economic conditions in Hong Kong and overseas;
- macroeconomic measures taken by the Hong Kong government to manage economic growth and general economic trends in Hong Kong;
- the regulatory environment and industry outlook in general;
- the general industry outlook, competition in our business activities and future developments in our industry;
- catastrophic losses from fires, floods, wind;

FORWARD-LOOKING STATEMENTS

- other statements in this prospectus that are not historical facts;
- realisation of the benefits or future plans and strategies; and
- other factors beyond our control and other risks and uncertainties described in the section headed “Risk Factors” in this prospectus.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and we have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted that would render such forward-looking statements fake or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, the Controlling Shareholders, the Sole Sponsor, the Joint Lead Managers, the Sole Bookrunner, the Underwriters and any other party involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to, those discussed under the section headed “Risk Factors” and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. Subject to the requirements of the applicable laws, rules (including the GEM Listing Rules) and regulations, our Group does not intend 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 our Group expects, or at all.

We caution you that a number of important facts could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement. Accordingly, you should not place undue reliance on any forward-looking information or statements. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements set forth in this section.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as of the date of this prospectus. Any such intentions may potentially change in light of future developments.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with the investment in our Shares. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

As we lease all of the properties for our restaurant operations, we are exposed to risks relating to the commercial real estate rental market

As at the Latest Practicable Date, we leased all of the properties for the operation of our restaurants. For the years ended 31 March 2016 and 2017, and the five months ended 31 August 2017, rental and related expenses incurred for the leasing of our restaurants premises amounted to approximately HK\$20.9 million, HK\$23.7 million and HK\$9.6 million, respectively, representing, approximately 15.8%, 15.8% and 15.8%, of our revenue during the same periods, respectively. In the event that rental costs for properties that are suitable for our restaurant businesses in Hong Kong increase, our financial condition and results of operations may be adversely affected. Furthermore, we leased the premises for our restaurants under operating lease arrangements. Please refer to the sub-section headed “Financial Information – Operating lease commitments” in this prospectus for details. Most of our current leases at the Latest Practicable Date were on a fixed lease term and did not have any early termination option. Our operating lease obligations expose us to potential risks, such as increasing our vulnerability to adverse economic conditions, as we may not be able to terminate such leases even if we are operating at a loss. As a result, our financial condition and results of operations may be adversely affected.

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

We are required to maintain various types of licences, including general restaurant licences, food factory licences, and water pollution control licences, for the operation of our restaurant business in Hong Kong. We may also require additional certifications depending on the equipment installed in the kitchen at our restaurants. We must obtain a general restaurant licence or a food factory licence and a water pollution control licence before a restaurant can commence operation. Our general restaurant licences and food factory licences are valid for one year and our water pollution control licences are valid for 5 years. We will renew these licences and certificates before they expire to comply with the relevant regulatory requirements and ensure that we may continue with our business operation without any disruption. Please refer to the sub-sections headed “Regulatory Overview – Health and safety regulatory compliance” and “Regulatory Overview – Environmental regulations” in this prospectus for details.

RISK FACTORS

Our non-compliance with relevant laws and regulations on fire safety, food safety and hygiene might lead to imposition of fines and penalties and suspension of licences

During the Track Record Period, we have been charged by the relevant government authority for contravention of fire safety regulations on three occasions leading to imposition of fines and penalties on the Group. During the Track Record Period, we also recorded repeated violations under the Demerit Points System, a penalty system operated by the FEHD to sanction food businesses on violations of relevant hygiene and food safety legislation. Under the Demerit Points System, if a total of 15 Demerit Points is registered against a licenced premise in a period of 12 months, the licence of the premise may be subject to a suspension for seven days. The Group may suffer a loss in revenue in the event that the licence of any restaurant under the Group is suspended. If we fail to comply with the fire safety regulations, including prohibitions against obstruction of fire exits, food safety and hygiene, as we have been charged historically for our previous breach and recorded repeated violations, we may be subject to heavy penalties and risk of suspension of licence under the FEHD Demerit Points System. There is no assurance that we will be able to adhere to the fire safety regulations at all times.

Please refer to the sub-section headed “Business – Non-compliances” for details of non-compliances by our Group with fire safety and food and health-related laws and regulations during the Track Record Period. We cannot assure you that we will not be subject to any orders or claims or penalty in relation to fire safety, food or health-related matters which would have a material impact on our business in the future. Any such incidents could materially harm our reputation, results of operations and financial condition.

Labour shortages or increases in labour costs will increase our Group’s operating costs and reduce our profitability

Restaurant operations are in general highly service-oriented and therefore, our Group’s success is dependent upon our ability to motivate and retain sufficient number of qualified employees, including restaurant managers, chefs, kitchen staff and floor staff, all of whom are necessary for our daily operations, and attract experienced staff to assist us in our Group’s expansion plans. For the years ended 31 March 2016 and 2017, and the five months ended 31 August 2017, the average turnover rates of our staff were approximately 10.0%, 7.1% and 11.8% respectively. There is no assurance that our Group will not experience difficulties in recruiting personnel in the future. Individuals with sufficient experience in our industry are in short supply and competition for these employees is intense. Any inability to recruit qualified individuals in the future may delay the planned opening of our new restaurants, and any inability to retain qualified individuals may adversely affect our daily operations of our existing restaurants. Any such delays, any material increases in employee turnover rates in existing restaurants or any widespread employee dissatisfaction could have a material adverse effect on our business and results of operations.

RISK FACTORS

In addition, competition for qualified employees could also require us to pay higher wages which could result in higher labour costs. As at the Latest Practicable Date, our Group employed a total of 212 full-time employees working at its offices and restaurants in Hong Kong. For the years ended 31 March 2016 and 2017, and the five months ended 31 August 2017, our staff costs (including emoluments paid to our executive Directors) amounted to approximately HK\$46.7 million, HK\$52.8 million and HK\$20.2 million, respectively, representing approximately 35.3%, 35.3% and 33.4% of our Group's total revenue during the same period, respectively. It is expected that our labour costs will increase as a result of the expected expansion of our business and the recent increase in salary levels of employees in Hong Kong. The failure to attract experienced personnel at a desirable level of labour costs could adversely affect the business, financial condition and results of operations of our Group. Due to the intense competition in our industry, we may be unable to pass on the increased labour costs to our customers by correspondingly increasing our menu prices, in which case our Group's profit margins would be negatively affected.

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

Staff costs is one of the major factors affecting our results of operations. For the years ended 31 March 2016 and 2017, and the five months ended 31 August 2017, our staff costs amounted to approximately HK\$46.7 million, HK\$52.8 million and HK\$20.2 million respectively, representing approximately 35.3%, 35.3% and 33.4% of our revenue during the same periods, respectively. We are required to comply with the statutory minimum wage requirements, which came into force on 1 May 2011. During the Track Record Period, the statutory minimum wage rate was increased from HK\$30 per hour to HK\$32.5 per hour with effect from 1 May 2015. With effect from 1 May 2017, the statutory minimum wage rate was further increased from HK\$32.5 per hour to HK\$34.5 per hour. According to the Euromonitor Report, average wage for cooks, waiters and waitresses, and dishwashers of casual dining full-service restaurants in Hong Kong are estimated to have increased at a CAGR of 8.1% between 2012 and 2016, and that the rapid growing staff wages was due to the increase of minimum wage, in particular after 2013 and 2015. The increase in salary made it difficult for our restaurants to recruit suitable employees. The salaries of all of our restaurant employees were higher than the applicable statutory minimum wage during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we increased the salary of our restaurant staff 6 times. If there is any further increase in the statutory minimum wage rate in Hong Kong, our staff costs would likely increase correspondingly 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.

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We may not be able to renew the Franchise Agreement on commercially acceptable terms to us and the Franchise Agreement may be terminated if there is any material breach on our part

On 1 November 2017, we entered into the Franchise Agreement with the Franchisor in relation to the franchise to operate and develop Roast Beef Abura Soba Beefst restaurants in Hong Kong. In consideration of the grant of the franchise rights, FBL had paid to the franchisor a franchise fee in the sum of JPY 5 million (approximately HK\$357,000). Taking into account the popularity of Japanese ramen in Hong Kong, we plan to open and operate our first Beefst restaurant in Ma On Shan in March 2018, expand our Beefst restaurant network to Mongkok in May 2018, commence operation of our third Beefst restaurant in Shatin by October 2018 and the fourth Beefst restaurant in Quarry Bay in Hong Kong Island by June 2019. We expect that our new Japanese ramen restaurants will have investment payback periods ranging from 19 to 23 months. If we fail to renew the Franchise Agreement or the Franchise Agreement was terminated due to our material breach or that the terms of the agreement were not commercially acceptable to us, our financial performance may be materially and adversely affected by the expiry of such agreement. For further details of the Franchise Agreement and our planned new Japanese ramen restaurants, please refer to the sub-section headed “Business – Business strategies” in this prospectus.

We are under contractual obligations to open a certain number of restaurants

Pursuant to the Franchise Agreement entered into between FBL and the Franchisor, FBL must open and operate six Outlets by the end of March 2021. In the event FBL fails to open the first Outlet within one year of the date of the Franchise Agreement, or if the Franchisee is hindering or plans to hinder the business and/or development of the franchise chain the Franchisor may by notice request FBL to cease or rectify such activities within a prescribed timeframe, failing which, the Franchisor may terminate the Franchise Agreement with immediate effect, which may adversely affect our operational and financial position. Please refer to the sub-section headed “Business – Business strategies” in this prospectus for further details of the terms of the Franchise Agreement.

Our continuing and future success depends on the ability of the members of our management and our business may be harmed if we lose their services or they are unable to successfully manage our growing operations

Our continuing and future success depends heavily upon the continuing services and performance of the members of our management, in particular our executive Directors Ms. SH Wong, Ms. ST Wong, Mr. MF Wong and our senior management Mr. SK Cheung. We must continue to attract, retain and motivate a sufficient number of qualified management and operating personnel to maintain consistency in the quality and atmosphere of our restaurants and meet our planned expansion requirements. If the members of our management fail to work together successfully, or if one or more of the members of our management is unable to effectively implement our business strategy, we may be unable to grow our business at the speed

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or in the manner we expect. Competition for experienced management and operating personnel in our industry is intense, and the pool of qualified candidates is limited. We may be unable 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 the members of our management 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 management joins a competitor or forms a competing business, we may lose business secrets and knowhow as a result. Any failure to attract, retain and motivate these members of our management may harm our reputation and result in loss of business.

If there are any adverse incidents associated with the quality of our food and services provided or if our hygiene standards do not meet the relevant statutory requirements, our restaurant business could be adversely affected

Incidents of food contamination could materially harm our reputation and negatively impact our business. Our customers may submit or file complaints or claims against us regarding our food and services, including the food prepared and served in, and taken outside, our restaurants. Being in the casual dining industry, we face an inherent risk of food contamination and liability claims. Our food quality depends partly on the quality of the ingredients and raw materials provided by our suppliers, and we may not be able to detect all or any contamination of our supplies.

During the Track Record Period, most of the food ingredients processed at our central kitchen were delivered to and used in our restaurants. Any food contamination occurring at our central kitchen or during the transportation from our central kitchen to our restaurants that we fail to detect or prevent could adversely affect the quality of the food served in our restaurants. We also face the risk that our employees do not adhere to our food safety and quality control procedures and requirements, thereby leading to food contamination. Any failure to detect defective food ingredients, 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 at 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. Please refer to the sub-section headed “Business – Non-compliances” for details of non-compliances by our Group with food and health-related laws and regulations during the Track Record Period. We cannot assure you that we will not be subject to any orders or claims or penalties in relation to food and health-related matters which would have a material impact on our business in the future. Any such incidents could materially harm our reputation, results of operations and financial condition.

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Our success substantially depends on the market recognition of our brands, and any negative publicity, negative reviews or damage to our brands could materially and adversely impact our business and results of operations

As at the Latest Practicable Date, our Group owned and operated 10 restaurants in Hong Kong under 3 brands, namely, “Marsino”, “La Dolce” and “Grand Avenue”. Any incidents that erodes consumer trust in or affinity for these 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 these 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, the value of our brands could suffer, which could have a material adverse effect on our business.

It is common in our industry that restaurants are reviewed by food critics who analyse food and services of restaurants and then publishes their experience. We are usually not informed before such food critics visit our restaurants and therefore we have no control on what is written by these food critics about our restaurants. If food critics, after having visited our restaurants and tried our dishes, publish negative comments or reviews about their experience at our restaurants, this may adversely affect the business of our restaurants in light of such comments or reviews. Any complaints and negative publicity, regardless of their validity, may adversely affect the reputations of our restaurants. If there is any negative publicity or review associated with any of our Group’s restaurants or if any of our brands reputation is negatively affected, the results of our Group’s business operations could be adversely affected.

Our operations are susceptible to increases in procurement costs for raw materials and consumables, which could adversely affect our business, margins and results of operations

Our profitability depends significantly on our ability to anticipate and react to changes in procurement costs of raw materials and consumables. Our raw materials and consumables used accounted for approximately 30.1%, 28.7% and 27.1% of our revenue for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, respectively.

The availability of raw materials and consumables, such as the type, variety and quality, and their prices, 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 cost of food and beverages or cause a disruption in our supply. Our suppliers may also be affected by higher costs due to rising labour costs, importation costs and other expenses that they pass through to us. It will then lead to higher costs for goods and services supplied to us. In the event that we are unable to pass on these cost increases to our customers or to reduce costs elsewhere, our business, profit margins and results of operations may be adversely affected.

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If our suppliers do not deliver raw materials and consumables to us at competitive prices or in a timely manner, we may experience supply shortages and increased food costs

The ability to source raw materials and consumables 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 on our ability to acquire raw materials and consumables from reliable sources that meet our quality specifications, in sufficient quantities and at competitive prices. We generally do not enter into any long-term contracts with our raw materials and consumables suppliers. Based on our operating experience, this arrangement is the industry practice in Hong Kong. Please refer to the sub-section headed “Business – Procurement and supply” in this prospectus for details of our relationship with our suppliers.

For the years ended 31 March 2016 and 2017, and the five months ended 31 August 2017, the total purchases from our five largest suppliers amounted to approximately 26.5%, 24.3% and 25.9% of our raw materials and consumable used during the same periods, respectively. There can be no assurance that we will be able to maintain business relationships with our key suppliers.

Our Group may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our Group’s employees, suppliers or other third parties

We handle a considerable amount of cash at our restaurants on a daily basis. Our Group may be unable to prevent, detect or deter all instances of fraud, theft, dishonesty, or other misconduct committed by our employees, suppliers or other third parties. Any such fraud or other misconduct committed against our Group’s interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our Group’s business, results of operations and financial condition.

Unforeseeable business interruptions could adversely affect our business

Our operations are vulnerable to interruption by fires, floods, power failures and power shortages, hardware and software failures, computer viruses and other events beyond our control.

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.

Other unforeseeable events, such as adverse weather conditions, natural disasters and severe traffic accidents and delays could lead to delay or lost deliveries to our restaurants, which may result in the loss of revenue. There may also be incidents where the conditions of fresh, chilled or frozen food products, being perishable goods, deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our logistics partners. This may result in a failure by us to provide quality food and services to customers,

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thereby affecting our business and damaging our reputation. Any such events experienced by us could disrupt our operations and we do not carry business interruption insurance to compensate us for losses that may occur as a result of such events.

We maintained limited insurance coverage

We maintain various insurance policies, such as employees' compensation insurance, contractors' public liability insurance during renovations of our restaurants, fire insurance and public liability insurance. However, our insurance coverage is still limited in terms of amount, scope and benefit. Consequently, we are exposed to various risks associated with our business and operations. We are exposed to risks including, but not limited to, accidents or injuries in our restaurants and central kitchen that are beyond the scope of our insurance coverage, or other accidents for which we do not currently maintain insurance, loss of key management and personnel, business interruption, natural disasters, terrorist attacks and social instability or any other events beyond our control. Any business disruption, litigation or legal proceedings or natural disaster, such as epidemics, pandemics or earthquakes, or other events beyond our control could result in substantial costs and the diversion of our resources. Our business, financial condition and results of operations may be materially and adversely affected as a result.

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

We operate a multi-location restaurant business that can be adversely affected by negative publicity or news report 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 casual dining full service restaurant 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, certain of our customers made complaints at our restaurant, through our customer service hotline and in writing, and certain customers expressed their negative opinions on social media platforms and websites.

Significant numbers of complaints or claims against us 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 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.

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We compete with other retailers and restaurants for sites in a highly competitive market for retail premises

We compete with other retailers and restaurants for locations in highly competitive markets for retail premises. There is no assurance that we will be able to enter into new lease agreements for suitable locations or renew existing lease agreements with our landlords on commercially acceptable terms, if at all.

As at the Latest Practicable Date, the leases for our restaurants were generally with a fixed lease term of either 3 years or 5 years, and some of the leases contain an option term in the relevant lease agreement which provides an option for us to renew upon expiry of the fixed lease term. Please refer to the sub-section headed “Business – Properties” in this prospectus for details. However, all of these option terms have either provided that the new rental shall be adjusted to market rate or the manner to calculate the new rental has been specified, which will be higher than the existing rental of the relevant property. If we do not have an option to renew a lease agreement, we must negotiate the terms of renewal with our landlord. If a lease agreement is renewed at a rate substantially higher than the existing rate or with less favourable terms than existing terms, we must evaluate whether renewal on such modified terms is in our best interest. If we are unable to renew leases for our restaurant sites on reasonable terms, we will have to close or relocate the relevant restaurant, which may adversely affect the result of our operations during the period of the restaurant closure. Furthermore, we will have to incur additional cost for relocating a restaurant, including renovation and relocation costs. However, there is no certainty that the new replacement restaurants will have similar or better performance as compared to the closed restaurants. Therefore, any inability to obtain leases for desirable restaurant locations or renew existing leases on commercially reasonable terms could have a material adverse effect on our business and results of operations.

The future growth and profitability of our Group relies on our ability to open and operate new restaurants, and our Group’s new restaurants may not operate as successfully as anticipated

The casual dining industry in Hong Kong is highly competitive and the success of opening one type of restaurant in one location is not indicative of our Group’s ability to successfully open and operate a different type of restaurant at a different location. Our Directors believe that the future growth of our Group relies on its ability to open and operate new restaurants in a profitable manner. Our Group’s ability to successfully open new restaurants is subject to a number of risks and uncertainties, including but not limited to, locating suitable locations and/or securing leases on reasonable terms, timely securing necessary governmental approvals and licences, ability to hire quality chefs and other employees. The costs incurred in opening of new restaurants and the expansion plans may place substantial strain on the managerial, operational and financial resources of our Group.

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There are no assurance that the managerial, operational and financial resources of our Group will be adequate to support the expansion plans. Moreover, there is no guarantee that our Group will be able to attract enough customers to the new restaurants and there is no assurance that the revenue of each of our Group's new restaurants would be equal to or exceed those of our existing restaurants. If our Group fails to run the new restaurants profitably, our Group's financial performance may be materially and adversely affected.

Our historical financial and operating results may not be indicative of the future price of our Shares

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 price of our Shares.

We recorded net current liabilities during the Track Record Period

We had net current liabilities of HK\$46.2 million as of 31 March 2016, primarily due to (i) the Group acquiring an office premise of approximately HK\$25.5 million; (ii) the Group incurring renovation costs and acquisition of furniture and fixtures and other equipment of the office premise of approximately HK\$4.2 million; (iii) the Group incurring renovation costs and acquisition of furniture and fixtures and kitchen equipment for Tseung Kwan O La Dolce and Tseung Kwan O Grand Avenue of approximately HK\$5.3 million; and (iv) GFCL declaring and paying dividends of approximately HK\$1.1 million.

We had net current liabilities of HK\$16.2 million as of 31 March 2017, primarily reflected by (i) the Group further acquiring a private carpark space of approximately HK\$1.3 million; (ii) the Group incurring renovation costs and acquisition of furniture and fixtures, kitchen equipment and other equipment for Tuen Mun Marsino and Tiu Keng Leng Marsino and Grand Avenue of approximately HK\$2.2 million and HK\$5.5 million respectively; (iii) GFCL and WTCIL declaring and paying dividends of approximately HK\$0.7 million and HK\$0.5 million respectively; and (iv) the Group repaying bank borrowings of approximately HK\$1.5 million.

For further information on our net current liabilities position during the Track Record Period, please refer to the sub-section headed "Financial Information – Working capital" in this prospectus. Although our net current liabilities position only occurred in 2016 and 2017 as at 31 March 2016 and 2017 respectively during the Track Record Period, we cannot assure you that we will not experience liquidity problems in the future. In the event that the commercial banks providing existing banking and credit facilities do not continue to extend similar or more

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favourable facilities to us and we fail to obtain alternative banking and credit facilities on reasonable terms, or at all, our business, results of operations and prospects may be adversely affected.

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, such as, initially lower sales and customer traffic at the new restaurants. Based on our past experience, the usual time required to open a restaurant from the time we take possession of the premise to the official opening of a restaurant is approximately 2 to 3 months. All of our current expansion plans for new and replacement restaurants are prepared based on the assumption that the restaurants could be opened within a three-month period. Any delay in opening new and replacement restaurants will affect the number of restaurants and the number of operation days we have in operation during the financial year, which will affect our results of operations. Accordingly, the number and timing of new restaurant openings has had, and may continue to have, a meaningful impact on our profitability.

We rely on a single market in developing our restaurant business and our restaurant business in Hong Kong may not contribute to our results in the manner we anticipate

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 Share Offer. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as downturn in the local tourism and retail sectors, general 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.

RISKS RELATING TO OUR INDUSTRY

Our Group operates in a highly competitive industry

Our Group faces intense competition from a large and diverse group of restaurant chains and individual restaurant operators who target the same or similar group of customers. There are numerous restaurants in Hong Kong offering similar cuisines which compete with our Group in terms of, among other things, taste, quality, price, customer service, ambience, and the overall dining experience. Some of our Group's competitors may have longer operating history, larger customer bases, better brand recognition and reputation, and better financial position and

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marketing strategies. As we face intense competition from other competitors as well as new market entrants, our Group's business and results of operations may be adversely affected in the event that we are not able to stay competitive in terms of our pricing, or there is deterioration in the quality of our dishes or our level of service.

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

The restaurant business may be subject to increasingly stringent licensing requirements which can increase our operating costs

We are required to obtain a number of approvals, licences, certificates and permits for our restaurant operations, including, among others, general restaurant licences, water pollution control licences 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. Any failure to comply with existing regulations, or future legislative changes, could require 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.

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

The performance of our Group's restaurant operations in Hong Kong is closely related with the economic conditions of Hong Kong. In the event of an economic downturn, consumers will tend to become more budget conscious and sensitive to the amounts they spend on food. As our restaurants are solely operated in Hong Kong, it is heavily dependent on the economy of Hong Kong. If consumers' spending pattern changes or if the economy of Hong Kong deteriorates and our Group is unable to divert its business to other geographic locations, its revenue, profitability and business prospects will be materially affected.

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Continued increases in the prices of our food ingredients could adversely affect our business and operations

Prices of our food ingredients such as meat, seafood, frozen food, vegetables, flour, eggs and other consumables have fluctuated during the Track Record Period. Please refer to the sub-section headed “Industry Overview – Supplier relationships and ingredient prices” in this prospectus for details of the market trends and the sub-section headed “Financial Information – Key factors affecting our financial position and results of operations – Fluctuations in our costs of raw materials and consumables used” in this prospectus for details of our raw materials and consumables used during the Track Record Period. We expect that the costs for our food ingredients will continue to increase in the future, which may result in unexpected increases in our menu prices. If we are unable to manage these costs or to increase the prices of our food items, it may have a negative impact on our operating margin, and our business operations and results of operations as a result could be adversely affected.

Our results of operations and financial condition may be affected by the occurrence of food-borne illnesses, health epidemics and other outbreaks

Our industry is susceptible to food-borne illnesses, health epidemics and other outbreaks. Furthermore, our reliance on third-party food ingredients 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 incidents of food-borne illnesses could, if highly publicised, negatively affect our industry overall and us in particular, impacting our restaurant sales, forcing the closure of some of our restaurants and conceivably having significant impact on our results of operations. This risk exists even if it were later determined that the illness in fact was not caused by our restaurants.

We also face risks related to health epidemics. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to the economy in Hong Kong. Epidemics such as influenza A (H1N1 and H3N2), influenza B and avian influenza (H5N1, H7N9 and H9N2), or reoccurrence of severe acute respiratory syndrome, may cause disruption of economic activity in Hong Kong, which can affect consumers’ spending power and dining habit. As a result, our business would be adversely affected. Such events may also result in disruption of the supply and increase the costs of our food ingredients, as well as temporary closure of our restaurants and central kitchen for quarantine or for preventive purposes, which in turn may materially and adversely affect our business, financial condition and results of operations.

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Our expansion plans may lead to an increase in depreciation expenses on property, plant and equipment

We may incur higher depreciation expenses going forward due to the proposed rapid expansion in the number of our restaurants based on our expansion plans as disclosed in the sub-section headed “Business – Business strategies” in this prospectus. Accordingly, our operating results and financial position may be adversely affected.

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

Our overall results of operations may fluctuate from period to period because of various factors, including the timing of new restaurant openings 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 that may vary depending upon the region in which a particular restaurant is located. We experience seasonality in sales. Please refer to the sub-section headed “Business – Market and competition – Seasonality” in this prospectus for details.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares and there can be no assurance that an active market would develop

Prior to the Share Offer, there has been no public market for our Shares. The initial Offer Price range of the Offer Shares was the result of negotiations among us and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Offer Price may differ significantly from the market price for our Shares following the Share Offer. While we have applied for listing of and permission to deal in our Shares on the Stock Exchange, there is no assurance that the Share Offer will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

The liquidity, trading volume and market price of our Shares following the Share Offer may be volatile

The price at which our Shares will trade after the Share Offer will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts’ estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;

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- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- new investments, acquisitions or alliances in the future;
- addition or departure of our key personnel;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- actions taken by our competitors;
- changes in laws and regulations in Hong Kong;
- our inability to compete effectively in the market; and
- political, economic, financial and social developments in Hong Kong and worldwide.

Future sales of a substantial number of our Shares by our existing Shareholders in the public market could materially and adversely affect the prevailing market price of our Shares

Future sales of a substantial number of our Shares by our current Shareholders could negatively impact on the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings after Listing, details of which are set out in the section headed “Underwriting” in this prospectus. While we are not aware of any intentions of Controlling Shareholders to dispose of significant amounts of their Shares after the expiration of the lock-up periods, we are not in a position to give any assurance that they will not dispose of any of their Shares in the future.

We have significant discretion as to how we will use the net proceeds of the Share Offer and you may not necessarily agree with how we use them

Our management may spend the net proceeds from the Share Offer in ways you may not agree with or that do not yield a favourable return. We plan to use majority of the net proceeds from the Share Offer to expand our restaurant operations. For details of our intended use of proceeds, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses of the net proceeds from the Share Offer.

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The interest of our Controlling Shareholders may differ from your interests and they may exercise their vote to the disadvantage of our minority Shareholders

Immediately after the completion of the Share Offer and the Capitalisation Issue (without taking into account of our Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders will own 75.0% of our Shares. As such, our Controlling Shareholders will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. These actions may be taken even if they are opposed by our other Shareholders, including those who purchased Shares in the Share Offer. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders.

We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from the Euromonitor Report contained in this prospectus.

Certain facts and statistics in this prospectus, including but not limited to information and statistics relating to casual dining full-service restaurants segment and Asian full-service restaurants segment, are based on the Euromonitor Report or are derived from various publicly available publications, which our Directors believe to be reliable. We cannot, however, guarantee the quality or reliability of such facts and statistics. Although we have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such publications and the Euromonitor Report, they have not been independently verified by us, the Sole Sponsor, the Joint Lead Managers, the Sole Bookrunner, the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy. We therefore make no representation as to the accuracy of such facts and statistics which may not be consistent with other information compiled by other sources and prospective investors should not place undue reliance on any facts and statistics derived from public sources or the Euromonitor Report contained in this prospectus.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “may”, “ought to”, “might”, “plan”, “potential”, “project”, “seek”, “should”, “will”, “would”, “wish” and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these

RISK FACTORS

and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set out in this section. Subject to the requirements of the GEM Listing Rules, we do not intend to update or otherwise revise the forward-looking statements in this prospectus to the public, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

You should read the entire prospectus carefully (including the risks disclosed) and we strongly caution you not to place any reliance on any information in press articles, other media and/or research analyst reports regarding us, our business, our industry and the Share Offer

There may be, prior to the publication of this prospectus, and subsequent to the date of this prospectus but prior to the completion of the Share Offer, press, media and/or research analyst coverage regarding us, our business, our industry and the Share Offer. You should rely solely upon the information in this prospectus in making your investment decisions regarding the Shares but note that undue reliance should not be placed on any forward looking statements contained in this prospectus which may not occur in the way we expect or may not materialise at all as set out in the section headed “Forward-looking Statements” in this prospectus. We do not accept any responsibility for the accuracy or completeness of the information in such press articles, other media and/or research analyst reports nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analysts regarding the Shares, the Share Offer, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information in this prospectus only and should not rely on any other information.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality

Executive Directors

Ms. Wong Suet Hing	Flat H, 5th Floor Block 10 Lakeside Garden Sai Kung New Territories Hong Kong	Chinese

Ms. Wong Sau Ting Peony	Flat H, 5th Floor Block 10 Lakeside Garden Sai Kung New Territories Hong Kong	Chinese

Mr. Wong Muk Fai Woody	Flat 4, 25th Floor Fung Hei House Fung Lai Court Diamond Hill Kowloon Hong Kong	Chinese

Mr. Ma Sui Hong	Flat C, 8th Floor Happy Building 45 Yuet Wah Street Kwun Tong Kowloon Hong Kong	Chinese

Mr. Wong Chi Chiu Henry	Flat A, 20th Floor Chun King Court 83 First Street Sai Ying Pun Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Independent non-executive Directors

Ms. Ng Yau Kuen Carmen	Flat D, 39th Floor Block 11 The Palazzo 28 Lok King Street Shatin New Territories Hong Kong	Chinese
Mrs. Cheung Lau Lai Yin Becky	Flat A6, 7th Floor Goldmine Building 345 Chai Wan Road Hong Kong	Chinese
Mr. Yu Ronald Patrick Lup Man	Flat B, 11th Floor Block 1 Flora Garden 7 Chun Fai Road Tai Hang Hong Kong	Chinese

Please refer to the section headed “Directors, Senior Management and Employees” in this prospectus for further information of our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Vinco Capital Limited
Units 4909-4910, 49/F
The Center
99 Queen's Road Central
Hong Kong

Sole Bookrunner

Pacific Foundation Securities Limited
A corporation licensed to carry out Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO
11/F, New World Tower II
16-18 Queen's Road Central
Hong Kong

Joint Lead Managers

Pacific Foundation Securities Limited
A corporation licensed to carry out Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO
11/F, New World Tower II
16-18 Queen's Road Central
Hong Kong

Vinco Capital Limited
A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Units 4909-4910, 49/F
The Center
99 Queen's Road Central
Hong Kong

Oceanwide Securities Company Limited
A corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
18/F-19/F, China Building
29 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Co-Managers

Ample Orient Capital Limited
Room A, 17/F, Fortune House
61 Connaught Road Central, Central
Hong Kong

Astrum Capital Management Limited
Room 2704, 27/F
Tower 1, Admiralty Centre
18 Harcourt Road, Admiralty
Hong Kong

Nuada Limited
Unit 1805-08, 18/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street, Sheung Wan
Hong Kong

Frontpage Capital Limited
26/F, Siu On Centre
188 Lockhart Road, Wan Chai
Hong Kong

Marketsense Securities Limited
Unit 7801-7803, 78/F
The Centre
99 Queen's Road Central, Central
Hong Kong

Legal advisers to our Company as to Hong Kong law

Michael Li & Co.
19/F, Prosperity Tower
39 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company as to Cayman Islands law	Conyers Dill & Pearman Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor and the Underwriters	Robertsons 57/F The Center 99 Queen's Road Central Hong Kong
Auditor and reporting accountant	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F, One Pacific Place 88 Queensway Hong Kong
Property valuer	International Valuation Limited Room 1213, 12/F Houston Centre 63 Mody Road, Tsim Sha Tsui Hong Kong
Compliance adviser	Vinco Capital Limited Units 4909-4910, 49/F The Center 99 Queen's Road Central Hong Kong
Receiving bank	Standard Chartered Bank (Hong Kong) Limited 15/F, Standard Chartered Tower 388 Kwun Tong Road Hong Kong

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer, comprising the Placing and the Public Offer. Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus. The Listing is sponsored by the Sole Sponsor and managed by the Joint Lead Managers. The Public Offer will be fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the agreement to the Offer Price between our Company and the Joint Lead Managers (for themselves and on behalf of the other Underwriters). The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. For further details about the Underwriters and the Underwriting Agreements, please refer to the section headed “Underwriting” in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Lead Managers (for themselves and on behalf of the other Underwriters) and our Company on the Price Determination Date, or such later date or time as may be agreed by the Joint Lead Managers (for themselves and on behalf of the other Underwriters) and our Company. The Offer Price is currently expected to be not more than HK\$0.33 per Offer Share and not less than HK\$0.27 per Offer Share. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.33 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.33 per Offer Share. The Joint Lead Managers (for themselves and on behalf of the other Underwriters) may reduce the indicative Offer Price range stated in this prospectus at any time prior to the Price Determination Date. In such case, a notice of the reduction of the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.simplicityholding.com.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

If the Joint Lead Managers (for themselves and on behalf of the other Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, or such later date or time as may be agreed between the Joint Lead Managers (for themselves and on behalf of the other Underwriters) and our Company, the Share Offer will not proceed.

SELLING RESTRICTIONS OF OFFER SHARES

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

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Share Offer.

Each person acquiring the Offer Shares will be required to confirm, or by his/her acquisition of the Offer Shares be deemed to confirm, that he/she is aware of the restrictions on the offer of the Offer Shares described in this prospectus and/or the related Application Forms and that he/she is not acquiring, and has not been offered any such Offer Shares in circumstance that contravenes any such restrictions.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

APPLICATION FOR LISTING ON GEM

The Sole Sponsor has applied on behalf of our Company to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and which are to be issued or may be issued pursuant to the Share Offer, the Capitalisation Issue and as otherwise described herein on GEM (including any Shares which may be issued pursuant of any option which may be granted under Share Option Scheme up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer).

No part of the shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought.

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

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at Listing and all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of our Company in the hands of the public. Accordingly, a total of 200,000,000 Offer Shares, which currently represents 25% of the enlarged issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme) will be made available under the Share Offer.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional advisers.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about Monday, 26 February 2018. Shares will be traded in board lots of 10,000 Shares each and are freely transferrable. The GEM stock code for the Shares is 8367.

No temporary documents or evidence of title will be issued.

HONG KONG BRANCH SHARE REGISTER AND STAMP DUTY

All of the Shares will be registered in our Company's branch register of members to be maintained in Hong Kong by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on GEM.

Our Company's principal register of members will be maintained by the principal share registrar and transfer office, Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Offer Shares.

None of our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives (where applicable) or any other persons involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Offer Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total individual items. When information is presented in thousands or millions of units, amounts may have been rounded up or down.

LANGUAGE

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

OTHER

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

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit 13, 8/F Vanta Industrial Centre 21-33 Tai Lin Pai Road Kwai Chung, New Territories Hong Kong
Company's website	<u>www.simplicityholding.com</u> <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	Mr. Wong Chi Chiu Henry Flat A, 20th Floor Chun King Court 83 First Street Sai Ying Pun Hong Kong
Authorised representatives	Ms. Wong Sau Ting Peony Flat H, 5th Floor Block 10 Lakeside Garden Sai Kung New Territories Hong Kong Mr. Wong Chi Chiu Henry Flat A, 20th Floor Chun King Court 83 First Street Sai Ying Pun Hong Kong
Compliance officer	Mr. Wong Chi Chiu Henry
Compliance adviser	Vinco Capital Limited

CORPORATE INFORMATION

Audit Committee	Ms. Ng Yau Kuen Carmen (<i>Chairlady</i>) Mrs. Cheung Lau Lai Yin Becky Mr. Yu Ronald Patrick Lup Man
Remuneration Committee	Mrs. Cheung Lau Lai Yin Becky (<i>Chairlady</i>) Ms. Ng Yau Kuen Carmen Mr. Yu Ronald Patrick Lup Man Ms. Wong Suet Hing Ms. Wong Sau Ting Peony
Nomination Committee	Mr. Yu Ronald Patrick Lup Man (<i>Chairman</i>) Ms. Ng Yau Kuen Carmen Mrs. Cheung Lau Lai Yin Becky Ms. Wong Suet Hing Ms. Wong Sau Ting Peony
Principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Branch Share Registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bank	Shanghai Commercial Bank Limited Shanghai Commercial Bank Tower 12 Queen's Road Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong

INDUSTRY OVERVIEW

The information that appears in this Industry Overview has been prepared by Euromonitor and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in the Company. Our Directors believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor and set out in this Industry Overview has not been independently verified by our Company, the Sole Sponsor, the Joint Lead Managers, the Sole Bookrunner, the Underwriters or any other party involved in the Share Offer and neither they nor Euromonitor give any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

ABOUT THIS SECTION

General

Euromonitor is an independent professional market research company with extensive experience in their profession. Euromonitor was commissioned to conduct an analysis of and to report on the casual dining full-service restaurant market in Hong Kong. The payment of this fee does not affect the fairness of conclusions drawn in the report. Information set forth in this section was extracted from the Euromonitor Report.

About Euromonitor

Established in 1972, Euromonitor is the world leader in strategy research for both consumer and industrial markets. Comprehensive international coverage and leading edge innovation make Euromonitor's products an essential resource for companies large and small, national and global. With offices around the world and analysts in 80 countries, Euromonitor is a leading provider of global market intelligence. Euromonitor's products and services are held in high regard by the international business community and it has 5,000 active clients including 90.0% of Fortune 500 companies.

Research Methodologies

In compiling and preparing the Euromonitor Report, Euromonitor used the following methodologies to collect multiple sources, validate the data and information collected, and cross-check each respondent's information and views against those of others:

- Secondary research, which involved reviewing published sources including Census and Statistics Department of Hong Kong, industry reports, company reports such as annual reports and audited financial statements where available, independent research reports, and data based on Euromonitor's syndicated Passport database.
- Primary research which involved interviews with a sample of leading industry participants and industry experts for latest data and insights on future trends and to verify and cross check the consistency of data and research estimates.
- Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers.
- Review and cross-checks of all sources and independent analysis to build all final estimates including the size, shape, drivers and future trends of the casual dining full-service restaurant market and prepare the final report.

INDUSTRY OVERVIEW

Forecasting Bases and Assumptions

Euromonitor based the report on the following assumptions:

- The Hong Kong economy is expected to maintain steady growth over the forecast period;
- The Hong Kong social, economic, and political environment is expected to remain stable in the forecast period;
- There will be no external shock, such as financial crisis or raw material shortage that affects the demand and supply of the consumer food service market in Hong Kong during the forecast period.

MACRO-ECONOMIC ENVIRONMENT IN HONG KONG

Economic performance remains robust albeit growth contraction

In the period under review from 2012 to 2016, the Hong Kong economy grew moderately at a compound annual growth rate (CAGR) of 5.1% with total GDP rising from HK\$2,037.1 billion to HK\$2,489.1 billion. After the negative impact in 2011 of the Eurozone debt crisis, US fiscal uncertainty and the weak recovery of advanced economies and Asian markets, Hong Kong's GDP climbed back to a steady growth rate of above 5.0% year on year, reaching 6.1% in 2015. However, in 2016, growth was curbed to 3.8%, partially due to Hong Kong's increasing dependence on China's economy, its external trade, and declining tourism from the mainland visitors.

In 2016, GDP per capita rose at a CAGR of 4.4% from HK\$284,720.0 in 2012 to HK\$338,806.0. According to the Hong Kong Trade Development Council, the labour market continues to be tight with the seasonally adjusted unemployment rate standing at 3.3% in the 3-month period ending February 2017, compared with 3.4% in 2016. Low unemployment factors into relatively stable income growth among workers while a rising GDP per capita supports private consumption.

Monthly household income rises slightly in 2016

Based on the latest statistics provided from the Hong Kong Census and Statistics Department, in 2016, per capita disposable income in Hong Kong stood at HK\$346,238.7. This was a 4.6% increase year on year from HK\$331,157.2 in 2015, showing a slight decline in growth compared to previous years. The figures, however are mild in contrast with the monthly household income of HK\$21,100.0 registered in 2012, which grew at a CAGR of 4.3% to HK\$25,000.0 in 2016. Monthly household income growth was in similar ranges of per capita disposable income in 2013 and 2014, however in 2015, the growth rate almost halved to 3.0% in 2015 and continued slowing to 2.5% growth in 2016. Given the clear inequalities in Hong Kong, it has been reported by the South China Morning Post ("SCMP") that the Gini coefficient for households rose from 0.4 in 1976 to 0.5 in 2011, while for economically active individuals it rose from 0.4 in 1976 to 0.5 in 2011.

According to SCMP, higher income inequality for households is almost entirely due to the changing structure of households. Hong Kong now has more low-income households because there are more households comprising single parents, young working adults, and non-working elderly than in the past. Furthermore, in parallel with this change in household finance, household debt has been rising rapidly, according to the Legislative Council Secretariat of Hong Kong. On average, each household bore a non-mortgage debt of HK\$192,500.0 at the end of 2015, more than twice the HK\$72,900.0 debt a decade ago. According to findings by the Census and Statistics Department, average household spending rose markedly by a cumulative 46.0% during the past decade to HK\$27,600.0 per month in 2015, faster than the 37.0% rise in overall consumer prices. This means an improvement in living standards in real terms on the one hand but a larger burden of household expenditure on the other. Food is the second largest

INDUSTRY OVERVIEW

consumption category for an average household in Hong Kong, taking up 27.0% of the monthly household spending in 2015. Two-thirds of these expenses went to meals away from home, presumably due to long working hours.

Inflationary pressures expected to remain stable

Inflationary pressures in Hong Kong are expected to remain mild in the short term. In his 2017-2018 budget speech, Financial Secretary Paul Chan said that the headline inflation rate for 2017 as a whole is expected to be 1.8% with an underlying inflation rate at 2.0%. The headline inflation rate for 2016 was 2.4%. Netting out the effects of the government's one-off measures, the underlying inflation rate came in at 2.3% in 2016, the fifth consecutive year of easing. Inflation rate in Hong Kong has averaged 4.5% from 1981 until 2017, reaching an all-time high of 16.0% in October of 1981 and a record low of -6.1% in August of 1999.

Food inflation in Hong Kong averaged 4.3% from 2009 until 2016, reaching an all-time high of 8.2% in November of 2011 and a record low of -0.6% in November of 2009. In February 2017 the cost of food in Hong Kong increased 0.4% over the same period in the previous year. The food consumption behaviour in Hong Kong has altered largely due to the significant narrowing of the cost of preparing meals at home and the cost of dining out. As a result, consumers have cut spending on food eaten at home while increasing expenditure on dining out.

Table 1 Macro-economic indicators in Hong Kong, Historic (2012-2015) and 2016 as available

	Unit	2012	2013	2014	2015	2016	CAGR 2012-2016
Total GDP	HK\$ mn	2,037,059.0	2,138,305.0	2,260,005.0	2,398,408.0	2,489,109.0	5.1%
GDP growth rate	%	5.3	5.0	5.7	6.1	3.8	-
GDP per capita	HK\$	284,720.0	297,503.0	312,082.0	328,293.0	338,806.0	4.4%
Population	Million	7.2	7.2	7.3	7.3	7.4	0.7%
Monthly household income*	HK\$	21,100.0	22,400.0	23,700.0	24,400.0	25,000.0	4.3%
Monthly household income growth rate	%	-	6.2	5.8	3.0	2.5	-
Per capita disposable income	HK\$	285,340.7	299,262.0	315,298.2	331,157.2	346,238.7	5.0%
Per capita disposable income growth	%	-	4.9	5.4	5.0	4.6	-
Number of tourist arrivals	'000	48,615.1	54,298.8	60,838.8	59,307.6	56,654.9	3.9%
Tourist arrivals growth	%	-	11.7	12.0	-2.5	-4.5	-

Source: Census and Statistics Department of the Government of Hong Kong, Hong Kong Tourism Board

* based on data published for last quarter of each year

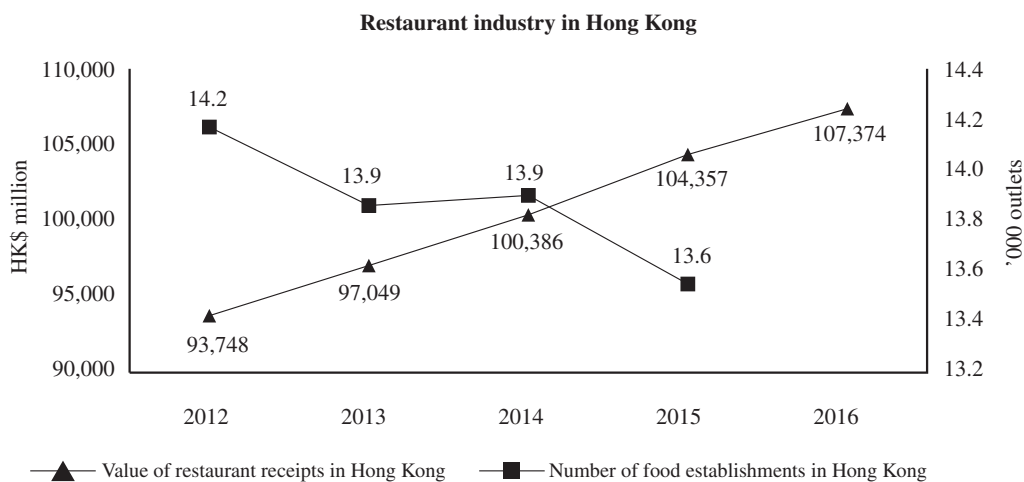
OVERVIEW OF FULL-SERVICE RESTAURANTS IN HONG KONG

Hong Kong has long been a famed culinary capital in the Asia Pacific. Although it is composed mainly of ethnic Chinese in population, its history as a British colony and an international trading centre has enabled it to produce a wide variety of cuisines which persist today.

Chinese food – chiefly Cantonese, Beijing and Shanghainese – continues to dominate restaurant menu overall followed by Japanese, Korean, and Thai with Vietnamese on the rise. In the non-Asian category, Italian food is the most popular with American and French being next. The most prominent foodservice formats are:

- Restaurants (e.g. fine dining, casual dining, full-service, quick service)
- Fast food shops
- Bars
- Other eating and drinking places (e.g., coffee shops, desserts shops, ice cream houses, fruit juice shops, tea shops, takeaway shops and other foodservice formats.)

INDUSTRY OVERVIEW

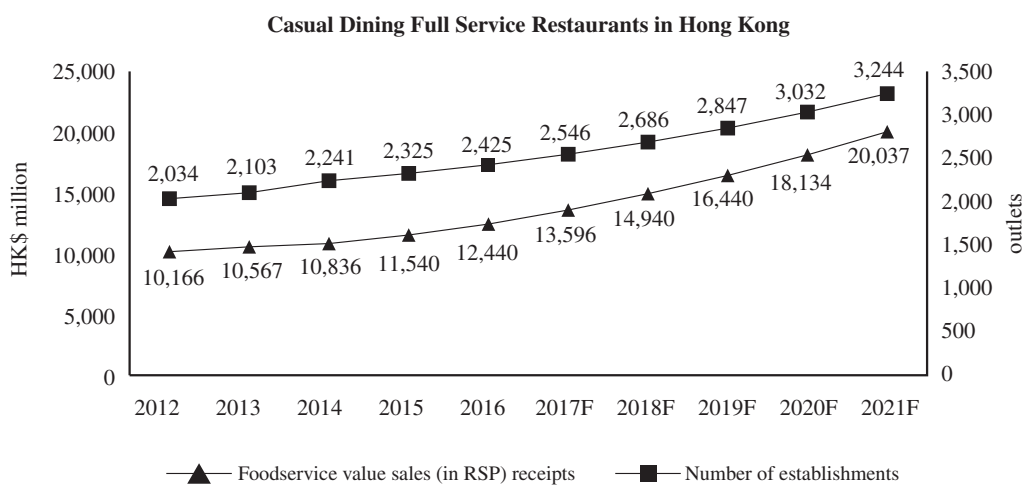


Source: The Census and Statistics Department of Hong Kong; Report on Quarterly Survey of Restaurant Receipts and Purchases

From 2012 to 2016, total sales receipt by restaurants grew from HK\$93,748.0 million to HK\$107,374.0 million at a CAGR of 3.5%. This, however, was not matched by growth in outlet numbers, which shrank from 14,170 in 2012 to 13,550 in 2015, a decline of 1.5% CAGR. The industry struggled with rising rental and wage costs. The industry experienced some recovery in 2010 and peaked in 2012 in the immediate aftermath of the global financial crisis due to increased consumer confidence and spending. There has since been a decline in tourist arrivals and spending in restaurants.

Across restaurant types, fast food outlets grew steadily driven by value-for-money meals, convenient locations and quick service, all of which fit the busy lifestyles of Hong Kong consumers. Restaurants also showed moderate growth over the same period, but bars have reached a saturation point according to trade sources. Independent full-service restaurants offering diverse cuisines and ambience make up the majority of the market, while casual dining chains offering value-for-money meals have gained more popularity among young consumers. Consumers in Hong Kong show a zest for new dishes and specialty outlets. They increasingly value the decor and atmosphere of restaurants they choose while at the same time are mindful of the pricing on the menu. Hence, casual dining concepts are being widely embraced by many full service restaurants, fast food outlets and cafes.

OVERVIEW OF CASUAL DINING FULL SERVICE RESTAURANTS



Source: Passport Data 'Consumer Foodservice' 2017 Edition

INDUSTRY OVERVIEW

Full service restaurants are defined to include all sit-down establishments where the focus is on food rather than on drinks. They also have table service and generally a higher quality of food compared to fast food. Casual dining full-service restaurants are defined as a sub-segment of full-service restaurants, encompassing a wide variety of cuisines differentiated by its ambience, price, and outlet image. Casual dining price points are lower than fine dining, and the atmosphere tends to be more relaxed. Casual dining restaurants are almost never the cheapest full-service restaurant segment in any market, and in many emerging markets can be quite expensive in local terms (though still cheaper than most high-end fine dining establishments). Casual dining full-service restaurants are often themed restaurants that are usually part of a chain or franchise that have a distinctive, deliberate and consistent themed image. The main casual dining features are listed below:

- Relatively affordable prices: positioned at less than fine dining and higher than fast food.
- Relaxed dress code and casual atmosphere.
- Focus on dinner and (to a lesser degree) lunch. Breakfast is often absent, though this is changing.
- Simple menu – the highly-skilled chefs found in fine-dining restaurants are often absent here, while menu items are often prepared in some form ahead of time.
- Friendly, informal service.

In 2016, casual dining full-service restaurants constitute 11.6% of the overall restaurant industry foodservice value sales in Hong Kong, and have seen stronger growth compared to other types of food service establishments. Between 2012 and 2016, the number of casual dining full-service restaurants grew at a CAGR of 4.5% from 2,034 outlets to 2,425 in 2016. Sales volume rose in the same period at a stronger CAGR of 5.2%, from HK\$10.2 billion to HK\$12.4 billion in 2016. These figures are estimated to be even higher between 2017 and 2021. Over the forecast period, restaurant numbers are expected to grow at a CAGR of 6.2% from 2,546 outlets to 3,244 in 2021. Total sales receipt will hit a double-digit CAGR of 10.2%, rising from HK\$13.6 billion to HK\$20.0 billion in 2021.

INDUSTRY DRIVERS AND CONSTRAINTS

Dining-out culture and tourism are core drivers of casual dining market

The wide range of cuisines that exists in Hong Kong has encouraged the development of a dining-out culture that is a major appeal to both tourists and residents. Business travellers contribute most to high-end restaurants while tourists form the main clientele for full-service restaurants in shopping malls and around tourist attractions. Mainland Chinese who visit Hong Kong usually stay a day or two and have largely contributed to the revenue growth of full service restaurants, particularly the casual dining ones offering Chinese cuisine.

Given the ready accessibility and affordability of food in Hong Kong, this trend has caused the development of large mass foodservice segment often comprising large chains that operate many outlets. These restaurants not only provide fast service, and are conveniently located near commercial and residential areas, but offer value-for-money products. Industry sources say that higher growth is thus to be expected in this fast service segment, a trend boosted by the shrinking size of the family and the increase of two-person households. The changes in Hong Kong's household structure has resulted in fewer households preparing home-cooked meals at home versus dining out, as eating out becomes more convenient to these smaller households. Also, as these smaller households are usually young working adults who work long hours and with the increase in dining out, it will be more financially sustainable having their meals at the relatively affordable casual dining restaurants as compared to more expensive dining alternatives.

INDUSTRY OVERVIEW

Softer rentals offer chance for restaurants to undergo transformation

Foodservice will also see dynamic changes as restaurant operators take advantage of softer rentals to undergo transformation of outlet formats, menu, and strategic locations. For example, in 2013, a casual dining, full-service, Italian restaurant from Japan offering Italian food at low prices started swiftly expanding from 7 to 22 outlets within three years. The restaurant chain managed to maintain customer satisfaction in terms of food and services while keeping costs and prices down. As a result, the restaurant substantially benefited from the frequent dining habits of Hong Kong people, and the strategic locations of the 22 restaurants recorded high traffic on average compared with other full-service restaurants.

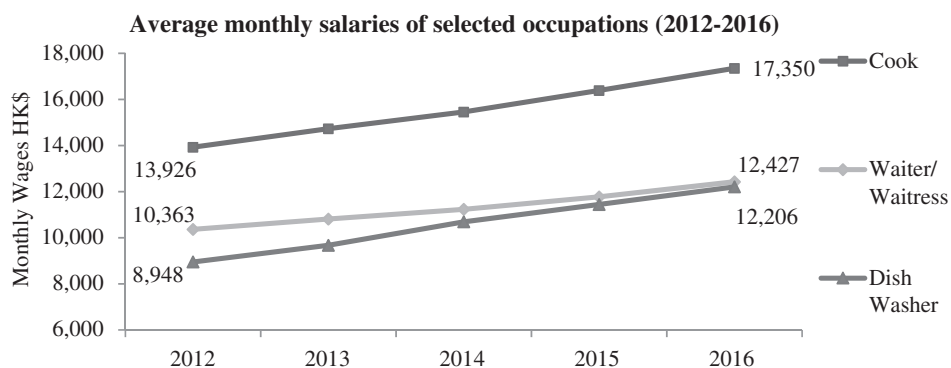
Consumer sophistication will see demand for novel dining experience

As consumers become more sophisticated in their dining preferences, many Hong Kong residents and tourists are expected to demand value-for-money dining propositions ranging from novel dining experiences, to food quality, to world-class customer service. Experience such as good ambience, authenticity of cuisine, use of the latest technology, and novelty of place are some of the desirable characteristics of a restaurant that consumers look for. Restaurants will be compelled to meet this growing demand or risk losing their customers to competitors that are able to provide the desired experience. With the Group's Grand Avenue Café and La Dolce restaurants serving a variety of non-local cuisines in a modern setting, the Group will benefit from consumers looking for cuisines apart from the more common local dishes for added mealtime varieties.

Labour cost continues to squeeze operators' profits

In 2015, the Hong Kong government revised the territory's minimum wage upwards from HK\$30.0 per hour to HK\$32.5 per hour. The increase had an immediate impact on the foodservice industry, especially fast-food chains and mass-market Chinese restaurants that hire low-skilled workers at minimum wage. Foodservice operators had to absorb the wage hike adding to their operating costs.

Casual dining restaurants have been compelled to squeeze their margins as labour costs continue to climb. The average wage for cooks, waiters and waitresses and dishwashers has all grown significantly, of which, wages for dish washers has grown the fastest at a CAGR of 8.1% between 2012 and 2016. As a result, the industry is seeing a trend of outsourcing dishwashing tasks to specialised companies. Many industry players are also adopting central kitchens in order to decrease their costs and increase operational efficiency. In addition, technology has been introduced to help absorb the impact of higher wages. Some restaurants now use apps to take customers' orders or reservations, which help decrease a restaurant's reliance on workers.



Source: Census and Statistics Department Hong Kong

INDUSTRY OVERVIEW

KEY FACTORS OF OPERATIONS

Manpower shortage a major constraint on full-service industry

Manpower shortage and high staff turnover have been among the major problems plaguing full service restaurants, with some restaurants commenting that high worker turnover is their biggest headache. As customer service within the foodservice industry is seen as an unglamorous occupation in Hong Kong, restaurant operators are forced to look for workers from mainland China. But this is made difficult by tightening cross-border labour restrictions, adding to their problem of trying to balance a high staff turnover due to competition in staff recruitment. This problem is acutely felt by the lower-end to mid-scale restaurants as premium full-service restaurants generally have the means to pay more to retain staff.

Increased MPF contribution raises operating costs

The MPF is a compulsory pension fund intended as a major protection scheme for the aged and retired residents. Employees and employers who are covered by the MPF system are each required to make regular mandatory contributions calculated at 5.0% of the employee's relevant income to an MPF scheme. The Hong Kong Government has recently raised the maximum relevant income level to HK\$30,000.0 per month in conjunction with employer/employee contributions to the Mandatory Provident Fund (MPF); while the minimum level remains at HK\$7,100.0. The move is expected to increase the payroll expenditure of employers.

Workers' unions demanding minimum wage review every year

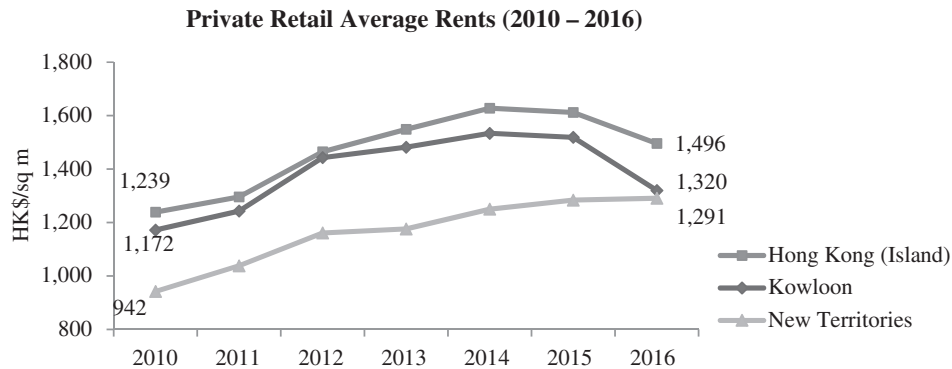
The Hong Kong government requires employers to conduct salary reviews for low-wage employees once every two years. This has been disputed by workers' representatives as inadequate, proposing that the minimum wage should be reviewed annually instead as wages have failed to keep up with inflation, having increased by 42.0% from 2003-2016 while inflation had increased by 44.0%. The contentious minimum wage law is expected to result in continuing pressure on operating costs for the casual dining full-service restaurant industry. This will in turn depress profit margins and potentially put smaller, low performing restaurants at risk of closing their business.

Rental prices for retail locations continue to dip after 2015

In tandem with the heated property market, retail rentals experienced consistent year on year increases peaking in 2012, when the rise in the average per meter square rental rate went up by double digits. However, in 2015 the general economy slowed down, giving restaurant operators some respite. Rental rates fell marginally for the first time within the Hong Kong Island and Kowloon regions by -0.8% and -1.0% respectively. In 2016 retail property prices continued to decline by -7.2% and -13.1% on Hong Kong Island and Kowloon regions respectively, in line with a weakening economy, declining retail sales and tourist arrivals, and stagnant real household income growth.

Some casual dining restaurant owners interviewed by Euromonitor feel that there has been no major drop in rentals since 2015, and that the property market seems to be rising again. The 2015-2016 decline did not really help them as most have signed long-term contracts with their landlords, usually one to three years and some up to 6 years, and the contracts have yet to expire. They say seasoned landlords use professional teams to look after their portfolios who predicted the drop before it actually happened. Some landlords extended their usual contract period – from two to three years or even longer – during the peak of the rental market in 2014 and forced many restaurant operators to continue to pay high rates for the following few years. The decline in rentals benefited only new players who entered the market during the past two years.

INDUSTRY OVERVIEW



Source: Rating and Valuations Department of Hong Kong, Property Market Statistics

GOVERNMENT REGULATION AND LEGISLATION

Hong Kong is often considered one of the freest economy and most business-friendly cities in the world in terms of laws and regulations. This encourages business start-ups in most industry sectors including foodservice. Corporate taxes are capped at 16.5%, comparing favourably with Singapore (17.0%) and mainland China (25.0%).

Regulated by the Food and Environmental Hygiene Department (FEHD), the licences required to operate a foodservice business depends on the nature of the food outlet. Where applicable, these would include a “general restaurant licence”; “light refreshment licence”; or “food factory licence”. These licences are valid generally for a period of one year, and subject to payment of the prescribed licence fees and continuous compliance with the requirements under the relevant legislation and regulations. Restaurants which intend to sell liquor/ alcoholic beverages for consumption on premises must also obtain a ‘liquor licence’ issued by the Liquor Licensing Board. This license usually takes approximately two to three months to process.

Apart from the licensing requirements, other compliances applicable to full-service restaurants include:

- Environmental regulatory compliance
- Restricted food permit
- Demerit point system (for violations of food hygiene/safety standards)
- Hygiene manager and hygiene supervisor scheme
- Employees’ compensation
- Occupational safety and health
- Prevention of Bribery Ordinance (POBO)
- Smoking ban for indoor places (including restaurants)

INDUSTRY OVERVIEW

SUPPLIER RELATIONSHIPS AND INGREDIENT PRICES

Price movements of raw ingredients influenced by import prices

Full service restaurants depend heavily on food ingredients such as seafood, meat and poultry, and vegetables. With the exception of rice, all the ingredient groups listed in the table below displayed a general increase in prices from 2011 to 2016, as reflected with the rising CPI. The prices of other fresh sea products rose the most over the review period at a CAGR of 10.3%, followed by poultry products at 7.1% and beef products at 6.8%. Only the price of rice has declined in the past 5 years, registering a 1.3% CAGR decline.

The CPI levels are closely linked to the import prices of these ingredients since they are mostly imported from overseas. Mainland China is the leading supplier of fresh produce to Hong Kong. The upward trend of the CPI on the food ingredients for the most part of the review period would affect the cost of living in Hong Kong as well as the business cost of full service restaurants. Rising raw ingredient prices often lead to restaurants passing the cost on to consumers through higher menu prices. However, the intense competition in the restaurant industry may limit how much that could be done. Hence, the increase in operating cost is mainly absorbed by restaurant operators.

Operators prefer flexibility of multiple suppliers

Interviews with restaurant operators and food ingredient suppliers suggest that restaurants obtain their ingredients from multiple suppliers depending on the food type. That gives the restaurants more options and flexibility to partner with the best fitting suppliers in Hong Kong. Each restaurant business has a different operating model. Some will source from local distributors, some from overseas distributors and some even import their own ingredients. For example, vegetables, fruits, fresh meat and fish are usually sourced from local market distributors. Frozen meat is usually sourced from the major distributors who import from overseas. Wines may be bought directly from the importers, and other alcoholic and non-alcoholic beverages usually from beverage dealers who provide all kinds of beverage as one-stop beverage suppliers.

Credit lines mainly offered to big restaurant operators

Depending on the bargaining power of the restaurant operators, suppliers generally do not accept credit payment for small or single restaurant outlet purchases. Suppliers are increasingly cautious when extending credit lines to the average customer due to the high-risk nature of the restaurant business in Hong Kong. But they are amicable when interacting with large restaurant chains or restaurant groups. Credit lines are usually only available to the larger players. The typical credit period for large restaurant operators is two months or 60 days.

No long-term contract between restaurant operators and suppliers

According to trade sources, restaurants do not typically engage in legally binding long-term contracts with suppliers. Long-term contracts are not widely practised in Hong Kong due to the abundance of suppliers. Restaurant owners also prefer to have greater flexibility with their suppliers in hopes of securing the best price for premium produce for their customers. In spite of the informal nature of the supplier-restaurant relationship, restaurants that do engage in long-term informal partnerships with their regular suppliers rarely switch supplier so as to get the first pick at fresh produce, and ensure quality ingredients on their customers' plate.

INDUSTRY OVERVIEW

Table 2 The Consumer Price Index for Certain Food Ingredients in Hong Kong (October 2014 – September 2015 = 100)

	2011	2012	2013	2014	2015	2016*	CAGR 2011-2016
Salt-water fish	82.1	89.5	91.0	96.4	105.2	100.5	4.1%
Fresh-water fish	91.4	92.1	92.8	100.8	97.5	97.6	1.3%
Other fresh sea products	64.7	75.0	88.8	93.5	99.8	105.6	10.3%
Pork	99.0	98.2	98.4	99.3	106.1	114.8	3.0%
Beef	74.4	95.5	98.8	100.3	101.0	103.7	6.9%
Poultry	77.9	82.0	82.4	93.0	104.2	109.8	7.1%
Frozen meat	94.7	96.3	97.7	99.6	98.7	99.3	1.0%
Fresh vegetables	87.0	97.9	99.4	96.7	104.4	107.1	4.2%
Bread, cakes, biscuits and puddings	88.5	91.1	94.6	98.3	101.8	104.0	3.3%
Rice	102.8	98.3	100.0	100.6	97.5	96.3	-1.3%

Source: The Census and Statistics Department of Hong Kong

* Euromonitor will include the relevant 2016 historic datasets if they are found to be published by the relevant source during the course of the research

BARRIERS TO ENTRY

Sufficient capital required for operators to survive

The pro-business regulatory environment encourages new players to enter the food business. However, trade sources say that only 10.0% to 15.0% of all newly opened restaurants each month will survive the first two years. After that they still need sufficient funding from private or public stakeholders to ensure their continued survival in the subsequent years.

Management of major cost and manpower issues vital to new entrants

The many challenges facing the restaurant industry go beyond menu design and dining concepts to keep the customer happy. They often involve revolving issues of cost such as staff's wages, increase in rentals and prices of food ingredients. Industry players say that salary and rent have been the most significant cost for the restaurant industry for a long time. Other problems faced by restaurants concern severe manpower shortage and a high staff attrition rate.

Chains likely to dominate industry given economies of scale

Industry sources say that current market conditions tend to favour chained operations, which have better resources than independents. Chains have bigger budgets and greater human resources. For example, they have head offices and usually a management team to oversee the different business aspects of the entire group. They have a sufficient budget for marketing and advertising, and can achieve better public relations mileage as a group with regard to coverage by the media. Chains are also better able to attract talent and to pay higher wages. They have great bargaining power with suppliers and landlords. During low rental periods chains may have the opportunity to even aggressively expand, and in a bad economy may be able to share the overhead costs among their member outlets. In addition, chains usually revolve their foodservice operations around a central kitchen that affords cost efficiency as well as maintaining consistency in standards in all their outlets.

INDUSTRY OVERVIEW

FUTURE OPPORTUNITIES AND CHALLENGES

Marginal growth expected for full-service restaurants

The outlook for full service restaurants is slightly optimistic, with rental cost on the down trend and slower pace of new entrants to the market. Leading foodservice operators responded swiftly in their strategies to the sluggish economy and retail sales performance in 2015 and are generally optimistic about the prospects in Hong Kong. Many full-service restaurants have transformed themselves into casual dining concepts in order to cater for a growing number of cost-conscious consumers, just as innovative menu and unique dining experiences are also expected to be introduced.

Asian restaurants continue to drive industry growth

The Asian full-service restaurant segment will continue to dominate the foodservice industry due to the ethnic Chinese majority in Hong Kong. The segment is expected to reach a total sales volume of HK\$54.1 billion in 2020. Non-Asian restaurants are also expected to continue growing but at a slower pace, and to reach a sales volume of HK\$15.8 billion in 2020.

Non-Asian full service restaurants will be the main driver of the ongoing ‘food globalisation’ effect, spearheaded by operators who offer new and exotic foreign cuisines to excite consumer interest, and to carve out niche markets offering unique dining experiences. The introduction and reinvention of non-Asian cuisines by premium full service operators will further appeal to the average, well-travelled and educated Hong Kong consumer desiring novel dining experiences.

Weak tourism outlook continues to limit growth of full-service restaurant revenues

Despite the Hong Kong Tourism Board’s efforts to diversify its tourist portfolio, reliance on travellers from mainland China will persist over the next few years. Severe competition from other travel destinations such as Japan, South Korea and even Europe will continue to divert Chinese tourists from Hong Kong. On the other hand, the slowing Chinese economy also means that Chinese tourists are less prone to big spending in Hong Kong. As a result, tourists’ restaurant bills will continue to bolster marginal growth in the near future. According to Hong Kong Tourism Board, tourists spending on meals outside hotels grew at only 0.8% in 2015, a sharp decline from 7.3% in 2014.

Labour shortage continues to hinder staffing operations

Shortage of quality customer service staff is expected to continue daunting restaurant operations in Hong Kong. Customer service within the foodservice industry is perceived as a lowly occupation by the locals. This forces operators to rely on hires from mainland China subject to tightening cross-border labour restrictions, even as operators try to cope with high staff turnover due to a competitive recruitment environment. Though staff replacement remains a key challenge to foodservice operators, premium full-service restaurants are relatively sheltered from it as many are willing to pay more to retain good service teams.

According to figures from the Census and Statistics Department of Hong Kong for December 2016, the accommodation and food services sectors had 13,360 vacancies, or a vacancy rate of 4.7%. This was the highest out of 14 industries for which official data were available.

INDUSTRY OVERVIEW

User generated reviews pose as double-edge sword to restaurant's reputation

Social media platforms have transformed the nature of word-of-mouth marketing to become a double-edged sword. Independent restaurants could become overnight sensations through viral marketing while established chains with international brands could be scoffed by a misstep. The development of online advertisements, mobile applications and rise of amateur gourmet blogs has helped to raise and maintain the overall popularity of full service restaurants. However, restaurants who are disengaged with the online community risk being labelled as untrendy or obsolete. Overall, full service restaurant operators say they have benefited from social media and believe that both chained and independent operators stand to gain in the short and long term.

COMPETITIVE LANDSCAPE

A highly competitive and fragmented industry

The casual dining full service restaurant industry in Hong Kong is highly competitive and fragmented numbering 2,425 outlets as of 2016, with the top five leading operators commanding 173 outlets, or only 7.1% of the total outlet count. This demonstrates the scale of fragmentation of the casual dining industry, consisting of both chained and independent restaurants, having to compete for a very small share of the market. However, the estimated combined sales of these top five operators' casual dining restaurants are un-proportionally larger, having a combined market share of 30.1%, supporting the trend of chained restaurants tending to do better in the industry. With more resources, chained restaurant operators are able to reap economies of scale, standardise management processes, and further invest in branding, marketing and decor of the restaurants.

Market leaders reap benefits from scale and central kitchen

The leading competitors in the casual dining scene in Hong Kong are usually operators with multiple chain restaurants, focused primarily on a relaxed dining atmosphere with low to mid-price points to target the broader mass market, and usually have at least one chain that serves Chinese cuisine followed by different cuisine types across the different chains. The size of the operators would mean that they have more capital and resources to be moved between outlets, as well as availability of investment in technology to increase productivity and reduce dependence on the constant labour-related concerns.

Hong Kong well positioned for franchises to enter the market

Hong Kong is well positioned for franchising in joint-ventures between international franchisors and local companies. Franchising is very popular for international brands as a way to enter the Hong Kong market through partnerships with local franchises. At the end of 2015, the Hong Kong Trade Development Council held a trade event to create opportunities for the development of international foodservice brands in Hong Kong, and to help build franchise partnerships. Many popular chained restaurants from the region and international brands showed much interest in expanding into the Hong Kong market. Nevertheless, foodservice franchises face increasing challenges in maintaining the consistency of food and service quality, as well as in combating the high rental and labour costs in Hong Kong.

INDUSTRY OVERVIEW

Table 3 Ranking of Leading Casual Dining Full-service Restaurant Operators in Terms of Foodservice Value in Hong Kong, 2016 Historic

Ranking	Restaurant operators	Listed or Private Company	Number of outlets of casual dining restaurants	Brief competitor information	Estimated Foodservice value in 2016 (HK\$ mn)	Market Share of Casual Dining Full-Service Restaurants
1	Operator A	No	65	Established in 1956, the company operates a few chains of Chinese, Asian and European restaurants.	1,757.4	14.1%
2	Operator B	No	19	Established in 1986, the company now operates a few chains of Chinese and Japanese restaurants and cafes.	646.7	5.2%
3	Operator C	No	30	Established in 2004, the company operates a few chains of Japanese restaurants.	511.6	4.1%
4	Operator D	Yes	18	Established in 1991, this company operates a few chains of Chinese, Japanese and Western cuisine restaurants, cafes and bakeries.	451.4	3.6%
5	Operator E	No	41	The first restaurant opened by this company in Hong Kong was in 1981, and now the group operates a chain of western cuisine restaurants among other businesses.	382.7	3.1%
	Others					<u>70.0%</u>
	Total					<u><u>100%</u></u>

Source: Passport Data 'Consumer Foodservice' 2017 Edition

Note: Audited data if available is usually not market/service specific and includes other products/services. Leading market players' ranking will therefore be estimated on publicly available data and the trade opinion survey (not just the companies themselves).

The Group is strong in the casual dining scene with advantages of chain restaurants

The competition among restaurants are tough in Hong Kong with thousands of outlets in the casual dining scene, leaving the Group to hold an estimated 1.1% market share of the casual dining full service restaurants segment in Hong Kong based on the interviews and revenues provided by the Group. However, the Group has several advantages over smaller operators similar to their larger chain restaurant competitors, such as having multiple chains in different cuisine types, a substantial outlet count and a centralized food processing kitchen among others. These advantages give the Group several benefits to be successful in this tough industry environment, by gaining bargaining power with landlords to control rental costs, achieve consistent food quality and reap productive efficiencies with a central kitchen.

Typical challenges that are likely to be faced by all industry players will include the weak economy, declining tourism arrivals, high rental costs and turnover rates. The Group having a strong foothold in the casual dining industry is an advantage over other segments in the restaurant industry, as when the economy weakens, consumers tend to spend less on fine dining restaurants, and shift to more affordable casual eateries. Also, with the Group's restaurants focused on local mass market consumers, majority of the outlet locations are in places with high local traffic in Kowloon and New Territories region, rather than tourist areas. These chosen outlet locations have double benefits, being cheaper in rental costs compared to Hong Kong Island, and the issue of declining tourism will not pose as a major challenge to the Group's business due to the lower ratio of tourist customers.

REGULATORY OVERVIEW

REGULATORY FRAMEWORK

The following sets forth the most significant aspects of Hong Kong laws and regulations relating to the Group's business operations.

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

- (a) food licence, including general restaurant licence or light refreshment licence for restaurant operation and food factory licence for our central kitchen, which are required to be obtained before commencement of the relevant food business operation;
- (b) liquor licence, which is to be obtained before commencement of sale of liquor in the restaurant premises; and
- (c) water pollution control licence, 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.

Health and Safety Regulatory Compliance

General restaurant licence

Any person operating a restaurant in Hong Kong is required to obtain a restaurant licence from the FEHD under the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and the FBR before commencing the restaurant business. It is provided under section 31(1) of the FBR that except under and in accordance with a licence granted by the Director of Food and Environmental Hygiene under the FBR, no person shall carry on or cause, permit or suffer to be carried on, among others, any food factory or restaurant business. 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 licence. 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 licences 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 licence.

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

REGULATORY OVERVIEW

Light refreshment licence

The light refreshment restaurant licence restricts the licensee to prepare and sell for consumption on the premises certain kinds of the food items as set out in Appendix B in “A Guide To Application For Restaurant Licences” published by the FEHD. The light refreshment licence is obtained from the FEHD and governed by the FBR. It is provided under Regulation 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 general restaurant licence. 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 licence. Prior to the issue of a light refreshment licence, the FEHD will also consult the Buildings Department and the Fire Services Department in assessing the suitability of premises for use as a restaurant, for the purpose of which the fulfilment of the Buildings Department’s structural standard and the Fire Services Department’s fire safety requirement are considered.

Food factory licence

In respect of the Group’s central kitchen in Hong Kong, we are required to obtain a food factory licence from the FEHD under the FBR. The FEHD may grant a provisional food factory licence 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 licence.

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

Restricted food permit

Under sections 31(1), 31(A) and Schedule 2 of the FBR and according to the guideline of the FEHD, 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.

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 licenced premises, the licence in respect of such licenced premises will be subject to suspension for seven days (“**First Suspension**”);

REGULATORY OVERVIEW

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

Hygiene manager and hygiene supervisor scheme

To strengthen food safety supervision in licenced food premises, the FEHD has introduced the HM and HS Scheme.

The requirements

Under the HS Scheme, all large food establishments and food establishments producing high risk food are required to appoint a HM and a HS; and all other food establishments are required to appoint either a HM or a HS. General restaurants which accommodate over 100 patrons are required to appoint a HM and a HS.

Training/appointment of HM and HS

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

REGULATORY OVERVIEW

Liquor Regulations

Liquor licence

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

A liquor licence 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.

Environmental Regulations

Water Pollution Control Licence

In respect of the Group's business in Hong Kong, the Group is required to obtain water pollution control licence from the EPD prior to any discharge of trade effluents under the 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 licence. A water pollution control licence 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.

REGULATORY OVERVIEW

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

Other general regulations relating to the Group's business

Mandatory Provident Fund ("MPF") Schemes

The MPF schemes are defined contribution retirement scheme managed by authorised independent trustees. The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) provides that an employer shall participate in an MPF scheme and make contributions for its employees aged between 18 and 65. Under the MPF scheme, an employer and its employee are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. The maximum level of relevant income for contribution purposes is currently HK\$30,000 per month or HK\$360,000 per year.

Employees' compensation

The ECO establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under section 5 of the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, according to section 32 of the ECO an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents. According to section 40 of the ECO, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the ECO and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the ECO to secure an insurance cover is liable on conviction to a fine of HK\$100,000 and imprisonment for two years. The Directors confirmed that as at the Latest Practicable Date, employee compensation insurance has been obtained for all of our employees.

According to section 48 of the ECO, an employer shall not, without the consent of the Commissioner for Labour, terminate, or give notice to terminate, the contract of service of an employee (who has suffered incapacity or temporary incapacity in circumstances which entitle him to compensation under the ECO) before occurrence of certain events.

REGULATORY OVERVIEW

Minimum wage

The MWO provides for a prescribed minimum hourly wage rate for every employee employed under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). With effect from 1 May 2017 the statutory minimum wage was increased to HK\$34.5 per hour. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the MWO is void.

Occupiers liability

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

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of a premise to take reasonable care of the premise in all circumstances so as to ensure that visitor to the premise will be reasonably safe in using the premises for the purposes for which it is permitted by the occupier to be there.

Occupational safety and health

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- providing and maintaining plant and work systems that are safe and without risks to health;
- making arrangement for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a working environment that is safe and without risks to health.

REGULATORY OVERVIEW

The Commissioner for Labour may also issue improvement notices against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), or suspension notices against activity of workplace which may create imminent hazard to the employees.

Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations (Chapter 59V of the Laws of Hong Kong) (“FIU(F)R”)

The FIU(F)R ensures that the proprietor of every workplace shall maintain a means of escape from the workplace in good condition and free from obstruction. Under Regulation 5(1) of the FIU(F)R, the proprietor of every notifiable workplace shall maintain in good condition and free from obstruction every doorway, stairway and passageway within the workplace which affords a means of escape from the workplace in case of fire.

Factories and Industrial Undertakings (Lifting appliances and lifting gear) Regulations (Chapter 59J of the Laws of Hong Kong) (“FIU(LALG)R”)

The FIU(LALG)R sets out the requirements for the testing and examination of lifting appliances and lift gear (except a hoist) used for raising or lowering or as a means of suspension in any industrial undertakings. A lifting appliance is defined to mean, among other things, a winch. Regulation 5 of the FIU(LALG)R requires the owner of a lifting appliance to ensure that a lifting appliance is not used unless it has been thoroughly examined by a competent examiner at least once in the preceding 12 months, and a certificate in the approved form in which the competent examiner has made a statement to the effect that it is in safe working order has been obtained.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

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

REGULATORY OVERVIEW

Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

The Competition Ordinance is to prohibit conduct that prevents, restricts or distorts competition in Hong Kong; to prohibit mergers that substantially lessen competition in Hong Kong, and to provide for incidental and connected matters.

The Competition Ordinance includes the first conduct rule, which states that an undertaking shall not make or give effect to an agreement, engage in a concerted practice, or, as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong, and the second conduct rule, which prohibits anti-competitive conduct by a party with substantial market power; and the merger rule, which states that an undertaking that has a substantial degree of market power in a market must not abuse that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. Upon breach, the Competition Tribunal may impose against offenders pecuniary penalty, director disqualifications, and prohibition, damage and other orders.

The Directors confirmed that the Group has obtained all relevant licences, certificates and permits as required under the relevant laws and regulations in Hong Kong for the Group's business operations in Hong Kong 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.

HISTORY, REORGANISATION AND GROUP STRUCTURE

HISTORY

Our co-founders, Ms. SH Wong and Mr. MF Wong, opened a restaurant in 1998 selling mainly rice noodle, curry and set meals under the name “美食特區 (Food Deli Special Zone)”. Leveraging on the popularity of rice noodle in “美食特區 (Food Deli Special Zone)”, which is no longer in operation, Ms. SH Wong and Mr. MF Wong ventured to explore the idea of opening our Group’s first Marsino restaurant.

In 2003, we opened the first Marsino restaurant in Mongkok based on our management’s experience gained in the operation of “美食特區 (Food Deli Special Zone)” which laid the foundation of our Group.

We opened the first La Dolce restaurant at Metro Town Shopping Mall in Tiu Keng Leng in 2010 in order to diversify our food services into different cuisine. Based on the success of the first La Dolce, the second and third were opened in 2012 in Ma On Shan and 2013 in Shatin respectively with the fourth in 2016 in Tseung Kwan O.

In June 2014, the first Grand Avenue was opened at Tsuen Wan Citywalk I to provide high quality Thai cuisine in a modern western atmosphere. Grand Avenue grew with the opening up in 2016 of the second restaurant in Tseung Kwan O Plaza and the third by reforming the La Dolce restaurant at Metro Town Shopping Mall into the Grand Avenue restaurant. In October 2017, the fourth Grand Avenue restaurant was opened in Ma On Shan.

We are now operating 4 restaurants under the Marsino brand, 2 restaurants under the La Dolce brand and 4 restaurants under the Grand Avenue brand.

In order to maintain the food quality especially the unique Marsino taste, we established our central kitchen as early as in 2007 to support our Marsino restaurants. Further, to lower the food costs by bulk purchase, we intend to monitor and control the quality of the food supplied to our restaurants with a view to enhance our service quality as well as customers satisfaction.

In 2012, we purchased a 5,748 sq.ft. factory premises to house our central kitchen for the expansion of the core Marsino brand and the newly established La Dolce restaurants. Such central kitchen was further expanded into a premises of 11,873 sq.ft., which premises at the same time also housed our offices, in the second half of 2015.

HISTORY, REORGANISATION AND GROUP STRUCTURE

BUSINESS MILESTONES

The following table sets out the key development and milestones of our Group since our establishment.

Year	Milestones
2003	We opened the first Marsino restaurant in Mongkok
2007	We established our central kitchen
2010	We opened the first La Dolce restaurant at Metro Town Shopping Mall in Tiu Keng Leng
2012	We commenced processing food in our central kitchen in the 5,748 sq.ft. self-owned property in Kwai Chung
2014	We opened the first Grand Avenue restaurant at Tsuen Wan Citywalk I
2015	We doubled the total floor area of our office and central kitchen to 11,873 sq.ft.

CORPORATE HISTORY

Upon completion of the Reorganisation, our Group comprised our Company and its subsidiaries, particulars of which are set out below:

Name of Subsidiary	Principal business activities	Date of Incorporation	Interest Attributable to our Group
Foodies Group Limited	Investment holding	14 February 2014	100%
Foodies Branding Limited	Trademarks holding	18 March 2014	100%
Foodies Management Limited	Provision of management services to group companies	31 March 2014	100%
Union Choice Limited	Provision of food processing services to group companies	20 May 2005	100%
All Happiness Limited	Restaurant operations	18 June 2015	70%
Access Smart Corporation Limited	Restaurant operations	5 February 2014	90%
Gold Pavilion Limited	Restaurant operations	19 March 2014	100%
Glory Fine Corporation Limited	Restaurant operations	22 June 2012	54%
Wealth Step Enterprise Limited	Restaurant operations	3 June 2008	100%

HISTORY, REORGANISATION AND GROUP STRUCTURE

Name of Subsidiary	Principal business activities	Date of Incorporation	Interest Attributable to our Group
Art Capital Limited	Restaurant operations	21 September 2012	100%
Sweetie Deli Garden Limited	Restaurant operations	8 July 2010	100%
Wealth Treasure Capital Investment Limited	Restaurant operations	30 October 2009	100%
Access Gear Investment Limited	Investment holding	5 November 2014	100%
C M of (Hong Kong) LCC Limited	Investment holding	4 October 2006	100%
Wealthy Development (Hong Kong) Limited	Property investment in Hong Kong	27 October 2004	100%
Jumbo Spirit Group Limited	Investment holding	5 October 2016	100%
Vast Dragon Asia Limited	Investment holding	9 October 2015	100%
Grace Wealth Holdings Limited	Property investment in Hong Kong	3 August 2009	100%
Pacific Best Enterprises Limited	Restaurant operations	29 March 2017	100%

Details of the corporate history of our Group is set out below:

Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 27 January 2017. As part of the Reorganisation, our Company has become the holding company of our Group.

For details of changes in the share capital of our Company, please refer to the paragraph headed “A. Further Information about our Group – 2. Changes in share capital of our Company” in Appendix V to this prospectus.

Foodies Group Limited

On 14 February 2014, FGL was incorporated in the BVI with limited liability. On 31 March 2014, 1,000 shares were allotted to Mr. Cheung Wai Yin Wilson at par value of US\$1.00 each who subsequently transferred 310 shares to Ms. SH Wong, 310 shares to Ms. LF Chow, 187 shares to Ms. ST Wong, 43 shares to Ms. Wong Shuet Ying and 150 shares to Ms. SC Wong on 30 March 2015 at an aggregate cash consideration of HK\$1,300,000 (such amount represented the investment amount contributed by Mr. Cheung Wai Yin Wilson to be reimbursed by the transferees on a pro-rata basis). Mr. Cheung Wai Yin Wilson is a long time friend of Ms. SH Wong and her family and in 2014 due to financial need of our Group, Mr. Cheung Wai Yin Wilson invested in our Group. In return, shares in UCL, which operates our Group’s central kitchen were transferred to FGL, which was then a company engaged in investment holding and wholly owned by Mr. Cheung Wai

HISTORY, REORGANISATION AND GROUP STRUCTURE

Yin Wilson. The Group continued to expand and established a number of subsidiaries including FBL, FML and GPL between 2014 and 2015. Mr. Cheung Wai Yin Wilson also provided guarantee in favour of the landlord of one of our Group's Marsino restaurants in Tin Shui Wai as he was the substantial shareholder of FGL at the time when the tenancy of the Marsino restaurant in Tin Shui Wai was entered into. As the financial position of our Group improved over time, our Group agreed with Mr. Cheung Wai Yin Wilson for the repurchase of shares in these companies by way of the acquisition of the entire issued share capital of FGL. Such transfers were completed and settled on 30 March 2015. On 7 December 2016, Ms. Wong Shuet Ying transferred her 43 shares at par value of US\$1.00 each to her son, Mr. SH Ma as family arrangement. Such transfer was completed and settled on 7 December 2016.

On 28 March 2017, as part of the Reorganisation, FGL allotted and issued 310 shares to Ms. SH Wong, 310 shares to Ms. LF Chow, 187 shares to Ms. ST Wong, 43 shares to Mr. SH Ma and 150 shares to Ms. SC Wong in consideration of the acquisition of the entire beneficial interests in WSEL, WTCIL, SDGL and ACL and 54% of the entire beneficial interests in GFCL from GLIL.

On 31 March 2017, as part of the Reorganisation, FGL allotted and issued 3,100 shares to Ms. SH Wong, 3,100 shares to Ms. LF Chow, 1,870 shares to Ms. ST Wong, 430 shares to Mr. SH Ma and 1,500 shares to Ms. SC Wong in consideration of the acquisition of the entire beneficial interests in JSGL and AGIL from Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Mr. SH Ma and Ms. SC Wong.

On 29 January 2018, as part of the Reorganisation, each of Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Mr. SH Ma and Ms. SC Wong transferred their respective interests in FGL to our Company in consideration of our Company allotting and issuing 9,000 Shares to MJL, which is owned by Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Mr. SH Ma and Ms. SC Wong, at their directions, credited as fully paid.

After the Reorganisation, FGL was 100% beneficially owned by our Company.

Foodies Branding Limited

On 18 March 2014, FBL was incorporated in Hong Kong as a limited liability company. At the time of its incorporation, 1 share was allotted and issued to Topworld (Corporate Services) Limited at HK\$1.00. On 31 March 2014, the one share was transferred at HK\$1.00 from Topworld (Corporate Services) Limited to FGL.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Foodies Management Limited

On 31 March 2014, FML was incorporated in Hong Kong as a limited liability company. At the time of its incorporation, one share was allotted and issued to Topworld (Corporate Services) Limited at HK\$1.00, which subsequently was transferred at HK\$1.00 to FGL on 1 April 2014.

Union Choice Limited

On 20 May 2005, UCL was incorporated in Hong Kong as a limited liability company. At the time of its incorporation, one share was allotted and issued to Gold Regal Development Limited at par value of HK\$1.00, which share was subsequently transferred at par value of HK\$1.00 to Ms. ST Wong on 9 June 2005.

Following various allotments and transfers since the date of its incorporation and up to 15 June 2010, UCL was held as to 75 shares by GLIL which is owned as to 31% by Ms. SH Wong, as to 31% by Ms. LF Chow, as to 18.7% by Ms. ST Wong, as to 15% by Ms. SC Wong and as to 4.3% by Ms. Wong Shuet Ying, mother of Mr. SH Ma and 26 shares by Mr. Lo Kin Wai, Terry, an Independent Third Party (other than being a shareholder of UCL), as at 15 June 2010.

On 1 April 2014, 75 shares were transferred from GLIL to FGL at a cash consideration of HK\$750,000 by reference to the investment amount contributed by the transferor. Such transfer was completed and settled on 1 April 2014.

On 19 May 2014, 26 shares were transferred from Mr. Lo Kin Wai Terry, a then joint venture partner, to FGL at a cash consideration of HK\$260,000 by reference to the investment amount contributed by the transferor. Such transfer was completed on 19 May 2014 and settled on 10 November 2016 and since then, UCL is 100% owned by FGL.

All Happiness Limited

On 18 June 2015, AHL was incorporated in Hong Kong as a limited liability company. At the time of its incorporation, one share was allotted and issued to GRL15 Limited at HK\$1.00. On 16 July 2015, the one share was transferred at HK\$1.00 to FGL.

On 7 July 2015, 6,999 shares were allotted and issued at HK\$1.00 each to FGL and 1,000 shares each were allotted respectively at HK\$1.00 each to Faith Great Limited, Mr. Yau Wai Leung and Mr. Luk Chi Sing, who were all individually an Independent Third Party (other than being shareholders of AHL).

Since then, AHL is a 70% owned subsidiary of FGL.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Access Smart Corporation Limited

On 5 February 2014, ASCL was incorporated in Hong Kong as a limited liability company. At the time of its incorporation, one share was allotted and issued to GRL14 Limited at par value of HK\$1.00, which share was subsequently transferred at HK\$1.00 to Ms. ST Wong on 20 March 2014.

Following various allotments and transfers since the date of its incorporation and up to 1 April 2014, ASCL was held as to 9,000 shares by FGL and 1,000 shares by Faith Great Limited, an Independent Third Party (other than being the substantial shareholder of ASCL), as at 1 April 2014. Since then, ASCL is a 90% owned subsidiary of FGL.

Gold Pavilion Limited

On 19 March 2014, GPL was incorporated in Hong Kong as a limited liability company. At the time of its incorporation, one share was allotted and issued at HK\$1.00 to Smart (Nominees Services) Limited. On 1 April 2014, one share was transferred at HK\$1.00 to FGL. Since then, GPL is 100% owned by FGL.

Glory Fine Corporation Limited

On 22 June 2012, GFCL was incorporated in Hong Kong as a limited liability company. At the time of its incorporation, one share was allotted and issued to GNL12 Limited at par value of HK\$1.00, which share was subsequently transferred to GLIL at par value of HK\$1.00 on 20 July 2012.

On 20 July 2012, GFCL allotted and issued at par value of HK\$1.00 each respectively, 20 shares to Ms. Yim Wan Ying, an Independent Third Party (other than being a shareholder of GFCL), 20 shares to Ms. Ng Siu Ying Christina, an Independent Third Party (other than being shareholder of GFCL) and 6 shares to Ms. Yeung Oi Kiu, a cousin of Ms. SH Wong and Mr. MF Wong, further to the allotment and issue of 53 shares at par value of HK\$1.00 each to GLIL on the same date.

As part of the Reorganisation, on 28 March 2017, GLIL transferred the 54 shares held by it to FGL in consideration of FGL allotting and issuing 1,000 shares in aggregate to the then shareholders of GLIL of the direction of GLIL for the acquisition of WSEL, ACL, SDGL, WTCIL and 54% of GFCL. Since then, GFCL is a 54% owned subsidiary of FGL.

Wealth Step Enterprise Limited

On 3 June 2008, WSEL was incorporated in Hong Kong as a limited liability company. At the time of its incorporation, one share was allotted and issued to GSL08 Limited at par value of HK\$1.00, which share was subsequently transferred to GLIL at par value of HK\$1.00 on 9 January 2009.

HISTORY, REORGANISATION AND GROUP STRUCTURE

After the allotment of 5 shares to GLIL and 4 shares to Mr. Lau Wai Hung, an ex-director of WSEL, at par value of HK\$1.00 each on 9 January 2009, the 4 shares held by Mr. Lau Wai Hung were transferred to GLIL at a cash consideration of HK\$356,941 by paying off the entire amount due from Mr. Lau Wai Hung to WSEL on 16 August 2016. Such transfer was completed and settled on the same date.

As part of the Reorganisation, on 28 March 2017, GLIL transferred the 10 shares held by it to FGL in consideration of FGL allotting and issuing 1,000 shares in aggregate to the then shareholders of GLIL at the direction of GLIL for the acquisition of WSEL, ACL, SDGL, WTCIL and 54% of GFCL. Such transfer was completed and settled on 28 March 2017. Since then, WSEL is a 100% owned subsidiary of FGL.

Art Capital Limited

On 21 September 2012, ACL was incorporated in Hong Kong as a limited liability company. At the time of incorporation, one share was allotted and issued to GNL12 Limited at par value of HK\$1.00, which share was subsequently transferred to GLIL at par value of HK\$1.00 on 2 November 2012.

Following various allotments and transfers since the date of its incorporation and up to 14 October 2014, ACL was held as to 100 shares by GLIL on 14 October 2014.

As part of the Reorganisation, on 28 March 2017, GLIL transferred the 100 shares held by it to FGL in consideration of FGL allotting and issuing 1,000 shares in aggregate to the then existing shareholders of GLIL at the direction of GLIL for the acquisition of the entire issued share capital of WSEL, ACL, SDGL, WTCIL and 54% of GFCL. Such transfer was completed and settled on 28 March 2017. Since then, ACL is a 100% owned subsidiary of FGL.

Sweetie Deli Garden Limited

On 8 July 2010, SDGL was incorporated in Hong Kong as a limited liability company.

Following various allotments and transfers since the date of its incorporation and up to 14 October 2014, SDGL was held as to 10,000 shares by GLIL on 14 October 2014.

As part of the Reorganisation, on 28 March 2017, GLIL transferred the 10,000 shares held by it to FGL in consideration of FGL allotting and issuing 1,000 shares in aggregate to the then existing shareholders of GLIL at the direction of GLIL for the acquisition of the entire issued share capital of WSEL, ACL, SDGL, WTCIL and 54% of GFCL. Such transfer was completed and settled on 28 March 2017. Since then, SDGL is a 100% owned subsidiary of FGL.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Wealth Treasure Capital Investment Limited

On 30 October 2009, WTCIL was incorporated in Hong Kong as a limited liability company. At the time of its incorporation, one share was allotted and issued to GSL09 Limited at par value of HK\$1.00, which share was subsequently transferred to Ms. SH Wong at par value of HK\$1.00 on 18 November 2009.

Following various allotments and transfers since the date of its incorporation and up to 14 October 2014, WTCIL was held as to 100 shares by GLIL on 14 October 2014.

As part of the Reorganisation, on 28 March 2017, GLIL transferred the 100 shares held by it to FGL in consideration of FGL allotting and issuing, credited as fully paid, 1,000 shares in aggregate to the then existing shareholders of GLIL at the direction of GLIL for the acquisition of the entire issued share capital of WSEL, ACL, SDGL, WTCIL and 54% of GFCL. Since then, WTCIL is a 100% owned subsidiary of FGL.

Access Gear Investment Limited

On 5 November 2014, AGIL was incorporated in the BVI with limited liability.

On 19 December 2014, 2,085 shares were allotted to Ms. SH Wong, 2,000 shares were allotted to Mr. Benson Hung an Independent Third Party (other than being a shareholder of AGIL), 1,655 shares were allotted to Ms. ST Wong, 150 shares were allotted to Ms. Wong Shuet Ying, 1,525 shares were allotted to Ms. SC Wong, 1,085 shares were allotted to Ms. LF Chow, 500 shares were allotted to Mr. Chan Sau Kit an Independent Third Party (other than being a shareholder of AGIL) and 1,000 shares were allotted to Mr. Sze Ching Yan an Independent Third Party (other than being a shareholder of AGIL), all at par value of US\$1.00 each.

On 9 February 2017, Mr. Benson Hung transferred his 2,000 shares to Ms. LF Chow, and Ms. SC Wong transferred her 25 shares as to 15 shares to Ms. LF Chow and as to 10 shares to Mr. SH Ma, all at par value of US\$1.00 each. On 11 February 2017, Mr. Chan Sau Kit transferred his 15 shares to Ms. SH Wong, 215 shares to Ms. ST Wong and 270 shares to Mr. SH Ma and Ms. Wong Shuet Ying transferred her 150 shares to Mr. SH Ma, all at par value of US\$1.00 each. On 25 February 2017, Mr. Sze Ching Yan transferred his 1,000 shares to Ms. SH Wong at par value of US\$1.00 each. As a result of the above transfers, AGIL was held as to 3,100 shares by Ms. SH Wong, 3,100 shares by Ms. LF Chow, 1,870 shares by Ms. ST Wong, 430 shares by Mr. SH Ma and 1,500 shares by Ms. SC Wong on 25 February 2017. All the transfers were completed and settled respectively on 9, 11 and 25 February 2017.

HISTORY, REORGANISATION AND GROUP STRUCTURE

As part of the Reorganisation, on 31 March 2017, Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Mr. SH Ma and Ms. SC Wong transferred all the shares held by them individually in AGIL to FGL in consideration of FGL allotting and issuing 5,000 shares in aggregate to Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Mr. SH Ma and Ms. SC Wong for the acquisition of the entire issued share capital of AGIL and JSGL. Such transfers were completed and settled on 31 March 2017. Since then, AGIL is a 100% owned subsidiary of FGL.

C M of (Hong Kong) LCC Limited

On 4 October 2006, CM was incorporated in Hong Kong as a limited liability company.

Following various allotments and transfers since the date of its incorporation and up to 15 December 2014, CM was held as to 10,000 shares by AGIL on 15 December 2014. Since then, CM is a 100% owned subsidiary of AGIL.

Wealthy Development (Hong Kong) Limited

On 27 October 2004, WDL was incorporated in Hong Kong as a limited liability company. At the time of its incorporation, 100 shares was allotted and issued to Ms. ST Wong at par value of HK\$1.00 each.

Following various allotments and transfers since the date of its incorporation and up to 14 December 2014, WDL was held as to 10,000 shares by CM on 14 December 2014. Since then, WDL is a 100% owned subsidiary of CM.

Jumbo Spirit Group Limited

On 5 October 2016, JSGL was incorporated in the BVI with limited liability.

On 30 December 2016, JSGL allotted and issued at par value of US\$1.00, 310 shares to Ms. SH Wong, 310 shares to Ms. LF Chow, 187 shares to Ms. ST Wong, 43 shares to Mr. SH Ma and 150 shares to Ms. SC Wong on 30 December 2016.

As part of the Reorganisation, on 31 March 2017, Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Mr. SH Ma and Ms. SC Wong transferred respectively all the shares held by them individually in JSGL to FGL in consideration of FGL allotting and issuing, credited as fully paid, 5,000 shares in aggregate to Ms. SH Wong, Ms. LF Chan, Ms. ST Wong, Mr. SH Ma and Ms. SC Wong for the acquisition of the entire issued share capital of AGIL and JSGL. Since then, JSGL is a 100% owned subsidiary of FGL.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Vast Dragon Asia Limited

On 9 October 2015, VDAL was incorporated in Hong Kong as a limited liability company. At the time of its incorporation, one share was allotted and issued to GRL15 Limited at HK\$1.00, which share was subsequently transferred to GLIL at HK\$1.00 on 1 February 2016.

On 31 January 2016, 5,099 shares and 4,900 shares were allotted and issued to GLIL and Mr. Chong Yan Kit, an ex-director of VDAL, respectively, and both of them subsequently transferred their shares to JSGL at HK\$1.00 each on 9 January 2017. Such transfers were completed and settled on 9 January 2017. As a result, VDAL was held as to 10,000 shares by JSGL on 9 January 2017 and has become a 100% owned subsidiary of JSGL since then.

Grace Wealth Holdings Limited

On 3 August 2009, GWHL was incorporated in Hong Kong as a limited liability company. At the time of its incorporation, one share was allotted and issued to GNL09 Limited at par value of HK\$1.00, which share was subsequently transferred to GLIL at par value of HK\$1.00 on 2 October 2009.

On 18 June 2012, GLIL transferred 1 share to Ms. SH Wong at par value of HK\$1.00 and on the same day, she was allotted 28 shares at par value each. On the same day, 29 shares were allotted to Ms. SC Wong, 15 shares were allotted to Ms. ST Wong, 10 shares were allotted to Mr. MF Wong, who holds such shares on trust for his spouse Ms. LF Chow, 10 shares were allotted to Mr. Chan Sau Kit, 5 shares to Ms. Yeung Oi Kiu and 2 shares to Ms. Wong Shuet Ying, all at par value of HK\$1.00 each.

On 14 February 2017, Ms. SC Wong, Ms. ST Wong, Mr. MF Wong, Mr. Chan Sau Kit, Ms. Yeung Oi Kiu and Ms. Wong Shuet Ying respectively transferred all their shares to VDAL, such transfers were completed and settled on the same date, since then, GWHL was held as to 100 shares by VDAL on 14 February 2017 and has become a 100% owned subsidiary of VDAL since then.

Pacific Best Enterprises Limited

On 29 March 2017, PBEL was incorporated in Hong Kong as a limited liability company. At the time of its incorporation, one share was allotted and issued to Acota Services Limited. On 29 August 2017, one share was transferred to FGL. Since then, PBEL is 100% owned by FGL.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Pre-IPO Investment

On 16 March 2017, our Company, the Pre-IPO Investor and Ms. ST Wong (as guarantor) entered into the Subscription Agreement, pursuant to which the Pre-IPO Investor agreed to subscribe for and our Company agreed to allot and issue 2,000 shares of HK\$0.01 each in our Company, representing approximately 18.2% of our Company's then issued share capital before completion of the Reorganisation as enlarged by the allotment and issue of subscription shares pursuant to the Subscription Agreement or 10% of our Company's then issued share capital immediately after completion of the Reorganisation, for an aggregate cash consideration of HK\$8,000,000 which had been completed and settled in two tranches on 21 March 2017 and 21 April 2017 respectively. The key terms and particulars of the Subscription Agreement are set out below:

Name of the Pre-IPO Investor	:	Charm Dragon Investments Limited
Date of Subscription Agreement	:	16 March 2017
Amount of consideration paid	:	HK\$8,000,000
Settlement date of the consideration	:	21 March 2017 and 21 April 2017 respectively
Total number of shares to be held by the Pre-IPO Investor upon Listing	:	60,000,000
Cost per Share paid by the Pre-IPO Investor	:	HK\$0.13 per Share
Discount to Offer Price	:	a discount of approximately 55.6% to the mid-point of the Offer Price of HK\$0.30 per Offer Share
Use of proceeds from the Pre-IPO Investment	:	general working capital and payment of professional fees incurred for the Listing
Special rights	:	no special rights are granted
Shareholding in our Company upon Listing (but not taking into account any Shares that may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme)	:	7.5%

HISTORY, REORGANISATION AND GROUP STRUCTURE

Background of Pre-IPO Investor	:	Charm Dragon Investments Limited is an investment holding company and is wholly-owned by Mr. Cheung Wai Yin Wilson
Benefit from the Pre-IPO Investment	:	broaden our Shareholder base and provide additional working capital to our Group
Basis of consideration	:	arm's length negotiations with reference to the anticipated future earnings potentials of our Group and the established brands of our restaurants
Amount of unused proceeds as at the Latest Practicable Date	:	all proceeds have been fully utilised
Lock-up restrictions	:	the Shares held by the Pre-IPO Investor are not subject to any lock-up after Listing

The Pre-IPO Investor will hold 7.5% of the enlarged issued share capital of our Company after completion of the Listing (but not taking into account any Shares which may be issued upon exercise of options that may be granted under the Share Option Scheme).

BACKGROUND OF THE PRE-IPO INVESTOR

The Pre-IPO Investor is an investment holding company incorporated in the BVI on 12 June 2007 and is beneficially owned as to 100% by Mr. Cheung Wai Yin Wilson (“**Mr. Cheung**”), a former Director who has resigned on 8 January 2018. Mr. Cheung is currently an executive director, the chairman and chief executive officer of Merdeka Financial Services Group Limited, the shares of which are listed on the GEM (“**Merdeka**”) (stock code: 8163) and as a director of certain relevant subsidiaries of Merdeka. Merdeka and its subsidiaries are principally engaged in the provision of financial services, including financial leasing and money lending, as well as trading and information technology business. Mr. Cheung has over 20 years of experience in the field of audit, business development and financial management. As such, the Shares held by the Pre-IPO Investor will not be considered as part of the public float for the purposes of Rule 11.23 of the GEM Listing Rules. To the best of the knowledge of our Directors, Mr. Cheung has not been engaged in any other restaurant business.

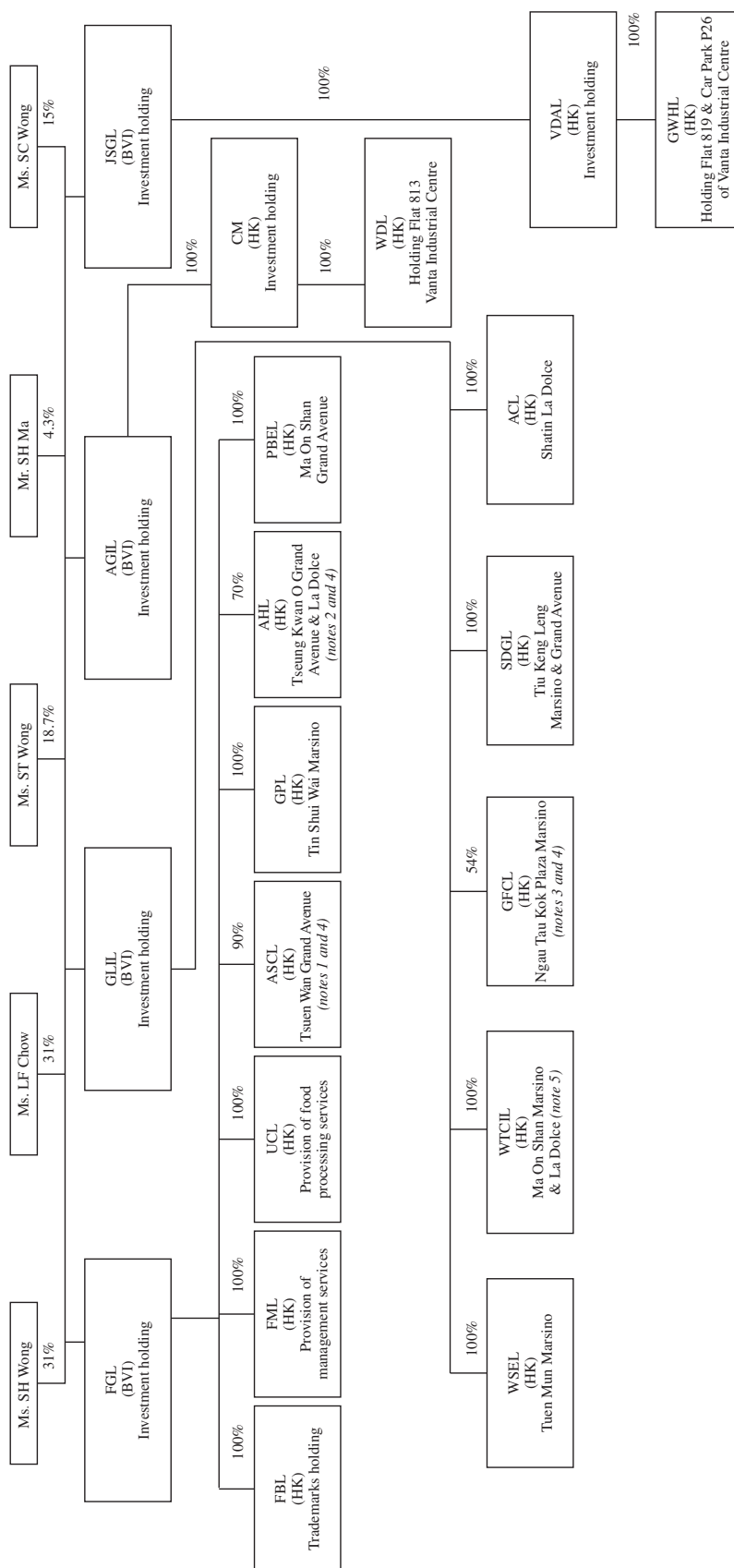
Having reviewed the terms of the Pre-IPO Investment and that all consideration had been settled in full on 21 April 2017, the Sole Sponsor is of the view that the Pre-IPO Investment is in compliance with the Interim Guidance on Pre-IPO Investments issued on 16 January 2012 and the guidance letter on Pre-IPO Investments issued on 25 October 2012 and updated in July 2013 by the Stock Exchange.

HISTORY, REORGANISATION AND GROUP STRUCTURE

GROUP STRUCTURE

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

Before Reorganisation



Notes:

1. The remaining 10% shareholding is held by Faith Great Limited, which is an Independent Third Party (other than being the substantial shareholder of ASCL).
2. The remaining 30% shareholding is held as to 10%, 10% and 10% by Faith Great Limited, Mr. Yau Wai Leung and Mr. Luk Chi Sing respectively, who are all Independent Third Parties (other than being substantial shareholders of AHL).
3. The remaining 46% shareholding is held as to 20%, 20% and 6% by Ms. Yim Wan Ying, Ms. Ng Siu Ying Christina and Ms. Yeung Oi Kiu respectively, who are all Independent Third Parties (other than being substantial shareholders of GFCL in respect of Ms. Yim Wan Ying and Ms. Ng Siu Ying Christina) save for Ms. Yeung Oi Kiu who is a cousin of Ms. SH Wong.
4. No shareholders' agreement has been entered into among the shareholders and the subsidiaries.
5. Ma On Shan Marsino and Ma On Shan La Dolce were closed in December 2017.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Reorganisation

For the purpose of the Listing, the following major Reorganisation steps have been implemented:

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands on 27 January 2017, which will act as the holding company of our Group upon completion of the Reorganisation. Our Company had at the time of its incorporation an authorised share capital of HK\$380,000 divided into 38,000,000 Shares, of which one Share was allotted and issued at par to an Independent Third Party, which was subsequently transferred to Ms. SH Wong at par on 27 January 2017.

2. Allotment of new shares in our Company

On 15 March 2017, our Company has allotted and issued 2,789, 2,790, 1,683, 387 and 1,350 new Shares to Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Mr. SH Ma and Ms. SC Wong respectively. Thereafter, our Company was held by Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Mr. SH Ma and Ms. SC Wong as to 2,790, 2,790, 1,683, 387 and 1,350 Shares respectively, representing 31.0%, 31.0%, 18.7%, 4.3% and 15.0% respectively of the then issued share capital of our Company.

3. Subscription of shares in our Company by Pre-IPO Investor

Pursuant to the Subscription Agreement, our Company allotted and issued to the Pre-IPO Investor 750 Shares on 21 March 2017 and 1,250 Shares on 21 April 2017. Thereafter, our Company was held by Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Mr. SH Ma, Ms. SC Wong and the Pre-IPO Investor as to 2,790, 2,790, 1,683, 387, 1,350 and 2,000 Shares respectively, representing approximately 25.4%, 25.4%, 15.3%, 3.5%, 12.2% and 18.2% respectively of the then issued share capital of our Company.

4. Acquisition of beneficial interests in Wealth Step Enterprise Limited, Wealth Treasure Capital Investment Limited, Glory Fine Corporation Limited, Sweetie Deli Garden Limited and Art Capital Limited by Foodies Group Limited

GLIL was the holding company of a number of our Group companies prior to the Reorganisation. As part of the Reorganisation, on 28 March 2017, FGL acquired from GLIL the entire beneficial interests in WSEL, WTCIL, SDGL and ACL and 54% beneficial interest in GFCL, which was satisfied by FGL allotting and issuing 1,000 shares in FGL credited as fully paid to the shareholders of GLIL as to (i) 310 shares to Ms. SH Wong; (ii) 310 shares to Ms. LF Chow; (iii) 187 shares to Ms. ST Wong; (iv) 43 shares to Mr. SH Ma; and (v) 150 shares to Ms. SC Wong.

HISTORY, REORGANISATION AND GROUP STRUCTURE

5. Acquisition of the entire beneficial interests in Jumbo Spirit Group Limited by Foodies Group Limited

On 31 March 2017, FGL acquired from (i) Ms. SH Wong, 310 shares in JSGL; (ii) Ms. LF Chow, 310 shares in JSGL; (iii) Ms. ST Wong, 187 shares in JSGL; (iv) Mr. SH Ma, 43 shares in JSGL; and (v) Ms. SC Wong 150 shares in JSGL, representing the entire issued share capital of JSGL, which was satisfied by FGL allotting and issuing 5,000 shares in FGL, credited as fully paid as to (i) 1,550 shares to Ms. SH Wong; (ii) 1,550 shares to Ms. LF Chow; (iii) 935 shares to Ms. ST Wong; (iv) 215 shares to Mr. SH Ma; and (v) 750 shares to Ms. SC Wong.

6. Acquisition of the entire beneficial interests in Access Gear Investment Limited by Foodies Group Limited

On 31 March 2017, FGL acquired from (i) Ms. SH Wong, 3,100 shares in AGIL; (ii) Ms. LF Chow, 3,100 shares in AGIL; (iii) Ms. ST Wong, 1,870 shares in AGIL; (iv) Mr. SH Ma, 430 shares in AGIL; and (v) Ms. SC Wong, 1,500 shares in AGIL, representing the entire issued share capital in AGIL, which was satisfied by FGL allotting and issuing 5,000 shares, credited as fully paid, as to (i) 1,550 shares to Ms. SH Wong; (ii) 1,550 shares to Ms. LF Chow; (iii) 935 shares to Ms. ST Wong; (iv) 215 shares to Mr. SH Ma; and (v) 750 shares to Ms. SC Wong.

7. Acquisition of beneficial interests in our Company by Marvel Jumbo Limited

On 21 June 2017, MJL acquired from (i) Ms. SH Wong, her 2,790 Shares; (ii) Ms. LF Chow, her 2,790 Shares; (iii) Ms. ST Wong, her 1,683 Shares; (iv) Mr. SH Ma, his 387 Shares; and (v) Ms. SC Wong, her 1,350 Shares. Thereafter our Company was held by MJL and CDIL as to 9,000 Shares and 2,000 Shares, representing approximately 81.8% and 18.2% of the then issued share capital of our Company respectively.

8. Subdivision of all issued and unissued shares in our Company

On 13 July 2017, each of the issued and unissued shares of HK\$0.01 in the share capital of our Company was subdivided into 100 shares of HK\$0.0001 each. Immediately after the share subdivision, our Company has an authorised share capital of HK\$380,000 divided into 3,800,000,000 ordinary shares of par value HK\$0.0001 each and our issued share capital is 1,100,000 shares of HK\$0.0001 each, of which 200,000 shares of HK\$0.0001 each were held by CDIL and 900,000 shares of HK\$0.0001 each were held by MJL.

HISTORY, REORGANISATION AND GROUP STRUCTURE

9. Consolidation of all issued and unissued shares in our Company

On 25 July 2017, every 100 issued and unissued shares of HK\$0.0001 each in the share capital of our Company were consolidated into one Share. Immediately after the share consolidation, our Company has an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary Shares and our issued share capital was 11,000 Shares of which 2,000 Shares were held by CDIL and 9,000 Shares were held by MJL.

10. Acquisition of the entire beneficial interests in Foodies Group Limited by our Company

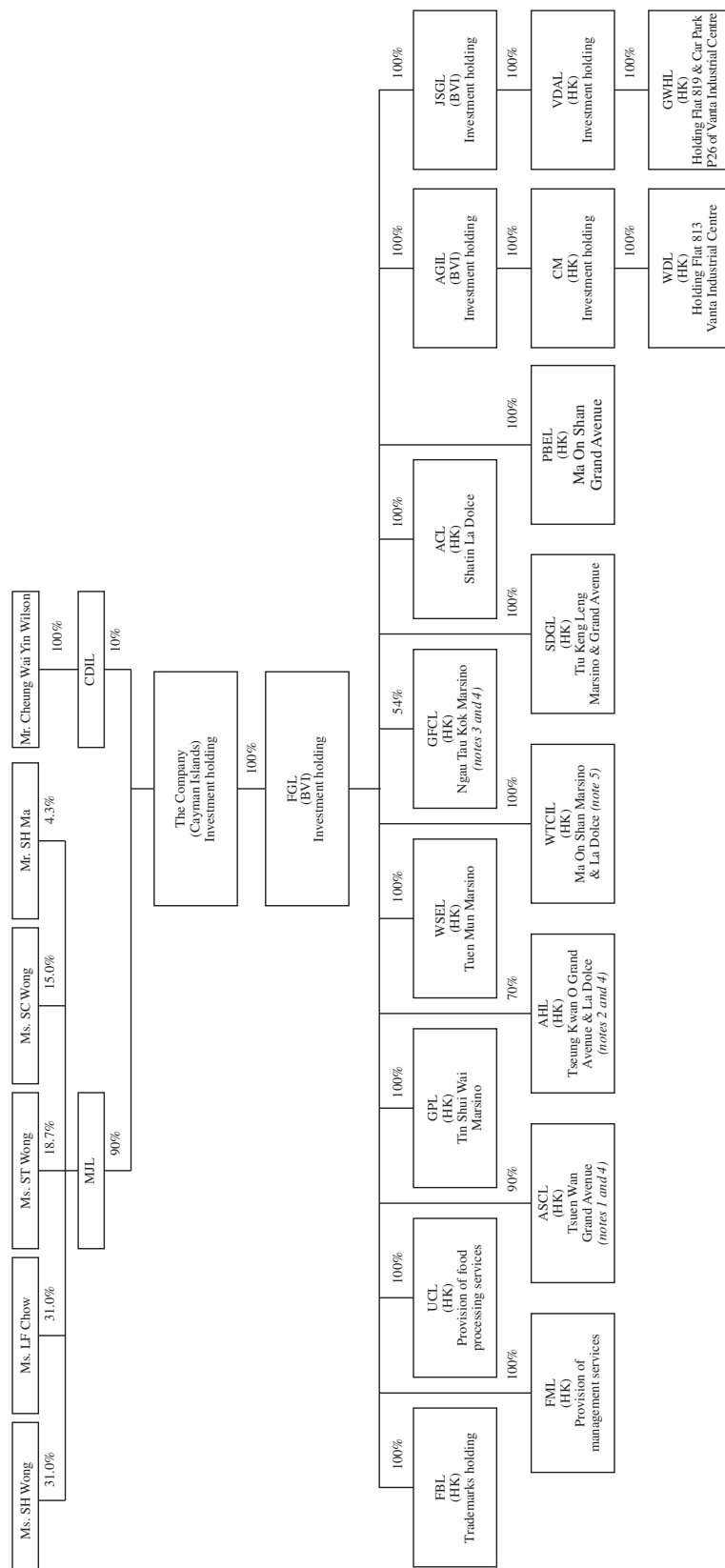
On 29 January 2018, our Company acquired from (i) Ms. SH Wong, 3,720 shares in FGL, representing 31% of the entire issued share capital of FGL, which was satisfied by allotting and issuing 2,790 Shares, credited as fully paid, to MJL, at the direction of Ms. SH Wong; (ii) Ms. LF Chow, 3,720 Shares in FGL, representing 31% of the entire issued share capital of FGL, which was satisfied by allotting and issuing 2,790 Shares, credited as fully paid, to MJL, at the direction of Ms. LF Chow; (iii) Ms. ST Wong, 2,244 shares in FGL, representing 18.7% of the entire issued share capital of FGL, which was satisfied by allotting and issuing 1,683 Shares, credited as fully paid, to MJL, at the direction of Ms. ST Wong; (iv) Mr. SH Ma, 516 shares in FGL, representing 4.3% of the entire issued share capital of FGL, which was satisfied by allotting and issuing 387 Shares, credited as fully paid, to MJL, at the direction of Mr. SH Ma; (v) Ms. SC Wong, 1,800 shares in FGL, representing 15% of the entire issued share capital of FGL, and which was satisfied by allotting and issuing 1,350 Shares, credited as fully paid, to MJL, at the direction of Ms. SC Wong.

HISTORY, REORGANISATION AND GROUP STRUCTURE

GROUP STRUCTURE

Set out below is the corporate structure of the Group immediately after completion of the Reorganisation (but before Capitalisation Issue and Share Offer):

After Reorganisation



Notes:

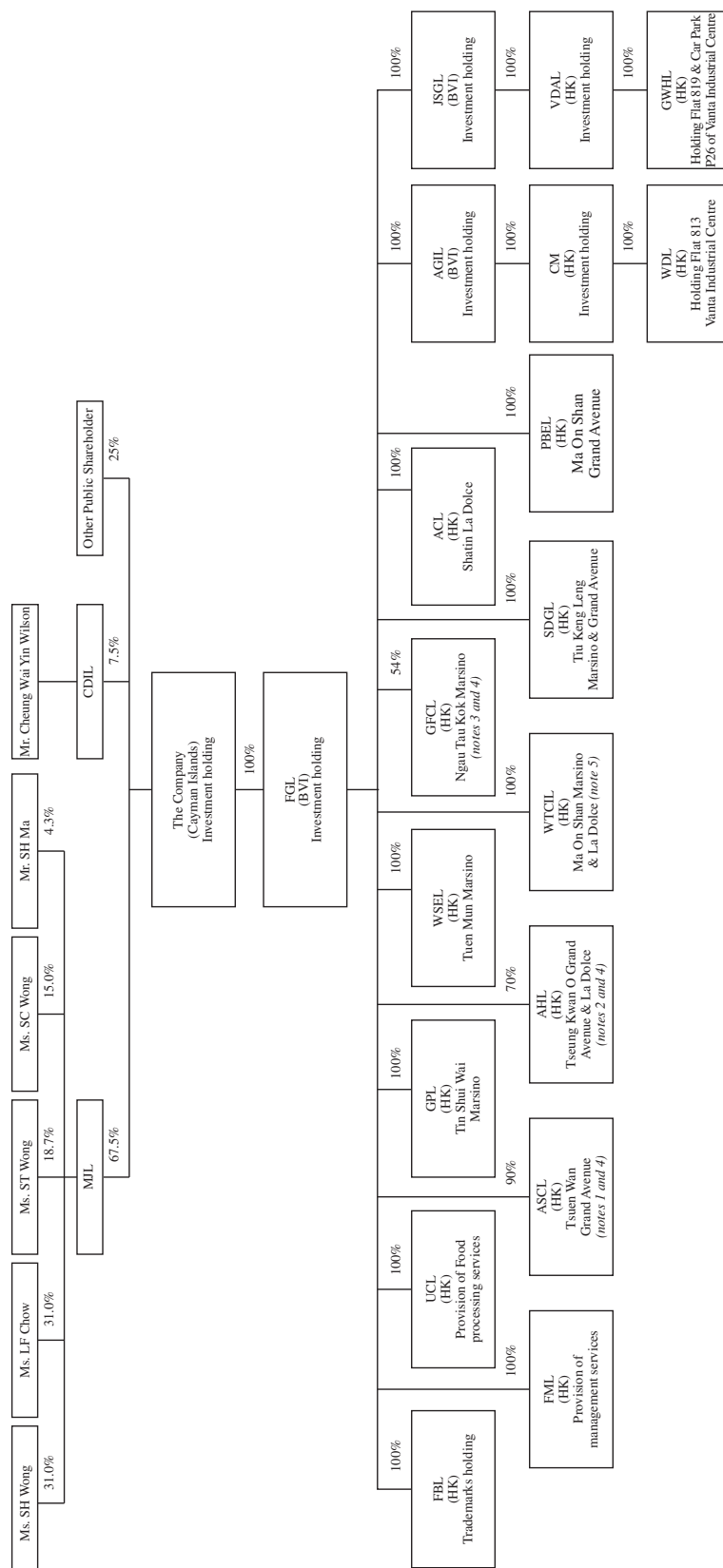
1. The remaining 10% shareholding is held by Faith Great Limited, which is an Independent Third Party (other than being the substantial shareholder of ASCL).
2. The remaining 30% shareholding is held as to 10%, 10% and 10% by Faith Great Limited, Mr. Yau Wai Leung and Mr. Luk Chi Sing respectively, who are all Independent Third Parties (other than being substantial shareholders of AHL).
3. The remaining 46% shareholding is held as to 20%, 20% and 6% by Ms. Yim Wan Ying, Ms. Ng Siu Ying Christina and Ms. Yeung Oi Kiu respectively, who are all Independent Third Parties (other than being substantial shareholders of GFCL in respect of Ms. Yim Wan Ying and Ms. Ng Siu Ying Christina) save for Ms. Yeung Oi Kiu who is a cousin of Ms. SH Wong.
4. No shareholders' agreement has been entered into among the shareholders and the subsidiaries.
5. Ma On Shan Marsino and Ma On Shan La Dolce were closed in December 2017.

HISTORY, REORGANISATION AND GROUP STRUCTURE

GROUP STRUCTURE

Set out below is the corporate structure of the Group immediately after completion of the Reorganisation, Capitalisation Issue and Share Offer:

Upon Listing



Notes:

- The remaining 10% shareholding is held by Faith Great Limited, which is an Independent Third Party (other than being the substantial shareholder of ASCL).
- The remaining 30% shareholding is held as to 10%, 10% and 10% by Faith Great Limited, Mr. Yau Wai Leung and Mr. Luk Chi Sing respectively, who are all Independent Third Parties (other than being substantial shareholders of AHL).
- The remaining 46% shareholding is held as to 20%, 20% and 6% by Ms. Yim Wan Ying, Ms. Ng Siu Ying Christina and Ms. Yeung Oi Kiu respectively, who are all Independent Third Parties (other than being substantial shareholders of GFCL in respect of Ms. Yim Wan Ying and Ms. Ng Siu Ying Christina) save for Ms. Yeung Oi Kiu who is a cousin of Ms. SH Wong.
- No shareholders' agreement has been entered into among the shareholders and the subsidiaries.
- Ma On Shan Marsino and Ma On Shan La Dolce were closed in December 2017.

BUSINESS

OVERVIEW

We are a casual dining full service restaurant operator under 3 self-operated brands as at the Latest Practicable Date, namely Marsino, La Dolce and Grand Avenue, and Roast Beef Abura Soba Beefst as franchisee, which is expected to commence operations by March 2018. As at the Latest Practicable Date, we operated a total of 10 restaurants across the New Territories and Kowloon, including 4 Marsino restaurants, 2 La Dolce restaurants and 4 Grand Avenue restaurants. All of our Marsino, La Dolce and Grand Avenue restaurants are founded and operated by our Group and we have not entered into any licensing or franchising arrangements with any third parties during the Track Record Period.

Subsequent to the Track Record Period in November 2017, FBL entered into a franchise agreement in relation to the franchise rights to, among others, operate and develop Roast Beef Abura Soba Beefst restaurants in Hong Kong. Our first Roast Beef Abura Soba Beefst restaurant is expected to commence operations by March 2018.

Our co-founders, Ms. SH Wong and Mr. MF Wong, opened a restaurant in 1998 selling mainly rice noodles, curry and set meals under the name “美食特區 (Food Deli Special Zone)”. We launched our flagship brand Marsino in 2003, a noodle specialist serving customers in a clean environment with full service based on our management’s experience gained in the operation of “美食特區 (Food Deli Special Zone)” which laid the foundation of our Group. As at the Latest Practicable Date, our footprint has expanded to a network of 4 Marsino restaurants across Kowloon and the New Territories. We expanded our coverage across other cuisines via the establishment of La Dolce in 2010, offering western cuisine in the local neighbourhoods in the New Territories. We further extended our footprint with the opening of Grand Avenue in 2014 to serve Thai cuisine.

Our restaurants are supported by our central kitchen, storage and ancillary office in Kwai Chung, where part of our procurement and preliminary food preparation processes are undertaken before our ingredients reach our restaurants. With the procurement for our Group being centralised and consolidated at our central kitchen, our Group benefits from economies of scale as well as standardised quality control across all restaurants.

BUSINESS

We strive to offer quality and delicious food to our customers at competitive prices. The average customer spending at our Marsino restaurants, La Dolce restaurants and Grand Avenue restaurants amounted to approximately HK\$40.6, HK\$51.8 and HK\$64.8, respectively, for the year ended 31 March 2016 and HK\$41.9, HK\$50.3 and HK\$71.9, respectively, for the year ended 31 March 2017 and HK\$44.0, HK\$49.3 and HK\$65.6, respectively, for the five months ended 31 August 2017.

The table below summarises the key revenue information for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017:

Restaurant brand	Year ended 31 March 2016		Year ended 31 March 2017		Five months ended 31 August 2017	
	Percentage of		Percentage of		Percentage of	
	Revenue	total revenue	Revenue	total revenue	Revenue	total revenue
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Marsino	64,264	48.5%	61,571	41.1%	25,572	42.3%
La Dolce	47,892	36.1%	44,782	29.9%	15,343	25.4%
Grand Avenue	20,447	15.4%	43,362	29.0%	19,552	32.3%
Total	132,603	100.0%	149,715	100.0%	60,467	100.0%

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success and will enable us to capitalise on future opportunities in the casual dining industry in Hong Kong.

Our restaurants are located in highly accessible areas enjoying high consumer traffic

We believe location is of utmost importance to establishing our footprint in the dynamic culinary scene in Hong Kong. Our restaurants are situated in convenient locations enjoying high consumer traffic whilst enabling us to capture our targeted audience.

Most of our restaurants are situated in shopping mall complexes with quick and convenient access to public transport serviced by the MTR and various bus operators. There are schools, residential properties, shopping mall complexes, office and industrial buildings within the vicinity of our restaurants. Furthermore, our local districts, namely, Tsuen Wan, Shatin, Tin Shui Wai, Tuen Mun, Ngau Tau Kok, Ma On Shan, Tiu Keng Leng and Tseung Kwan O have dense population encompassing a broad range of demographics.

BUSINESS

We deliver a differentiated customer experience

We believe we deliver a differentiated customer experience by combining full service and casual dining experience with quality food delivered at competitive prices. The following 5 pillars form the foundation of our restaurant concept:

- **Three restaurant brands:** We launched our flagship brand Marsino in 2003, a noodle specialist providing full service to our customers in a clean environment. As at the Latest Practicable Date, Marsino had expanded to a network of 4 restaurants across Kowloon and the New Territories. We extended our coverage across other cuisine with the establishment of our western cuisine restaurant, La Dolce, in 2010. We further extended our footprint with the opening of our Thai cuisine restaurant, Grand Avenue, in 2014. As at the Latest Practicable Date, we operated 3 restaurant brands, namely, Marsino, La Dolce and Grand Avenue, with a total of 10 restaurants across Kowloon and the New Territories. Operating restaurants under different brands and different cuisines to a diversified customer base has provided us with valuable experience. This enhances our ability to adjust to the constantly changing and competitive casual dining industry.
- **Menu:** We are committed to serving quality food at competitive prices. Marsino combines traditional rice noodles in one of our 5 in-house broths with local flavours together with various choice of topping. Our second restaurant brand, La Dolce, offers western cuisine while Grand Avenue, our third restaurant brand, ventures into Thai cuisine. We believe the breadth of our menu and our made-to-order preparation had contributed to our broad consumer appeal.
- **Environment:** We complement our menu with a comfortable and clean dining environment.
- **Hospitality:** We seek to exceed our customers' expectations for service and believe our ability to consistently deliver hospitality begins with our employees. We hire and train individuals to deliver friendly and attentive service by engaging customers from the moment they enter our restaurants until they leave our restaurants. Each of our restaurant managers will oversee restaurant operations to ensure the quality of our service.
- **Value:** Our combination of quality food delivered at competitive prices, clean dining environment and full service enhances the value-for-money for our customers. We are a casual dining full service restaurant offering quality food and service at a price that close to the low-end of the average range of the casual dining segment. For instance, the starting price for our rice noodle with signature pairings at our Marsino restaurant averages approximately at HK\$43.0 to HK\$50.0 per bowl, which is below similar items on the menu of most competing casual dining full service restaurants.

BUSINESS

We have developed a broad and diverse customer base

We believe we have developed a broad and diverse customer base for our restaurants through our menu and quality food dishes. We operate 3 restaurant brands with varying pricing, thus allowing us to cater customers of different age and social economic group. While we are targeting a broad demographic, we believe we have been particularly successful at attracting student consumers to our Marsino restaurants and families to our La Dolce restaurants and Grand Avenue restaurants. We will continue to foster brand loyalty among our customers and promote repeat visits from our customers to our restaurants.

We deploy an efficient and standardised management system

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

- **Central kitchen:** Our central kitchen is situated at Unit 819, 8/F, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong, while our storage facility and ancillary office is situated at Unit 813, 8/F, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. The gross floor area of our central kitchen and our storage facility is 11,873 sq. ft. Procurement and preliminary food preparation is undertaken at our central kitchen before delivering to our restaurants. We deploy an ERP system to facilitate the allocation of ingredients to each restaurant. Restaurant managers of each restaurant will place a request for stock via the ERP system before 3:30 p.m. daily and stock replenishment delivery will be made the following day. This “Just-In-Time” mechanism simplifies operations and reduces storage and kitchen space required on-site in each restaurant in order to enhance efficiency and reduce labour required. With the procurement process consolidated at the central kitchen, we benefit from economies of scale, alongside standardised quality control across all restaurants. We believe our central kitchen enables us to control costs by centralising procurement and food processing functions and reducing wastage of food ingredients, as well as to ensure consistent quality across various restaurants by centralising quality control of food processing and storage. We believe our central kitchen has contributed to our success and will facilitate our expansion in the future.

BUSINESS

- ***Standardised quality control system:*** Stringent internal controls and management systems are employed in our food preparation processes. Restaurant menus are periodically assessed by our operation team and directors to ensure consistency and stability of our kitchens. We have also adopted strict hygiene policies at our food factory which include hazard analysis and critical control point to minimise any risk of food contamination. For further details, please refer to the paragraph headed “Quality control” in this section. We believe our standardised 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 standardise and centralise restaurant management. The computerised POS systems at all our restaurants capture extensive consumer spending data, which are then consolidated at our centralised database and are closely monitored and analysed by our management. Our senior management selects certain key performance indicators, such as sales revenue, customer traffic and average spending per customer, and closely monitors and analyses 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.
- ***Comprehensive staff training and advancement programs:*** We conduct a series of standardised induction training and advancement programs for all our staff, from serving staff, cashiers, chefs to restaurant managers. The programs have been compiled based on nearly two decades of operating experience and are reviewed and updated from time to time. These training programs cover several areas including introduction of our Group, employee welfare, work safety, and food safety and are intended to ensure that all new staff are equipped with the skills required for their positions. Our internal advancement programs provides our staff with clear advancement guidelines and promote employee satisfaction.
- ***Systematic restaurant opening process:*** We have implemented a systematic restaurant opening process to maximise the chance of success of our newly opened restaurants. Our executive Directors and senior management choose each location strategically in order to increase our market penetration and attract customers from our competitors. After securing a suitable site, we leverage on our centralised and systematic management and brand awareness to maximise the chance of success of the new restaurant.

We believe our highly standardised and efficient operation structure described above will provide a solid foundation to sustain our future growth.

BUSINESS

We are under the leadership of experienced restaurateur and professional management team

Our Group's management team consists of experienced personnel with extensive and diversified managerial experiences and knowledge of the food and beverage industry. Our co-founders, namely, Ms. SH Wong and Mr. MF Wong, are experienced restaurateur with nearly 50 years and 40 years of operating experience, respectively, in the food and beverage industry in Hong Kong. Other senior management members of our Group also have extensive management and operational expertise in their respective fields. We believe the experience of our Directors and senior management gives our Group a competitive advantage over our competitors as they are able to effectively maintain and enhance our Group's operations and reputation. For further details on the experience of our Directors and senior management, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

BUSINESS STRATEGIES

Our Directors believe that our competitive strengths should form the pillars for our business strategies, as this will provide our Group with comparative advantage to sustain our business growth within the casual dining industry in Hong Kong.

We plan to expand the capacity of our central kitchen to support our business expansion plans

We believe the expansion of the capacity at our central kitchen is an integral part of our business expansion plans as we continue to scale up our restaurant business. The expansion of our central kitchen involves adding another 5,500 sq. ft. of floor space to house new food processing equipment and fixtures to boost productivity, as well as the addition of freezers, blast chillers and storage facilities. Currently, we plan to lease a new premise in Kwai Chung within proximity to our existing premises and we estimate the cost of the new equipment and renovation of the central kitchen will be approximately HK\$2.0 million and HK\$0.9 million respectively. The expansion of our central kitchen is expected to enhance the processing capacity of semi-processed food products and sauces supplied to our restaurants. We believe by expanding our new central kitchen within proximity to our existing central kitchen, we can enjoy reduced logistics costs as well as facilitate management of the two central kitchens by the same staff of our Group. In addition, the new central kitchen can serve as a backup to support the existing central kitchen in the unexpected event of electricity failure or other malfunction. As at the Latest Practicable Date, we are still identifying the suitable premises and we have shortlisted 2 to 3 suitable premises within the same building where our central kitchen is situated.

BUSINESS

The following table sets out the estimated storage and food processing capacities, actual storage and food processing capacities and utilisation rates of the storage facilities and food processing equipment in our central kitchen for the two years ended 31 March 2016 and 2017 and the five months ended 31 August 2017:

Category	A	B	C	D	Utilisation rate ⁽¹⁾		
					B/A	C/A	D/A
					For the year ended 31 March 2016	For the year ended 31 March 2017	For the five months ended 31 August 2017
	Estimated storage capacity	Actual average storage for the year ended 31 March 2016 ⁽³⁾	Actual average storage for the year ended 31 March 2017 ⁽³⁾	Actual average storage for the five months ended 31 August 2017 ⁽³⁾	%	%	%
Freezer storage space⁽⁶⁾							
Pallet storage space	33 pallets	25.4 pallets	27.5 pallets	28.2 pallets	77.0%	83.3%	85.5%
Trolley storage space	8 trollies	8 trollies	8 trollies	8 trollies	100.0%	100.0%	100.0%

Category	A	B	C	D	E	F	Utilisation rate ⁽²⁾		
							D/A	E/B	F/C
							For the year ended 31 March 2016	For the year ended 31 March 2017	For the five months ended 31 August 2017
	Estimated maximum production time for the year ended 31 March 2016 ⁽⁴⁾	Estimated maximum production time for the year ended 31 March 2017 ⁽⁴⁾	Estimated maximum production time for the five months ended 31 August 2017 ⁽⁴⁾	Actual production time for the year ended 31 March 2016 ⁽⁵⁾	Actual production time for the year ended 31 March 2017 ⁽⁵⁾	Actual production time for the five months ended 31 August 2017 ⁽⁵⁾	%	%	%
Food processing⁽⁷⁾									
Electric steam cabinet	111,600	111,240	45,720	16,216	16,696	4,600	14.5%	15.0%	10.1%
Electric round boil pan and stirrer ⁽⁸⁾	306,900	305,910	125,730	329,060	417,810	160,030	107.2%	136.6%	127.3%
Mixing machine	111,600	111,240	45,720	47,655	62,920	28,780	42.7%	56.6%	62.9%
Electric oven	111,600	111,240	45,720	24,200	18,880	2,900	21.7%	17.0%	6.3%
Vegetable cutting machine	111,600	111,240	45,720	13,230	16,385	6,900	11.9%	14.7%	15.1%
Electric tilting skillet ⁽⁸⁾	306,900	305,910	125,730	241,530	275,790	84,600	78.7%	90.2%	67.3%

(1) The utilisation rate for freezer storage is calculated by dividing respective actual average storage of a year by the estimated storage capacity of the corresponding period.

(2) The utilisation rate for a food processing machine is calculated by dividing respective actual production time of a year by the estimated production capacity of the corresponding period.

(3) The actual average storage is the average of the actual storage as at the last day of each calendar month for the corresponding period.

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- (4) Estimated maximum production time of each food processing machine is calculated by multiplying the estimated running time per day (in minutes) by the actual number of working days for the corresponding period and the number of such machine in the central kitchen.
- (5) The actual production time of each food processing machine is the aggregate of the standard time required to prepare all products which were processed by such machine and ordered by our restaurants for the corresponding period.
- (6) Utilisation rates of our freezer storage space are used to illustrate the utilisation condition of our storage capacity as our freezer storage capacity represents the most limited resource in terms of the storage capacity of our central kitchen.
- (7) The utilisation rates of electric steam cabinet, electric round boil pan and stirrer, mixing machine, electric oven, vegetable cutting machine and electric tilting skillet are used to illustrate the utilisation condition of the food processing capacity of our central kitchen as our Directors consider that these machines form the integral part of our food processing production line.
- (8) We have 3 electric round boil pan and stirrers and 3 electric tilting skillets.

The utilisation rates for the storage capacity and the food processing capacity of our central kitchen were high. Utilisation rate of our pallet storage reached approximately 85.5% for the five months ended 31 August 2017 while that of our trolley storage reached 100% for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017.

With regards to our food processing production capacity, we recorded an increasing trend for the utilisation rates of the mixing machine for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017. Amongst our core food processing machines, our electric round boil pan and stirrers were utilised at over 100% as a result of overtime operation. We recorded lower utilisation rates for our electric steam cabinet, electric oven and vegetable cutting machine as not all of our food products are processed by these machines.

In view of the foregoing, our Directors are of the view that our central kitchen at its current scale would not be able to support our planned new restaurants and an expansion of our central kitchen is necessary for our plan to expand our restaurant network.

The total planned capital expenditures for the expansion of our central kitchen is expected to be approximately HK\$4.0 million. For further details on the implementation plans, please refer to the sub-section headed “Future Plans and Use of Proceeds – Implementation plans” in this prospectus.

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We will continue to expand our restaurant network

As at the Latest Practicable Date, we operate a total of 10 restaurants including 4 Marsino restaurants, 2 La Dolce restaurants and 4 Grand Avenue restaurants. Building on the success of our portfolio of brands, we plan to expand our restaurant network with the progressive opening of up to 6 new restaurants. Currently, we plan to open one new Marsino restaurant, one new Grand Avenue restaurant and 4 new restaurants offering Japanese ramen by June 2019. In view of our experience that it usually takes about three months from the commencement of lease negotiation to secure and enter into the lease and about two months to renovate the premises before opening of a restaurant, our Directors are of the view that we will be able to meet our schedule in opening all 6 new restaurants by June 2019.

Leveraging on our experience and expertise in delivering food with good value-for-money and consistent quality food offerings, our new restaurants will continue to adopt our value-for-money approach as well as our diversified food offerings targeting at a broad demographic within the neighbourhood. We expect that these new restaurants will be located in highly accessible areas enjoying high consumer traffic within the proximity of our existing restaurants to facilitate logistics arrangements from our central kitchen.

The table below sets out the expected timeframe and certain expected operational information of our planned new restaurants:

Restaurant brand – expected location	Expected number of seats	Expected renovation period	Expected opening date	Expected number of full time staff	Expected number of part time staff	Expected total staff costs to be incurred for the year ended 31 March 2018 HK\$'000	Expected total staff costs to be incurred for the year ended 31 March 2019 HK\$'000	Estimated breakeven period (month(s))	Estimated investment payback period (months(s))
Marsino – Tsuen Wan	100	1 August 2018 to 30 September 2018	October 2018	22	10	–	1,913	1	17
Grand Avenue – Yuen Long	100	1 April 2018 to 31 May 2018	June 2018	28	13	–	4,872	1	15
Beefst – Ma On Shan	60	15 February 2018 to 15 March 2018	March 2018	17	9	247	2,962	1	19
Beefst – Mongkok	60	1 March 2018 to 30 April 2018	May 2018	17	9	–	2,715	1	21
Beefst – Shatin	60	1 August 2018 to 30 September 2018	October 2018	17	9	–	1,481	1	18
Beefst – Quarry Bay	60	1 April 2019 to 31 May 2019	June 2019	17	9	–	–	1	20

BUSINESS

New Marsino restaurant

As illustrated by the performance of our Marsino restaurants during the Track Record Period, Marsino restaurants are profitable and have relatively stable performance.

We have selected Tsuen Wan as the target location for opening the new Marsino restaurant as (i) our Directors expect that there will be a high level of customer demand around Tsuen Wan West MTR station in light of the sales and completion of various residential properties nearby recently and in the near future; and (ii) to facilitate our logistics arrangement between the new Marsino restaurant and our central kitchen given that the new Marsino restaurant will be close to the existing Tsuen Wan Grand Avenue.

New Grand Avenue restaurant

The opening of new Grand Avenue restaurant is part of our initiative to strengthen our brand image and market share associated with Thai cuisine.

Yuen Long is strategically selected for opening our Grand Avenue restaurant as our Directors expect that there will be a high level of customer demand around Yuen Long MTR station in light of the recent sales and completion of various residential properties in the Yuen Long district.

Beefst restaurants

The Franchise Agreement

On 1 November 2017, FBL entered into the Franchise Agreement with the Franchisor, owner of the brand, Beefst. Pursuant to the Franchise Agreement, the Franchisor shall grant to FBL, among other rights, the exclusive rights to operate and develop Roast Beef Abura Soba Beefst restaurants (the “**Outlet(s)**”) in Hong Kong. A summary of the principal terms of the Franchise Agreement is set out below:

Date:	1 November 2017

Parties:

Franchisor:	Eat & Co Limited
Franchisee:	FBL

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Subject matter:	The Franchisor shall grant to FBL, among others: (i) the exclusive rights to operate and develop the Outlets in Hong Kong; (ii) the exclusive rights within Hong Kong to use the designs, signboards or similar which are recognised business symbols of the Franchisor and as specified in writing by the Franchisor subject to the terms and conditions under the Franchise Agreement; (iii) the rights to use the Franchisor's management know-how in Hong Kong; (iv) the rights to use the Franchisor's developed business materials in Hong Kong; (v) sales rights of products produced by FBL subject to the terms of the Franchise Agreement; (vi) the rights for sub-franchisee sign up activities in Hong Kong; and (vii) other rights if deemed necessary by the Franchisor to support the operation and development of the Outlets.
Term:	The Franchise Agreement shall be in force and effect for a period of five (5) years subject to the renewal and termination provisions under the Franchise Agreement.
Outlet opening schedule:	The Franchisor may immediately terminate the Franchise Agreement by notice if the first Outlet is not opened within one (1) year of the date of the Franchise Agreement. FBL must open and operate six (6) Outlets by the end of March 2021.

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Outlet support:

The Franchisor shall, at its own costs, dispatch its instructors to the first Outlet opened by FBL to provide instruction and support for one (1) week surrounding the opening date of the abovementioned Outlet.

Additional support may be provided by the Franchisor at the costs of FBL and upon request by FBL.

Fees:

Franchise Fees

In consideration of the grant of the rights set out above, FBL shall pay to the Franchisor a franchise fee in the sum of JPY five (5) million (approximately HK\$357,000) within seven days of the date of the Franchise Agreement.

If FBL enters into any sub-franchise agreement in relation to the rights to sub-franchise granted pursuant to the terms of the Franchise Agreement, FBL shall, for each of such sub-franchise agreement, pay to the Franchisor a sub-franchise fee to be specified in such sub-franchise agreement.

The abovementioned franchise fee and sub-franchise fee are non-refundable in any circumstances.

Royalties

FBL shall pay the Franchisor monthly royalties in the sum of JPY170,000 (approximately HK\$12,000) for each of the first three (3) operating Outlets to be operated by FBL and monthly royalties in the sum of JPY150,000 (approximately HK\$11,000) for each of the operating Outlets to be opened and operated subsequent to the third operating Outlet.

For each Outlet operated under a sub-franchise, FBL shall also pay monthly royalties as stipulated in the sub-franchise agreement to the Franchisor.

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- Renewal: Unless terminated in writing three (3) months prior to the expiration of the initial term by either the Franchisor or the Franchisee, the Franchise Agreement shall be automatically renewed under the same terms and conditions.
- Termination by the Franchisor: (A) Termination by notice by the Franchisor: In the event of any of the following activities, the Franchisor may by notice request the Franchisee to cease or rectify such activities within a prescribed timeframe, failing which, the Franchisor may terminate the Franchise Agreement with immediate effect:
- (i) failure by the Franchisee to open the first Outlet within one (1) year of the date of the Franchise Agreement;
 - (ii) failure by the Franchisee to pay any monies owing to the Franchisor within 30 days of due date;
 - (iii) if the franchisee is hindering or plans to hinder the business and/or development of the franchise chain;
 - (iv) save with the consent of the Franchisor (such consent not to be unusually withheld), failure by the Franchisee to conduct business operations in any Outlet for 7 days consecutively;
 - (v) if the reputation of the franchise chain is adversely affected as a result of any changes in price, content or deterioration in quality;
 - (vi) failure to submit required documents to the Franchisor or submission of documents containing deliberate or negligent falsehoods or omissions to the Franchisor; or

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(vii) breach of the Franchise Agreement.

(B) Immediate termination by the Franchisor: In the event of any of the following activities, the Franchisor may terminate the Franchise Agreement forthwith without notice to the Franchisor:

- (i) save with the consent of the Franchisor, transfer of the rights, obligations or standing of the Franchisee under the Franchise Agreement to any party;
- (ii) suspension of any credit facility or the Franchisor has become insolvent;
- (iii) the Franchisee is the subject of an application by third party for temporary attachment or similar;
- (iv) the Franchisee filing an application for winding-up or corporate rehabilitation;
- (v) the Franchisee being in breach of any applicable laws, regulations or similar, is the subject of any punitive action, compulsory execution order, revocation or suspension of any licences for 30 days or more;
- (vi) the Franchisee engaging in any anti-social acts or deemed to be associated with any anti-social groups or organisations;

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- (vii) breach of confidentiality obligations;
- (viii) the Franchisee is unable to carry on its business; or
- (ix) where either party is in breach of its obligations or responsibilities arising under the Franchise Agreement or any supplemental agreement, applicable regulations or anything as prescribed under the Franchisor's manuals or other materials.

Termination by the Franchisee: The Franchisee may terminate the Franchise Agreement by 6 months' prior written notice, whereupon the Franchisee shall immediately pay 6 months of the fixed royalties to the Franchisor as a termination fee.

Governing laws: Laws of Japan.

Reasons for and benefits in entering into the Franchise Agreement and the opening of new Beefst restaurants

Taking into account the popularity of Japanese ramen in Hong Kong, we entered into the Franchise Agreement with the view to introduce the Japanese ramen chain, Beefst, from Japan to Hong Kong. Our Directors consider that the introduction of Beefst to Hong Kong will promote customer awareness with its existing reputation and assurance as to food quality. Furthermore, Beefst will offer roast beef as its main ramen topping which is unique amongst what is currently offered at most of the ramen shops in Hong Kong and as such, our Directors expect that our new Japanese ramen restaurants will have sufficient customer demand. Since Mr. SK Cheung, our senior management, has the experience and expertise of operating Japanese style restaurants gained through his past positions in Nadaman restaurant and Beppu restaurants, he will play a key role in our Group's new venture into the Japanese ramen cuisine.

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We plan to open and operate our first Beefst restaurant in Ma On Shan in March 2018 as (i) we have a solid operating foundation of over five years at the vicinity; (ii) we plan to lease a premise within a shopping mall adjacent to Ma On Shan MTR station and the Beefst restaurant will therefore be easily accessible by customer traffic; and (iii) to facilitate our logistics arrangement between the new Beefst restaurant and our central kitchen given that the Beefst restaurant will be within proximity to our Ma On Shan Grand Avenue.

The next step would be for us to expand our Beefst restaurant network to Mongkok in May 2018. Located at the heart of Kowloon, Mongkok is one of the most popular and busy districts in Hong Kong. Our Directors are of the view that our planned Beefst restaurant in Mongkok would not only enjoy the high customer traffic and demand, it would also serve as a form of attention drawing advertisement and generate publicity, which would in turn raise further public awareness of the unique roast beef ramen topping offered under the Beefst brand.

Our third Beefst restaurant is scheduled to commence operation by October 2018 in Shatin, the largest town in the New Territories by population. Since we plan to open and operate our Beefst restaurant within the vicinity of public transport terminals in Shatin, our Directors believe that the planned Beefst restaurant in Shatin would also enjoy high customer traffic and demand and this in turn would further strength the foundation laid by the Beefst restaurants in Ma On Shan and Mongkok.

We plan to expand our restaurant network to the Hong Kong Island by opening our fourth Beefst restaurant in Quarry Bay, which is scheduled to commence operation by June 2019. Our Directors are of the view that Quarry Bay is a well-established residential and commercial district easily accessible by customer traffic and is therefore a good location for the Group to expand to Hong Kong Island.

We expect that our new Japanese ramen restaurants will have investment payback periods ranging from 19 to 23 months taking into consideration, among others, (i) the popularity of the Japanese ramen brand Beefst; (ii) the expected customer flow at locations of our Japanese ramen restaurants at an average seat turnover rate of approximately 8.0 times per day; (iii) the estimated average spending per customer of approximately HK\$90.0 in light of the general price of one bowl of ramen in Hong Kong; (iv) the operating hours at about 12 hours per day of our Japanese ramen restaurants; (v) the expected number of seats (i.e. 60) of each of our Japanese ramen restaurants; (vi) the investment costs of approximately HK\$5.0 million for each Japanese ramen restaurant; and (vii) our management's experience in the casual dining industry.

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Based on the discussion above and the estimated breakeven period and investment payback period of the new restaurants are similar to that of our existing restaurants and within or better than the Directors' target investment payback period of 18 to 24 months, the Directors believe that there will be sufficient demand to justify the opening of new restaurants and to maintain their profitability given the high start-up costs involved.

The total capital expenditure for the opening of the 6 new restaurants to be approximately HK\$30.0 million and will cover the rental deposits, the renovation costs for our new restaurants and costs of purchase of all the equipment required. For further details on the implementation plans, please refer to the sub-section headed "Future Plans and Use of Proceeds – Implementation plans" in this prospectus.

We will strengthen our brand image through increased marketing and promotional initiatives

We believe our brand image is critical to our business development. To further enhance customer awareness of our brand image in Hong Kong, we will continue our targeted marketing efforts. In order to attract and maintain public awareness, we plan to commission printed advertisements in magazines and newspaper publications. We also plan to take advantage of the rapid development of digital communications and social media through increased marketing and public relation activities on social media platforms such as Facebook to promote interactions with customers.

We will attract, motivate and retain talent

Our customer-oriented business philosophy emphasises on delivering excellent customer services. We believe maintaining a positive working environment will encourage better staff relations and talent retention and in turn, enhance the quality of our customer services. We seek to foster a work environment that attracts and inspires our staff to achieve excellent performances by implementing an incentive scheme to align compensation and remuneration with performance. Our Directors will review the remuneration package on a regular basis to ensure our remuneration packages remain competitive.

We believe continuous personal development will also promote talent retention. We plan to further develop our training and development programs to encourage career advancement by developing our induction training program, coaching program and on-the-job training to enhance their skills and knowledge.

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We will continue to develop our food selection to enrich dining experience at our restaurants

We are committed to delivering specialty cuisine under our different brands as we believe menu development will promote customer traffic across our restaurants. We intend to recruit talented chefs to facilitate our menu development and introduce new featured products or signature dishes for our restaurant brands from time to time. In addition, we will deploy additional efforts in analysing customer preferences and tastes to facilitate the menu development.

OUR MULTI-BRAND BUSINESS MODEL

We adopt a multi-brand business model in our restaurants operations and management. Our 3 restaurant concepts, Marsino, La Dolce and Grand Avenue collectively cover 3 specialty cuisines, enabling us to capture diverse customer tastes and preferences. We believe our commitment to our corporate motto, “Taste with all one’s heart”, has contributed to the strengthening of our brands and promoted customer loyalty.

OUR RESTAURANTS

We are a casual dining full service restaurant operator under 3 self-operated brands as at the Latest Practicable Date, namely Marsino, La Dolce and Grand Avenue, and Roast Beef Abura Soba Beefst as franchisee, which is expected to commence operations by March 2018. Over the past two decades, we have extended our footprint with the opening of our 12 restaurants, accumulating brand awareness and loyalty.

In considering whether to open a new restaurant, we take into considerations various factors, including our financial condition and investment payback of existing restaurants.

In considering whether to close an existing restaurant, we take into account various factors, such as the profitability, the remaining term of lease, the customer traffic and the proposed terms for renewal of existing lease.

All of our restaurants are self-founded and self-operated by our Group and we did not enter into any licensing or franchising arrangements with any third parties during the Track Record Period.

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The following map illustrates the locations of our central kitchen and restaurants in Hong Kong as at the Latest Practicable Date:



① Central kitchen	⑥ Tsuen Wan Grand Avenue
② Ngau Tau Kok Marsino	⑦ Tin Shui Wai Marsino
③ Shatin La Dolce	⑧ Tseung Kwan O La Dolce and Tseung Kwan O Grand Avenue
④ Tuen Mun Marsino	⑨ Ma On Shan Grand Avenue
⑤ Tiu Keng Leng Marsino and Tiu Keng Leng Grand Avenue	

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We set out below a breakdown of the revenue by our restaurants during the Track Record Period:

	Year ended 31 March		Year ended 31 March		Year-to-year revenue growth	Five months ended 31 August		Five months ended 31 August		Period-to-period revenue growth
	2016	2017	2016	2017		2016	2017	2016	2017	
	Revenue HK\$'000	Percentage of total revenue %	Revenue HK\$'000	Percentage of total revenue %		Revenue HK\$'000	Percentage of total revenue %	Revenue HK\$'000	Percentage of total revenue %	
						(unaudited)				
Marsino	64,264	48.5%	61,571	41.1%	-4.2%	28,201	41.6%	25,572	42.3%	-9.3%
K-Point Marsino (Note 1)	13,729	10.4%	6,866	4.5%	-50.0%	5,998	8.8%	-	-	N/A
Tiu Keng Leng Marsino (Note 2)	15,170	11.4%	13,006	8.7%	-14.3%	5,445	8.0%	6,595	10.9%	+21.1%
Ma On Shan Marsino (Note 3)	15,246	11.5%	16,493	11.0%	+8.2%	7,224	10.7%	6,775	11.2%	-6.2%
Ngau Tau Kok Marsino	10,954	8.3%	11,603	7.8%	+5.9%	4,862	7.2%	4,866	8.1%	+0.1%
Tin Shui Wai Marsino	9,165	6.9%	10,888	7.3%	+18.8%	4,672	6.9%	4,296	7.1%	-8.0%
Tuen Mun Marsino (Note 4)	-	-	2,715	1.8%	N/A	-	-	3,040	5.0%	N/A
La Dolce	47,892	36.1%	44,782	29.9%	-6.5%	23,106	34.0%	15,343	25.4%	-33.6%
Tiu Keng Leng La Dolce (Note 5)	13,861	10.4%	5,109	3.4%	-63.1%	5,110	7.5%	-	-	N/A
Ma On Shan La Dolce (Note 3)	15,727	11.9%	15,095	10.1%	-4.0%	6,991	10.3%	5,828	9.6%	-16.6%
Shatin La Dolce	15,126	11.4%	14,283	9.5%	-5.6%	6,133	9.0%	5,117	8.5%	-16.6%
Tseung Kwan O La Dolce (Note 6)	3,178	2.4%	10,295	6.9%	+223.9%	4,872	7.2%	4,398	7.3%	-9.7%
Grand Avenue	20,447	15.4%	43,362	29.0%	+112.1%	16,550	24.4%	19,552	32.3%	+18.1%
Tsuen Wan Grand Avenue	18,532	14.0%	18,311	12.2%	-1.2%	8,501	12.5%	7,295	12.0%	-14.2%
Tseung Kwan O Grand Avenue (Note 7)	1,915	1.4%	17,299	11.6%	+803.3%	8,049	11.9%	6,638	11.0%	-17.5%
Tiu Keng Leng Grand Avenue (Note 8)	-	-	7,752	5.2%	N/A	-	-	5,619	9.3%	N/A
Total	132,603	100.0%	149,715	100.0%	+12.9%	67,857	100.0%	60,467	100.0%	-10.9%

Note (1): K-Point Marsino was closed in September 2016.

Note (2): Tiu Keng Leng Marsino was temporarily closed for renovation in August and September 2016.

Note (3): Ma On Shan Marsino and Ma On Shan La Dolce were closed in December 2017.

Note (4): Tuen Mun Marsino was opened in December 2016.

Note (5): Tiu Keng Leng La Dolce was closed in August 2016.

Note (6): Tseung Kwan O La Dolce was opened in December 2015.

Note (7): Tseung Kwan O Grand Avenue was opened in February 2016.

Note (8): Tiu Keng Leng Grand Avenue was opened in October 2016.

For further details on the analysis of our revenue, please refer to the sub-section headed “Financial Information – Period to period review of our results of operations” in this prospectus.

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Marsino

Marsino is a Chinese noodle specialist offering a wide selection of noodles. Our signature dish is traditional rice noodles served in our in-house broths with local flavours, namely, spicy minced pork broth, hot and sour broth, tomato and preserved vegetable broth, chicken broth and preserved egg and coriander broth. Marsino also offers quarterly special broths such as tom yum broth to align with the constantly changing market trend and customer preferences. Whilst we offer noodle sets with our signature pairings, a made-to-order menu is also offered to increase flexibility and variety. Customers can tailor their own noodle bowls, from toppings down to the broth. With a vast collection of approximately 30 toppings for selection, paired with one of our 5 broths and 4 noodles, we offer a diverse permutation of noodles.

In order to better cater our neighbourhood, our Marsino restaurants are opened from as early as 7:00 a.m. till as late as 12:00 a.m., normally serving breakfast from 7:00 a.m. to 12:00 noon, lunch from 12:00 noon to 2:30 p.m., afternoon tea from 2:30 p.m. to 5:30 p.m. as well as dinner from 5:30 p.m. to 11:00 p.m.. The menu for each dining period is designed to cater for different needs. Breakfast menu includes oatmeal, pan-fried eggs to our signature noodles. Our afternoon tea sets place larger emphasis on our signature noodles paired with a light snack to cater the lighter appetite our afternoon diners.

For the years ended 31 March 2016 and 2017, and the five months ended 31 August 2017, revenue generated from our Marsino restaurants amounted to approximately HK\$64.3 million HK\$61.6 million and HK\$25.6 million, respectively, representing approximately 48.5%, 41.1% and 42.3% of our total revenue during the same periods, respectively.

Marsino restaurants

During the Track Record Period, there were a total of 6 Marsino restaurants, of which two of our Marsino restaurants were closed as at the Latest Practicable Date. The table below sets out details of our Marsino restaurants during the Track Record Period:

Year and month of opening	Address	FEHD Licensed area sq.m.	Number of seats	Lease/ Self-owned
February 2009 (Note (1))	No 106-107, Level 1, K-Point, 1 Tuen Lung Street, Tuen Mun, New Territories (“ K-Point Marsino ”)	169.0	115	Leased
September 2010 (Note (2))	L2-027 & R03, Level 2, Metro Town Shopping Mall, 8 King Ling Road, Tseung Kwan O, New Territories (“ Tiu Keng Leng Marsino ”)	149.7	86	Leased

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Year and month of opening	Address	FEHD Licensed area sq.m.	Number of seats	Lease/ Self-owned
February 2012 (Note (3))	No 336, Level 3, Ma On Shan Plaza, 608 Sai Sha Road, Ma On Shan, Shatin, New Territories (“ Ma On Shan Marsino ”)	175.3	100	Leased
January 2013	G4-7, G/F, Phase 1 Amoy Plaza, 77 Ngau Tau Kok Road, Kwun Tong, Kowloon (“ Ngau Tau Kok Marsino ”)	90.2	60	Leased
July 2014	No 138, 1/F, Phase 1, Fortune Kingswood, No. 12-18 Tin Yan Road, Tin Shui Wai, Yuen Long, New Territories (“ Tin Shui Wai Marsino ”)	108.6	64	Leased
December 2016	Shop A1 & A2, G/F, Tuen King Building, 8 Tsing Hoi Circuit, Tuen Mun, New Territories (“ Tuen Mun Marsino ”)	117.0	68	Leased

Note (1): K-Point Marsino was closed in September 2016.

Note (2): The tenancy agreement was initially jointly leased by Marsino restaurant and La Dolce restaurant, which was subsequently, jointly leased by Marsino restaurant and Grand Avenue restaurant in July 2016 due to rebranding.

Note (3): Ma On Shan Marsino was closed in December 2017.

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The following image shows the store front of Tiu Keng Leng Marsino:



All of our Marsino restaurants are operated on leased properties. For further details, please refer to the paragraph headed “Properties” in this section.

La Dolce

La Dolce offers western cuisine including Napoli pizza base with spicy chicken, red wine braised beef shanks, smoked duck breast rice baked in a skillet, and lobster cheese sauce with udon in its current or former menu.

In order to better cater for our neighbourhood, most of our La Dolce restaurants are opened from as early as 7:00 a.m. to 11:00 p.m., serving breakfast from 7:00 a.m. to 12:00 noon, lunch from 12:00 noon to 2:30 p.m., afternoon tea from 2:30 p.m. to 5:30 p.m. as well as dinner from 5:30 p.m. to 11:00 p.m.. Breakfast menu offers continental options including oatmeal and scrambled eggs to American breakfast. Our afternoon tea sets offer light bites such as classic french toast and club sandwiches while our lunch and dinner menu delivers a variety of Italian fundamentals such as pizza, pasta, and risotto.

For the years ended 31 March 2016 and 2017, and the five months ended 31 August 2017, revenue generated from our La Dolce restaurants amounted to approximately HK\$47.9 million, HK\$44.8 million and HK\$15.3 million, respectively, representing approximately 36.1%, 29.9% and 25.4% of our total revenue during the same periods, respectively.

BUSINESS

La Dolce restaurants

During the Track Record Period, there were a total of 4 La Dolce restaurants, of which two of our La Dolce restaurants were closed as at the Latest Practicable Date. The table below sets out details of our La Dolce restaurants during the Track Record Period:

Year and month of opening	Address	FEHD Licensed area (approximately) sq.m.	Number of seats	Lease/ Self-owned
September 2010 (Note (1) and Note (2))	L2-027 & R03, Level 2, Metro Town Shopping Mall, 8 King Ling Road Tseung Kwan O, New Territories (“ Tiu Keng Leng La Dolce ”)	149.7	92	Leased
February 2012 (Note (1) and Note (3))	No 336, Level 3, Ma On Shan Plaza, 608 Sai Sha Road, Ma On Shan, Shatin, New Territories (“ Ma On Shan La Dolce ”)	175.3	100	Leased
April 2013	Shop 183, 1/F, Fortune City One, 1 Ngan Shing Street, Shatin, New Territories (“ Shatin La Dolce ”)	218.9	120	Leased
December 2015 (Note (4))	Shop No 1-021, 1-022 & 1-023, Level 1, Commercial Portion of Tseung Kwan O Plaza, 1 Tong Tak Street, Tseung Kwan O, New Territories (“ Tseung Kwan O La Dolce ”)	149.9	71	Leased

Note (1): The tenancy agreement is jointly leased by Marsino restaurant and La Dolce restaurant and Ma On Shan La Dolce was closed in December 2017.

Note (2): Tiu Keng Leng La Dolce was closed in August 2016.

Note (3): Ma On Sha La Dolce was closed in December 2017.

Note (4): The tenancy agreement is jointly leased by La Dolce restaurant and Grand Avenue restaurant.

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The following image shows the store front of Shatin La Dolce:



All of our La Dolce restaurants are operated on leased properties. For further details, please refer to the paragraph headed “Properties” in this section.

Grand Avenue

Grand Avenue is a restaurant, serving modern Thai cuisine with fusion dishes. Our dishes include Thai flavoured pizza and tom yum with hot pot. Thai dishes with contemporary presentation are also offered for those who prefer the traditional flavours.

In order to better cater our neighbourhood, most of our Grand Avenue restaurants are opened from 7:00 a.m. till 11:00 p.m., serving breakfast from 7:00 a.m. to 12:00 noon, lunch from 12:00 noon to 2:30 p.m., afternoon tea from 2:30 p.m. to 5:30 p.m. as well as dinner from 5:30 p.m. to 11:00 p.m.. Breakfast menu offers continental options including oatmeal, fish and chips to American breakfast. Our afternoon tea sets in the past, offered light bites such as Thai soup noodles, kaya toast and mini Thai flavoured pizza while our lunch and dinner menu offer a variety of Thai fundamentals such as pad thai, Thai satay, and Thai soup noodles.

For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, revenue generated from our Grand Avenue restaurants amounted to approximately HK\$20.4 million, HK\$43.4 million and HK\$19.6 million, respectively, representing approximately 15.4%, 29.0% and 32.3% of our total revenue during the same periods, respectively.

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Grand Avenue restaurants

During the Track Record Period, there were a total of 3 Grand Avenue restaurants. The table sets out details of our Grand Avenue restaurants during the Track Record Period:

Year and month of opening	Address	FEHD	Number of seats	Lease/ Self-owned
		Licensed area (approximately) <i>sq.m.</i>		
June 2014	Shop G23, G/F, Citywalk I, 1 Yeung Uk Road, Tsuen Wan, New Territories (“ Tsuen Wan Grand Avenue ”)	232.1	116	Leased
February 2016 (Note (1))	Shop No 1-021, 1-022 & 1-023, Level 1, Commercial Portion of Tseung Kwan O Plaza, 1 Tong Tak Street, Tseung Kwan O, New Territories (“ Tseung Kwan O Grand Avenue ”)	149.9	93	Leased
October 2016 (Note (2))	L2-027 & R03, Level 2, Metro Town Shopping Mall, 8 King Ling Road Tseung Kwan O, New Territories (“ Tiu Keng Leng Grand Avenue ”)	149.7	74	Leased

Note (1): The tenancy agreement is jointly leased by La Dolce restaurant and Grand Avenue restaurant.

Note (2): The tenancy agreement is jointly leased by Marsino restaurant and Grand Avenue restaurant.

Subsequent to the Track Record Period, we opened a new Grand Avenue restaurant with details set out below:

Year and month of opening	Address	FEHD	Number of seats	Lease/ Self-owned
		Licensed area (approximately) <i>sq.m.</i>		
October 2017	Shop No. 3E-12, Level 3, Sunshine City Plaza, Ma On Shan, Shatin, New Territories (“ Ma On Shan Grand Avenue ”)	182.9	104	Leased

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The following image shows the store front of Tsuen Wan Grand Avenue:



All of our Grand Avenue restaurants are operated on leased properties. For further details, please refer to the paragraph headed “Properties” in this section.

Pricing policy at our restaurants

In view of the volatility of procurement prices of our ingredients, we determine the prices of our menu competitively with reference to numerous considerations including the procurement costs, the availability of the ingredients, market demand, general market trends, pricing of our neighbouring competitors, purchasing power of customers and customers’ value perception. For consistency, the same pricing is implemented across all restaurants under the same restaurant brand. In order to ensure the competitiveness of our pricing strategy, the pricing is reviewed alongside our periodic menu review and from time to time as our Directors consider appropriate with reference to market conditions.

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Catering to local residents, the menu at Marsino restaurants is economically-priced where our noodles with signature pairings averages approximately HK\$43.0 to HK\$50.0 per bowl. The made-to-order menu starts with a base bowl priced at approximately HK\$33.0, which includes a broth, a noodle base and complimentary topping where additional toppings are offered at an extra charge of approximately HK\$6.0 to HK\$7.0 per item. Our breakfast and afternoon tea menu ranges from approximately HK\$26.0 to HK\$42.0. During the Track Record Period, the average spending per customer at our Marsino restaurants was approximately HK\$40.6, HK\$41.9 and HK\$44.0 for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, respectively.

With an objective to position our La Dolce restaurants within the mid range among neighbourhood eateries, lunch options at our La Dolce restaurants ranges from approximately HK\$43.0 to HK\$68.0 while dinner options ranges from approximately HK\$53.0 to HK\$138.0. During the Track Record Period, the average spending per customer at our La Dolce restaurants was approximately HK\$51.8, HK\$50.3 and HK\$49.3 for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, respectively.

Pricing ourselves at the mid-to-high ranged category among our brand, lunch options at our Grand Avenue ranges from approximately HK\$38.0 to HK\$75.0 while dinner à la carte options ranges from approximately HK\$12.0 to HK\$168.0. During the Track Record Period, the average spending per customer at our Grand Avenue was approximately HK\$64.8, HK\$71.9 and HK\$65.6 for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, respectively.

The main difference in the pricing policy among our restaurant brands rest in the targeted profit margins, which is influenced by the targeted audience of each of our restaurant brands. Nonetheless, in order to ensure the profitability of our business, we seek to maintain the cost of raw materials and consumables used to approximately 30.0% of our total revenue.

During the Track Record Period, the total cost of raw materials and consumables amounted to approximately HK\$39.9 million, HK\$42.9 million and HK\$16.4 million for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, respectively. For further details on the cost of raw materials and consumables used analysis, please refer to the sub-section headed “Financial Information – Period to period review of our results of operations” in this prospectus.

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The table below sets out the operating profits, operating margins, breakeven periods and investment payback periods for our restaurants:

	Year ended 31 March 2016			Year ended 31 March 2017			Five months ended 31 August 2016			Five months ended 31 August 2017			Investment payback period	
	Operating profit (note 8) HK\$'000	Operating margin (note 8) %	Operating profit (note 8) HK\$'000	Operating margin (note 8) %	Operating profit (note 8) HK\$'000	Operating margin (note 8) %	Operating profit (note 8) HK\$'000	Operating margin (note 8) %	Operating profit (note 8) HK\$'000	Operating margin (note 8) %	Operating profit (note 8) HK\$'000	Operating margin (note 8) %	Break-even period (month(s))	Investment payback period (months)
Marsino														
K-Point Marsino (note 1)	2,343	17.1%	798	11.6%	1,172	19.5%	-	-	-	-	-	-	1	19
Tiu Keng Leng Marsino (before renovation) (notes 2 & 7)	2,910	19.2%	526	9.7%	784	14.4%	-	-	-	-	-	-	1	12
Tiu Keng Leng Marsino (after renovation) (notes 2 & 7)	-	-	1,292	17.1%	-	-	876	13.3%	876	13.3%	876	13.3%	1	-
Ma On Shan Marsino (notes 3 & 7)	3,031	19.9%	3,460	21.0%	1,590	22.0%	1,436	21.2%	1,436	21.2%	1,436	21.2%	2	10
Ngau Tau Kok Marsino	2,274	20.8%	2,471	21.3%	1,056	21.7%	1,034	21.2%	1,034	21.2%	1,034	21.2%	2	13
Tin Shui Wai Marsino	1,417	15.5%	2,374	21.8%	1,130	24.2%	964	22.4%	964	22.4%	964	22.4%	4	20
Tuen Mun Marsino (note 4)	-	-	291	10.7%	-	-	123	4.0%	123	4.0%	123	4.0%	1	-
La Dolce														
Tiu Keng Leng La Dolce (notes 2 & 7)	2,321	16.7%	436	8.5%	764	15.0%	-	-	-	-	-	-	1	19
Ma On Shan La Dolce (notes 3 & 7)	2,818	17.9%	2,749	18.2%	1,653	23.6%	1,323	22.7%	1,323	22.7%	1,323	22.7%	2	9
Shatin La Dolce	1,288	8.5%	1,165	8.2%	527	8.6%	438	8.6%	438	8.6%	438	8.6%	2	24
Tseung Kwan O La Dolce (notes 5 & 7)	76	2.4%	1,233	12.0%	681	14.0%	706	16.1%	706	16.1%	706	16.1%	2	23
Grand Avenue														
Tsuen Wan Grand Avenue (note 6)	1,017	5.5%	898	4.9%	956	11.2%	496	6.8%	496	6.8%	496	6.8%	3	-
Tseung Kwan O Grand Avenue (notes 5 & 7)	95	5.0%	2,972	17.2%	1,888	23.5%	1,736	26.2%	1,736	26.2%	1,736	26.2%	2	16
Tiu Keng Leng Grand Avenue (notes 2 & 7)	-	-	783	10.1%	-	-	976	17.4%	976	17.4%	976	17.4%	1	-
Ma On Shan Grand Avenue (note 9)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

- 1) K-Point Marsino was closed in September 2016.
- 2) Tiu Keng Leng Marsino and Tiu Keng Leng La Dolce were operated as adjoining restaurants. Tiu Keng Leng La Dolce was subsequently closed in August 2016 and rebranded to Tiu Keng Leng Grand Avenue in October 2016 which was then operated as adjoining restaurants with Tiu Keng Leng Marsino. Tiu Keng Leng Marsino and Tiu Keng Leng Grand Avenue have not achieved investment payback and are expected to achieve investment payback in April 2018 and February 2018 respectively (i.e. investment payback period of 19 and 17 months respectively).
- 3) Ma On Shan Marsino and Ma On Shan La Dolce were operated as adjoining restaurants and were closed in December 2017.
- 4) Tuen Mun Marsino has not achieved investment payback and is expected to achieve investment payback in February 2020 (i.e. investment payback period of 39 months).
- 5) Tseung Kwan O La Dolce and Tseung Kwan O Grand Avenue were operated as adjoining restaurants.
- 6) Tsuen Wan Grand Avenue has not achieved investment payback and is expected to achieve investment payback in June 2018 (i.e. investment payback period of 48 months).
- 7) Our adjoining restaurants share investment costs and operating costs in operation. For the purpose of computing the breakeven period and investment payback period for each individual restaurant, investment costs and operating costs are apportioned *pro rata* to seat numbers and revenue respectively for adjoining restaurants.
- 8) Operating margin is calculated by dividing the operating profit for the year by revenue. Operating profit is defined as profit for the year before other income and gains, other losses, finance costs, and income tax expense.
- 9) Ma On Shan Grand Avenue was opened in October 2017 and is expected to achieve investment payback in July 2019 (i.e. investment payback period of 21 months).

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OPERATING PROFIT, OPERATING MARGIN, BREAKEVEN PERIOD AND INVESTMENT PAYBACK PERIOD OF OUR RESTAURANTS

Operating profit and operating margin

Marsino restaurants

K-Point Marsino

In the course of closing our K-Point Marsino in September 2016, we had to settle outstanding annual leave and overtime leave of our staff and incurred demolishing expenses in restating the leased premises. In light of the foregoing reasons and the fact that it only operated for about six months for the year ended 31 March 2017, K-Point Marsino recorded a decrease in operating profit and operating margin from approximately HK\$2.3 million and approximately 17.1% for the year ended 31 March 2016 to approximately HK\$0.8 million and approximately 11.6% for the year ended 31 March 2017.

K-Point Marsino was closed in September 2016.

Tiu Keng Leng Marsino

Year ended 31 March 2017 compared to year ended 31 March 2016

Before renovation, Tiu Keng Leng Marsino recorded a decrease in operating profit and operating margin from approximately HK\$2.9 million and approximately 19.2% for the year ended 31 March 2016 to approximately HK\$0.5 million and approximately 9.7% for the year ended 31 March 2017 due to (i) ceasing of operation during August and September 2016 (where rent was still paid in respect of this period) for the renovation and refurbishment of the premises to rebrand Tiu Keng Leng Marsino and Tiu Keng Leng La Dolce to Tiu Keng Leng Marsino and Tiu Keng Leng Grand Avenue; and (ii) Tiu Keng Leng Marsino operated for about four months for the year ended 31 March 2017.

After renovation, Tiu Keng Leng Marsino operated for about six months for the year ended 31 March 2017. Further, in light of (i) expenses incurred for acquiring kitchen utensils for the re-opening of Tiu Keng Leng Marsino; (ii) increased rental rate upon renewal of the existing lease; and (iii) higher depreciation as a result of recognition of renovation costs, Tiu Keng Leng Marsino recorded a moderate operating margin of approximately 17.1%.

Five months ended 31 August 2017 compared to five months ended 31 August 2016

Tiu Keng Leng Marsino recorded a slight increase in operating profit from approximately HK\$0.8 million for the five months ended 31 August 2016 to approximately HK\$0.9 million for the five months ended 31 August 2017 due to the temporary closure during August and September 2016 for refurbishment of the premises. However, Tiu Keng Leng Marsino recorded a slight decrease in operating margin from approximately 14.4% for the five months ended 31 August 2016 to approximately 13.3% for the five months ended 31 August 2017 due to impact of the depreciation charged to the profit of Tiu Keng Leng Marsino in connection with the refurbishment of the premises.

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Ma On Shan Marsino

Ma On Shan Marsino recorded an increase in operating profit and operating margin from approximately HK\$3.0 million and approximately 19.9% for the year ended 31 March 2016 to approximately HK\$3.5 million and approximately 21.0% for the year ended 31 March 2017 primarily due to increased customer traffic and increased menu price in Ma On Shan Marsino.

Ma On Shan Marsino recorded a decrease in operating profit and operating margin from approximately HK\$1.6 million and approximately 22.0% for the five months ended 31 August 2016 to approximately HK\$1.4 million and approximately 21.2% for the five month ended 31 August 2017 primarily due to decrease in revenue.

Ma On Shan Marsino was closed in December 2017.

Ngau Tau Kok Marsino

Ngau Tau Kok Marsino recorded an increase in operating profit and operating margin from approximately HK\$2.3 million and approximately 20.8% for the year ended 31 March 2016 to approximately HK\$2.5 and approximately 21.3% for the year ended 31 March 2017 as compared to that for the year ended 31 March 2016 primarily due to stable customer traffic and increased menu price.

Operating profit and operating margin of Ngau Tau Kok Marsino remained constant at approximately HK\$1.1 million and approximately 21.7% for the five months ended 31 August 2016 to approximately HK\$1.0 million and approximately 21.2% for the five months ended 31 August 2017.

Tin Shui Wai Marsino

Tin Shui Wai Marsino recorded an increase in operating profit and operation margin from approximately HK\$1.4 million and approximately 15.5% for the year ended 31 March 2016 to approximately HK\$2.4 million and approximately 21.8% for the year ended 31 March 2017 primarily due to increased customer visits from approximately 208,727 for the year ended 31 March 2016 to approximately 241,225 for year ended 31 March 2017.

Operating profit of Tin Shui Wai Marsino remained constant at approximately HK\$1.1 million for the five months ended 31 August 2016 and approximately HK\$1.0 million for the five months ended 31 August 2017. Tin Shui Wai Marsino recorded a decrease in operating margin from approximately 24.2% for the five months ended 31 August 2016 to approximately 22.4% for the five months ended 31 August 2017 primarily due to decrease in revenue.

Tuen Mun Marsino

Tuen Mun Marsino recorded a comparatively low operating profit and operating margin of approximately HK\$0.3 million and approximately 10.7% for the year ended 31 March 2017 due to (i) lower customer traffic at street level comparing to that at shopping malls; (ii) recognition of start-up costs including depreciation expenses in relation to renovation costs and acquisition of kitchen equipments and expenses incurred for acquiring kitchen utensils for the opening of Tuen Mun Marsino; and (iii) higher depreciation as a result of recognition of renovation costs.

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Amongst our restaurants, Tuen Mun Marsino recorded the lowest operating profit and operating margin of approximately HK\$0.1 million and approximately 4.0% for the five months ended 31 August 2017 primarily due to (i) the low customer traffic at the street location of Tuen Mun Marsino; and (ii) the expected level of customer visit had not been reached.

La Dolce restaurants

Tiu Keng Leng La Dolce

Tiu Keng Leng La Dolce recorded a significant decrease in operating profit and operating margin from approximately HK\$2.3 million and approximately 16.7% for the year ended 31 March 2016 to approximately HK\$0.4 million and approximately 8.5% for the year ended 31 March 2017 due to (i) ceasing of operation during August and September 2016 (where rent was still paid in respect of this period) for the renovation and refurbishment of the premises to rebrand Tiu Keng Leng Marsino and Tiu Keng Leng La Dolce to Tiu Keng Leng Marsino and Tiu Keng Leng Grand Avenue; (ii) Tiu Keng Leng Marsino and Tiu Keng Leng La Dolce operated for about four months for the year ended 31 March 2017 as a result of its closure in August 2016; and (iii) settlement of severance payment and long service payment for employees dismissed upon closure of Tiu Keng Leng La Dolce in the amount of approximately HK\$230,000.

Tiu Keng Leng La Dolce was closed in August 2016.

Ma On Shan La Dolce

Ma On Shan La Dolce recorded decrease in operating profit from approximately HK\$2.8 million for the year ended 31 March 2016 to approximately HK\$2.7 million for the year ended 31 March 2017 primarily due to the effects of the menu adjustment and an increase in operating margin from approximately 17.9% for the year ended 31 March 2016 to approximately 18.2% for the year ended 31 March 2017 primarily due to decrease in costs of raw materials and consumables as a result of our bulk purchase policy.

Ma On Shan La Dolce recorded a decrease in operating profit and operating margin from approximately HK\$1.7 million and approximately 23.6% for the five months ended 31 August 2016 to approximately HK\$1.3 million and approximately 22.7% for the five months ended 31 August 2017 primarily due to decrease in revenue.

Ma On Shan La Dolce was closed in December 2017.

Shatin La Dolce

Shatin La Dolce recorded a decrease in operating profit and operating margin from approximately HK\$1.3 million and approximately 8.5% for the year ended 31 March 2016 to approximately HK\$1.2 million and approximately 8.2% for the year ended 31 March 2017 mainly due to (i) increase in competition as a result of the opening of new restaurants in Kings Wing Plaza Phase I within the vicinity of Shatin La Dolce, and (ii) opening of new restaurants in the same mall that Shatin La Dolce is located at. Our operating margin therefore decreased because of the reduced customer traffic.

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Shatin La Dolce recorded a decrease in operating profit from approximately HK\$0.5 million for the five months ended 31 August 2016 to approximately HK\$0.4 million for the five months ended 31 August 2017 primarily due to decrease in revenue. However, the operating margin of Shatin La Dolce remained constant from approximately 8.6% for the five months ended 31 August 2016 to approximately 8.6% for the five months ended 31 August 2017 primarily due to our effort in managing staff costs by re-arranging staff work schedule.

Tseung Kwan O La Dolce

As Tseung Kwan O La Dolce was opened in December 2015, it only operated for a few months for the year ended 31 March 2016 as compared to a full financial year for the year ended 31 March 2017. Therefore, Tseung Kwan O La Dolce recorded a significant increase in operating profit and operating margin from approximately HK\$0.1 million and approximately 2.4% for the year ended 31 March 2016 to approximately HK\$1.2 million and approximately 12.0% for the year ended 31 March 2017.

Despite the decrease in revenue recorded for the five months ended 31 August 2017 as compared to the five months ended 31 August 2016, Tseung Kwan O La Dolce recorded an increase in operating profit and operating margin from approximately HK\$0.7 million and approximately 14.0% for the five months ended 31 August 2016 to approximately HK\$0.7 million and approximately 16.1% for the five months ended 31 August 2017 as a result of our effort in managing staff costs by re-arranging staff work schedule.

Grand Avenue restaurants

Tsuen Wan Grand Avenue

Tsuen Wan Grand Avenue recorded a decrease in operating profit and operating margin from approximately HK\$1.0 million and approximately 5.5% for the year ended 31 March 2016 to approximately HK\$0.9 million and approximately 4.9% for the year ended 31 March 2017. The operating margin of Tsuen Wan Grand Avenue is the lowest amongst our restaurant profile due to its comparatively high monthly base rent per sq. ft. and staff costs coupled with its relatively large leasing area.

Tsuen Wan Grand Avenue recorded a decrease in operating profit and operating margin from approximately HK\$1.0 million and approximately 11.2% for the five months ended 31 August 2016 to approximately HK\$0.5 million and approximately 6.8% for the five months ended 31 August 2017 primarily due to decrease in revenue as a result of decreased customer visits.

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Tseung Kwan O Grand Avenue

As Tseung Kwan O Grand Avenue was opened in February 2016, it only operated for two months for the year ended 31 March 2016 as compared to a full financial year for the year ended 31 March 2017. Therefore, Tseung Kwan O Grand Avenue recorded a significant increase in operating profit and operating margin from approximately HK\$0.1 million and approximately 5.0% for the year ended 31 March 2016 to approximately HK\$3.0 million and approximately 17.2% for the year ended 31 March 2017.

Tseung Kwan O Grand Avenue recorded a decrease in operating profit from approximately HK\$1.9 million for the five months ended 31 August 2016 to approximately HK\$1.7 million for the five months ended 31 August 2017 primarily due to decrease in revenue. However, it recorded an increase in operating margin from approximately 23.5% for the five months ended 31 August 2016 to approximately 26.2% for the five months ended 31 August 2017 primarily due to our effort in managing staff costs by re-arranging staff work schedule.

Tiu Keng Leng Grand Avenue

Tiu Keng Leng Grand Avenue was opened in October 2016 and operated for about six months for the year ended 31 March 2017. Further, in light of (i) expenses incurred for acquiring kitchen utensils for the re-opening of Tiu Keng Leng Marsino and Tiu Keng Leng Grand Avenue; (ii) increased rental rate upon renewal of the existing lease; and (iii) higher depreciation as a result of recognition of renovation costs, Tiu Keng Leng Grand Avenue recorded a moderate operating margin of approximately 10.1% for the year ended 31 March 2017. For the five months ended 31 August 2017, Tiu Keng Leng Grand Avenue recorded an operating margin of approximately 17.4%.

Breakeven period

Our Directors consider that a restaurant achieves breakeven when its monthly revenue is able to cover its monthly operating costs and expenses on an accounting basis. The time required to achieve breakeven vary depending on various factors, including the size, venue, customer traffic and brand of a restaurant. The breakeven period of the 10 restaurants operated by our Group as at the Latest Practicable Date ranged from one month to four months, which our Directors consider are fair and reasonable taking into account of the scale of each restaurant.

Investment payback period

Our Directors consider that a restaurant achieves investment payback when the accumulated net cash inflow since the commencement of business operations is able to cover the total investment amounts. The time required to achieve investment payback varies depending on various factors, including (i) the capital investment such as renovation costs, acquisition costs of kitchen equipment, fixture and furniture; (ii) the size, venue, customer traffic and market positioning of a restaurant; and (iii) whether the lease is a standalone lease or a joint lease for 2 adjoining restaurants. We typically record higher total costs of investments in respect of

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adjoining restaurants under joint lease due to the increased costs of renovation and acquisition costs for kitchen equipment, fixture and furniture. However, despite the higher costs of investment, our adjoining restaurants typically have shorter investment payback period mainly due to the synergy effect that the adjoining restaurants offer more options to passing potential customers and in turn attract a wider spectrum of customers. In addition, we also record higher total costs of investments for Grand Avenue as it targets a higher income group among our restaurant brands.

During the Track Record Period and up to the Latest Practicable Date, we operate a total of 15 restaurants, of which 8 restaurants were operated under 4 joint leases and the remaining 7 restaurants were operated under a standalone lease. We have achieved investment payback in respect of 10 restaurants with an investment payback period ranging from 9 to 24 months, which is within our Directors' target investment payback period of 18 to 24 months.

The restaurants under a standalone lease are (i) Ngau Tau Kok Marsino, which commenced operations in January 2013 and has achieved investment payback in 13 months; (ii) Shatin La Dolce, which commenced operations in April 2013 and has achieved investment payback in 24 months; (iii) Tin Shui Wai Marsino, which commenced operations in July 2014 and has achieved investment payback in 20 months; (iv) K-Point Marsino, which commenced operations in February 2009 and closed at September 2016, has achieved investment payback in September 2010; (v) Tsuen Wan Grand Avenue, which commenced operations in June 2014 and has not achieved investment payback, and is expected to achieve investment payback in June 2018; (vi) Tuen Mun Marsino, which commenced operations in December 2016 and has not achieved investment payback, and is expected to achieve investment payback in February 2020; and (vii) Ma On Shan Grand Avenue, which commenced operations in October 2017, has not achieved investment payback and is expected to achieve investment payback in 21 months.

The restaurants under joint leases are (i) the adjoining Ma On Shan Marsino and Ma On Shan La Dolce, both of which commenced operations in February 2012 and have achieved investment payback in 10 and 9 months respectively; (ii) the adjoining Tiu Keng Leng Marsino and Tiu Keng Leng La Dolce which commenced operations in September 2010 and closed at August 2016, have achieved investment paybacks in August 2011 and March 2012 respectively; (iii) the adjoining Tiu Keng Leng Marsino and Tiu Keng Leng Grand Avenue, which commenced operations in October 2016 and have not achieved investment payback, and are expected to achieve investment payback in April 2018 and February 2018 respectively; and (iv) the adjoining Tseung Kwan O La Dolce and Tseung Kwan O Grand Avenue, which commenced operations in December 2015 and February 2016, respectively. Tseung Kwan O La Dolce has achieved investment payback in 23 months while Tseung Kwan O Grand Avenue has achieved investment payback in 16 months.

Marsino

We incurred the lowest total costs of investments for our Marsino restaurants among our restaurant brands as (i) the requirements for kitchen equipment at our Marsino restaurants are lowest among our restaurant brands; and (ii) the restaurant decor requirements at our Marsino restaurants are lowest among our restaurant brands as to emphasise a clean dining ambience and consequently, we incurred lowest costs for renovation and acquisition costs for fixtures and furniture.

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The historical investment payback period of our Marsino restaurants which have achieved investment payback ranged from 10 months to 20 months.

La Dolce

We incurred slightly higher total costs of investments in respect of our La Dolce restaurants than our Marsino restaurants primarily due to the higher renovation costs for the European themed decor adopted to target at mid ranged end customers.

The historical investment payback period of our La Dolce restaurants which have achieved investment ranged from 9 months to 24 months.

Grand Avenue

We incurred the highest total costs of investments for our Grand Avenue restaurants among our restaurant brands as (i) Grand Avenue is our most high-end restaurant brand among our 3 restaurant brands; (ii) the requirements for kitchen equipment at our Grand Avenue restaurants are highest among our restaurant brands as the preparation of Thai cuisine involves more complicated cooking process and more sophisticated kitchen equipment; and (iii) the restaurant decor requirements at our Grand Avenue restaurants are the highest among our restaurant brands and consequently, we incurred the highest costs for renovation and acquisition costs for fixtures and furniture.

As at the Latest Practicable Date, Tseung Kwan O Grand Avenue was the only Grand Avenue restaurant that has achieved investment payback with an investment payback period of 16 months.

Restaurants that have not achieved investment payback

As at the Latest Practicable Date, Tuen Mun Marsino, Tsuen Wan Grand Avenue, Tiu Keng Leng Marsino, Tiu Keng Leng Grand Avenue and Ma On Shan Grand Avenue have yet to achieve investment payback, and the expected investment payback period are summarised as follows:

- ***Tuen Mun Marsino:*** Tuen Mun Marsino commenced operations in December 2016 under a standalone lease has not achieved investment payback. Taking into account of the relatively high renovation costs per sq. ft. of Tuen Mun Marsino among our restaurants and the level of customer traffic nearby, our Directors expect to achieve investment payback for Tuen Mun Marsino in 39 months in February 2020;

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- ***Tsuen Wan Grand Avenue:*** Tsuen Wan Grand Avenue commenced operations in June 2014. Our Directors expect to achieve investment payback for Tsuen Wan Grand Avenue in 48 months in June 2018 before expiry of the relevant lease in March 2019. Tsuen Wan Grand Avenue has an extended investment payback period mainly attributable to (i) its comparatively high monthly base rent per sq. ft. coupled with its relatively large leasing area; (ii) more staff members were hired to cover the relatively large restaurant service area; and (iii) its decreased customer visits during the Track Record Period;
- ***Tiu Keng Leng Marsino and Tiu Keng Leng Grand Avenue:*** The adjoining Tiu Keng Leng Marsino and Tiu Keng Leng Grand Avenue, which commenced operations in October 2016 after the rebranding, are expected to achieve investment payback in April 2018 and February 2018 respectively. Tiu Keng Leng Marsino previously achieved investment payback in 12 months from its first commencement of business. As a result of the renovation costs due to the rebranding of its adjoining restaurant from Tiu Keng Leng La Dolce to Tiu Keng Leng Grand Avenue, Tiu Keng Leng Marsino incurred additional renovation costs and is yet to achieve investment payback as at the Latest Practicable Date. Taking into account of the total costs of investments of Tiu Keng Leng Marsino and Tiu Keng Leng Grand Avenue of approximately HK\$5.5 million, the higher customer traffic as a result of the cluster opening of the adjoining restaurants, and the higher average spending per customer at Grand Avenue restaurant, our Directors expect to achieve investment payback for Tiu Keng Leng Marsino and Tiu Keng Leng Grand Avenue in 19 months in April 2018 and 17 months in February 2018, respectively; and
- ***Ma On Shan Grand Avenue:*** Ma On Shan Grand Avenue commenced operations in October 2017 and is expected to achieve investment payback in 21 months in July 2019. The expected investment payback period of 21 months is within our Directors' target investment payback period of 18 to 24 months.

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OPERATIONAL PERFORMANCE OF OUR RESTAURANTS DURING THE TRACK RECORD PERIOD

The tables below set out the key operational information of our restaurants for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2016 and 2017:

Restaurant	Year ended 31 March 2016					Year ended 31 March 2017								
	Number of customer visits	Number of operation days	Total revenue	Average spending per customer	Average daily revenue	Number of seats	Seat turnover rate (Notes (11 to 13))	Number of customer visits	Number of operation days	Total revenue	Average spending per customer	Average daily revenue	Number of seats	Seat turnover rate (Notes (11 to 13))
			HK\$'000	(Note (9)) HK\$	(Note (10)) HK\$'000					HK\$'000	(Note (9)) HK\$	(Note (10)) HK\$'000		
Marsino	1,584,033	1,825	64,264	40.6	35.2	430	10.3	1,468,970	1,676	61,571	41.9	36.7	493	10.5
K-Point Marsino (Note 1)	351,177	365	13,729	39.1	37.6	115	8.4	166,891	173	6,866	41.1	39.7	115	8.4
Tiu Keng Leng Marsino (Note 2)	352,482	365	15,170	43.0	41.6	91	10.6	297,922	297	13,006	43.7	43.8	86	11.7
Ma On Shan Marsino (Note 3)	397,410	365	15,246	38.4	41.8	100	10.9	421,466	364	16,493	39.1	45.3	100	11.6
Ngau Tau Kok Marsino	274,237	365	10,954	39.9	30.0	60	12.5	278,267	358	11,603	41.7	32.4	60	13.0
Tin Shui Wai Marsino	208,727	365	9,165	43.9	25.1	64	8.9	241,225	364	10,888	45.1	29.9	64	10.4
Tuen Mun Marsino (Note 4)	-	-	-	-	-	-	-	63,199	120	2,715	43.0	22.6	68	7.7
La Dolce	924,000	1,187	47,892	51.8	40.3	383	8.1	890,323	1,215	44,782	50.3	36.9	383	7.9
Tiu Keng Leng La Dolce (Note 5)	267,732	365	13,861	51.8	38.0	92	8.0	100,842	123	5,109	50.7	41.5	92	8.9
Ma On Shan La Dolce (Note 3)	301,651	365	15,727	52.1	43.1	100	8.3	304,408	364	15,095	49.6	41.5	100	8.4
Shatin La Dolce	292,663	365	15,126	51.7	41.4	120	6.7	272,202	364	14,283	52.5	39.2	120	6.2
Tseung Kwan O La Dolce (Note 6)	61,954	92	3,178	51.3	34.5	71	9.5	212,871	364	10,295	48.4	28.3	71	8.2
Grand Avenue	315,475	411	20,447	64.8	49.7	209	6.0	602,942	903	43,362	71.9	48.0	283	7.3
Tsuen Wan Grand Avenue	294,173	365	18,532	63.0	50.8	116	6.9	281,399	364	18,311	65.1	50.3	116	6.7
Tseung Kwan O Grand Avenue (Note 7)	21,302	46	1,915	89.9	41.6	93	5.0	200,456	364	17,299	86.3	47.5	93	5.9
Tiu Keng Leng Grand Avenue (Note 8)	-	-	-	-	-	-	-	121,087	175	7,752	64.0	44.3	74	9.4
Total	2,823,508	3,423	132,603	47.0	38.7	1,022	8.1	2,962,235	3,794	149,715	50.5	39.5	1,159	8.6

Note (1): K-Point Marsino was closed in September 2016.

Note (2): Tiu Keng Leng Marsino was temporarily closed for renovation in August and September 2016.

Note (3): Ma On Shan Marsino and Ma On Shan La Dolce were closed in December 2017.

Note (4): Tuen Mun Marsino was opened in December 2016.

Note (5): Tiu Keng Leng La Dolce was closed in August 2016.

Note (6): Tseung Kwan O La Dolce was opened in December 2015.

Note (7): Tseung Kwan O Grand Avenue was opened in February 2016.

Note (8): Tiu Keng Leng Grand Avenue was opened in October 2016.

Note (9): Average spending per customer is calculated by total revenue divided by total number of customer visits.

Note (10): Average daily revenue is calculated by total revenue divided by total number of operation days.

Note (11): Seat turnover rate by restaurant is calculated by number of customer visits divided by the product of number of operation days times the number of seats.

Note (12): Seat turnover rate by brand is calculated by adding the seat turnover rate of all restaurants under each brand and then divided by the total number of restaurants under each brand.

Note (13): Total seat turnover rate is calculated by adding the seat turnover rate of all 3 brands and then divided by the total number of the brands.

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Restaurant	Five months ended 31 August 2016						Five months ended 31 August 2017							
	Number of customer visits	Number of operation days	Total revenue	Average spending per customer	Average daily revenue	Number of seats	Seat turnover rate (Notes (11 to 13))	Number of customer visits	Number of operation days	Total revenue	Average spending per customer	Average daily revenue	Number of seats	Seat turnover rate (Notes (11 to 13))
			HK\$'000 (unaudited)	(Note (9)) HK\$	(Note (10)) HK\$'000		(Notes (11 to 13))			HK\$'000	(Note (9)) HK\$	(Note (10)) HK\$'000		(Notes (11 to 13))
Marsino	685,264	735	28,201	41.2	38.4	430	11.1	580,568	765	25,572	44.0	33.4	378	9.9
K-Point Marsino (Note 1)	147,662	153	5,998	40.6	39.2	115	8.4	-	-	-	-	-	-	-
Tiu Keng Leng Marsino (Note 2)	125,419	123	5,445	44.3	44.3	91	11.2	145,786	153	6,595	45.2	43.1	86	11.1
Ma On Shan Marsino (Note 3)	186,974	153	7,224	38.6	47.2	100	12.2	166,112	153	6,775	40.8	44.3	100	10.9
Ngau Tau Kok Marsino	121,020	153	4,862	40.2	31.8	60	13.2	106,920	153	4,866	45.5	31.8	60	11.6
Tin Shui Wai Marsino	104,189	153	4,672	44.8	30.5	64	10.6	91,961	153	4,296	46.7	28.1	64	9.4
Tuen Mun Marsino (Note 4)	-	-	-	-	-	-	-	69,789	153	3,040	43.6	19.9	68	6.7
La Dolce	461,094	582	23,106	50.1	39.7	383	8.5	311,259	459	15,343	49.3	33.4	291	7.2
Tiu Keng Leng La Dolce (Note 5)	100,842	123	5,110	50.7	41.5	92	8.9	-	-	-	-	-	-	-
Ma On Shan La Dolce (Note 3)	140,672	153	6,991	49.7	45.7	100	9.2	122,002	153	5,828	47.8	38.1	100	8.0
Shatin La Dolce	116,326	153	6,133	52.7	40.1	120	6.3	102,336	153	5,117	50.0	33.4	120	5.6
Tseung Kwan O La Dolce (Note 6)	103,254	153	4,872	47.2	31.8	71	9.5	86,921	153	4,398	50.6	28.7	71	8.0
Grand Avenue	219,405	306	16,550	75.4	54.1	209	6.8	297,852	459	19,552	65.6	42.6	283	7.0
Tsuen Wan Grand Avenue	128,441	153	8,501	66.2	55.6	116	7.2	115,897	153	7,295	62.9	47.7	116	6.5
Tseung Kwan O Grand Avenue (Note 7)	90,964	153	8,049	88.5	52.6	93	6.4	86,212	153	6,638	77.0	43.4	93	6.1
Tiu Keng Leng Grand Avenue (Note 8)	-	-	-	-	-	-	-	95,743	153	5,619	58.7	36.7	74	8.5
Total	1,365,763	1,623	67,857	49.7	41.8	1,022	8.8	1,189,679	1,683	60,467	50.8	35.9	952	8.0
Note (1):	K-Point Marsino was closed in September 2016.													
Note (2):	Tiu Keng Leng Marsino was temporarily closed for renovation in August and September 2016.													
Note (3):	Ma On Shan Marsino and Ma On Shan La Dolce were closed in December 2017.													
Note (4):	Tuen Mun Marsino was opened in December 2016.													
Note (5):	Tiu Keng Leng La Dolce was closed in August 2016.													
Note (6):	Tseung Kwan O La Dolce was opened in December 2015.													
Note (7):	Tseung Kwan O Grand Avenue was opened in February 2016.													
Note (8):	Tiu Keng Leng Grand Avenue was opened in October 2016.													
Note (9):	Average spending per customer is calculated by total revenue divided by total number of customer visits.													
Note (10):	Average daily revenue is calculated by total revenue divided by total number of operation days.													
Note (11):	Seat turnover rate by restaurant is calculated by number of customer visits divided by the product of number of operation days times the number of seats.													
Note (12):	Seat turnover rate by brand is calculated by adding the seat turnover rate of all restaurants under each brand and then divided by the total number of restaurants under each brand.													
Note (13):	Total seat turnover rate is calculated by adding the seat turnover rate of all 3 brands and then divided by the total number of the brands.													

Note (1): K-Point Marsino was closed in September 2016.

Note (2): Tiu Keng Leng Marsino was temporarily closed for renovation in August and September 2016.

Note (3): Ma On Shan Marsino and Ma On Shan La Dolce were closed in December 2017.

Note (4): Tuen Mun Marsino was opened in December 2016.

Note (5): Tiu Keng Leng La Dolce was closed in August 2016.

Note (6): Tseung Kwan O La Dolce was opened in December 2015.

Note (7): Tseung Kwan O Grand Avenue was opened in February 2016.

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Note (9): Average spending per customer is calculated by total revenue divided by total number of customer visits.

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Note (11): Seat turnover rate by restaurant is calculated by number of customer visits divided by the product of number of operation days times the number of seats.

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Note (13): Total seat turnover rate is calculated by adding the seat turnover rate of all 3 brands and then divided by the total number of the brands.

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PERIOD TO PERIOD REVIEW OF THE KEY OPERATIONAL INFORMATION OF OUR RESTAURANTS

Year ended 31 March 2017 compared to year ended 31 March 2016 and five months ended 31 August 2017 compared to five months ended 31 August 2016

Marsino restaurants

The revenue of our Marsino restaurants decreased from approximately HK\$64.3 million for the year ended 31 March 2016 to approximately HK\$61.6 million for the year ended 31 March 2017 and decreased from approximately HK\$28.2 million for the five months ended 31 August 2016 to approximately HK\$25.6 million for the five months ended 31 August 2017. The following summarises the changes in the key operational information of our Marsino restaurants for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2016 and 2017:

- ***Average spending per customer:*** The average spending per customer increased from approximately HK\$40.6 for the year ended 31 March 2016 to approximately HK\$41.9 for the year ended 31 March 2017 and increased from approximately HK\$41.2 for the five months ended 31 August 2016 to approximately HK\$44.0 for the five months ended 31 August 2017. Such increases were primarily attributable to an upward price adjustment in our menu price across our Marsino restaurants during the year ended 31 March 2017.
- ***Average daily revenue:*** As a result of the increase in average spending per customer, our average daily revenue at our Marsino restaurants increased from approximately HK\$35,200 for the year ended 31 March 2016 to approximately HK\$36,700 for the year ended 31 March 2017. The average daily revenue at our Marsino restaurants decreased from approximately HK\$38,400 for the five months ended 31 August 2016 to approximately HK\$33,400 for the five months ended 31 August 2017 primarily due to decreased customer visits.
- ***Number of customer visits:*** Total number of customer visits decreased from approximately 1.6 million for the year ended 31 March 2016 to approximately 1.5 million for the year ended 31 March 2017 and decreased from 685,264 for the five months ended 31 August 2016 to 580,568 for the five months ended 31 August 2017. Such decreases were primarily attributable to (i) the closure of K-Point Marsino with 115 seats in September 2016; (ii) the opening of Tuen Mun Marsino with 68 seats in December 2016 within the vicinity of K-Point Marsino, our Directors expect it will take time for Tuen Mun Marsino to establish its customer traffic; and (iii) temporary closure of Tiu Keng Leng Marsino in August and September 2016 for renovation as a result of which, the total number of seats decreased from 91 seats to 86 seats.

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- **Seat turnover rate:** The seat turnover rate of our Marsino restaurants remained relatively constant at approximately 10.3 for the year ended 31 March 2016 and approximately 10.5 for the year ended 31 March 2017. The decrease of the seat turnover rate of our Marsino restaurants from approximately 11.1 for the five months ended 31 August 2016 to approximately 9.9 for the five months ended 31 August 2017 was primarily due to decreased customer visits.

La Dolce restaurants

The revenue of our La Dolce restaurants decreased from approximately HK\$47.9 million for the year ended 31 March 2016 to approximately HK\$44.8 million for the year ended 31 March 2017 and decreased from approximately HK\$23.1 million for the five months ended 31 August 2016 to approximately HK\$15.3 million for the five months ended 31 August 2017. The following summarises the changes in the key operational information of our La Dolce restaurants for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2016 and 2017:

- **Average spending per customer:** The average spending per customer decreased from approximately HK\$51.8 for the year ended 31 March 2016 to approximately HK\$50.3 for the year ended 31 March 2017 and decreased from approximately HK\$50.1 for the five months ended 31 August 2016 to approximately HK\$49.3 for the five months ended 31 August 2017. Such decreases were primarily attributable to menu adjustment to enhance the price competitiveness of our menu during the year ended 31 March 2017 by reducing expensive food items such as lobster and steak and focusing on other food items such as pasta and pizza.
- **Average daily revenue:** As a result of the decrease in average spending per customer, our average daily revenue at our La Dolce restaurants decreased from approximately HK\$40,300 for the year ended 31 March 2016 to approximately HK\$36,900 for the year ended 31 March 2017. Such decrease was primarily attributable to the effects of the menu adjustment in order to enhance the price competitiveness and partially offset by higher revenue recorded during the new opening of Tseung Kwan O La Dolce in December 2015. The average daily revenue at our La Dolce restaurants decreased from approximately HK\$39,700 for the five months ended 31 August 2016 to approximately HK\$33,400 for the five months ended 31 August 2017 primarily due to decreased customer visits.

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- **Number of customer visits:** Total number of customer visits decreased from 924,000 for the year ended 31 March 2016 to 890,323 for the year ended 31 March 2017 despite the increase of operation days. Our Directors believe that such decrease was primarily attributable to (i) the closure of Tiu Keng Leng La Dolce in August 2016, which recorded customer visits of 267,732 for the year ended 31 March 2016; and (ii) the decrease in number of customer visits in Shatin La Dolce from 292,663 for the year ended 31 March 2016 to 272,202 for the year ended 31 March 2017. Taking into account of (a) the opening of new restaurants in Kings Wing Plaza Phase I within the vicinity of Shatin La Dolce in mid-2016 and (b) the decrease in the number of customer visits since mid-2016, our Directors are of the views that the decrease in number of customer visits in Shatin La Dolce was primarily attributable to increased competition. The combined effect of (i) and (ii) was partially offset by the increase in customer visit of Tseung Kwan O La Dolce, which opened in December 2015, from 61,954 for the year ended 31 March 2016 to 212,871 for the full year ended 31 March 2017. Total number of customer visits decreased from 461,094 for the five months ended 31 August 2016 to 311,259 for the five months ended 31 August 2017 primarily due to (i) the closure of Tiu Keng Leng La Dolce in August 2016; (ii) the decrease in number of customer visits in Shatin La Dolce due to increased competition; and (iii) the decrease in number of customer visits in Tseung Kwan O La Dolce due to increased competition as a result of increased restaurant options brought about by the opening of PopWalk, a new shopping mall nearby.
- **Seat turnover rate:** The seat turnover rate of our La Dolce restaurants remained constant at approximately 8.1 for the year ended 31 March 2016 and approximately 7.9 for the year ended 31 March 2017. The decrease of the seat turnover rate of our La Dolce restaurants from approximately 8.5 for the five months ended 31 August 2016 to approximately 7.2 for the five months ended 31 August 2017 was primarily due to decreased customer visits.

Grand Avenue restaurants

The revenue of our Grand Avenue restaurants increased from approximately HK\$20.4 million for the year ended 31 March 2016 to approximately HK\$43.4 million for the year ended 31 March 2017 and increased from approximately HK\$16.6 million for the five months ended 31 August 2016 to approximately HK\$19.6 million for the five months ended 31 August 2017. The following summarises the changes in the key operational information of our Grand Avenue restaurants for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2016 and 2017:

- **Average spending per customer:** The average spending per customer increased from approximately HK\$64.8 for the year ended 31 March 2016 to approximately HK\$71.9 for the year ended 31 March 2017. Such increase was primarily attributable to Tseung Kwan O Grand Avenue, which opened in February 2016 and did not offer breakfast menu comprising comparatively lower-priced food items during the period from February 2016 to December 2016. Initially, our Directors strategically did not offer

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breakfast menu at our Tseung Kwan O Grand Avenue as it was situated adjacent to our Tseung Kwan O La Dolce, which offered breakfast menu and therefore eliminated unnecessary competition between our Tseung Kwan O Grand Avenue and our Tseung Kwan O La Dolce. Subsequently, taking into account the high volume of customers for breakfast during the weekends and public holidays at Tseung Kwan O La Dolce, our Directors decided to offer breakfast at Tseung Kwan O Grand Avenue during the weekends and public holidays since December 2016. As a result of our decision to offer breakfast at Tseung Kwan O Grand Avenue since December 2016, the average spending per customer at our Grand Avenue restaurants decreased from approximately HK\$75.4 for the five months ended 31 August 2016 to approximately HK\$65.6 for the five months ended 31 August 2017.

- **Average daily revenue:** Despite the increase in average spending per customer, our average daily revenue at our Grand Avenue restaurants decreased from approximately HK\$49,700 for the year ended 31 March 2016 to approximately HK\$48,000 for the year ended 31 March 2017. Such decrease was primarily attributable to the new opening of Tiu Keng Leng Grand Avenue in October 2016, which our Directors believe is still in the process of establishing customer confidence among the customers within the neighbourhood. The average daily revenue at our Grand Avenue restaurants decreased from approximately HK\$54,100 for the five months ended 31 August 2016 to approximately HK\$42,600 for the five months ended 31 August 2017 primarily due to decreased customer visits.
- **Number of customer visits:** Total number of customer visits increased significantly from 315,475 for the year ended 31 March 2016 to 602,942 for the year ended 31 March 2017. Such increase was primarily attributable to the opening of (i) Tseung Kwan O Grand Avenue in February 2016, which recorded customer visits of 21,302 for the year ended 31 March 2016 and 200,456 for the year ended 31 March 2017; and (ii) Tiu Keng Leng Grand Avenue in October 2016, which recorded customer visits of 121,087 for the year ended 31 March 2017. Total number of customer visits increased from 219,405 for the five months ended 31 August 2016 to 297,852 for the five months ended 31 August 2017 primarily due to the opening of Tiu Keng Leng Grand Avenue in October 2016, offset by the decrease in customer visits at Tsuen Wan Grand Avenue and Tseung Kwan O Grand Avenue due to increased competition.
- **Seat turnover rate:** The seat turnover rate of our Grand Avenue restaurants increased from 6.0 for the year ended 31 March 2016 to 7.3 for the year ended 31 March 2017. Such increase was primarily attributable to the increase in the overall operation days of our Grand Avenue restaurants due to (i) the opening of Tseung Kwan O Grand Avenue in February 2016; (ii) the opening of Tiu Keng Leng Grand Avenue in October 2016; and (iii) the extension of the opening hours of Tiu Keng Leng Grand Avenue to offer breakfast to customers. As a result of the increase in customer visits, seat turnover rate of our Grand Avenue restaurants increased slightly from approximately 6.8 for the five months ended 31 August 2016 to approximately 7.0 for the five months ended 31 August 2017.

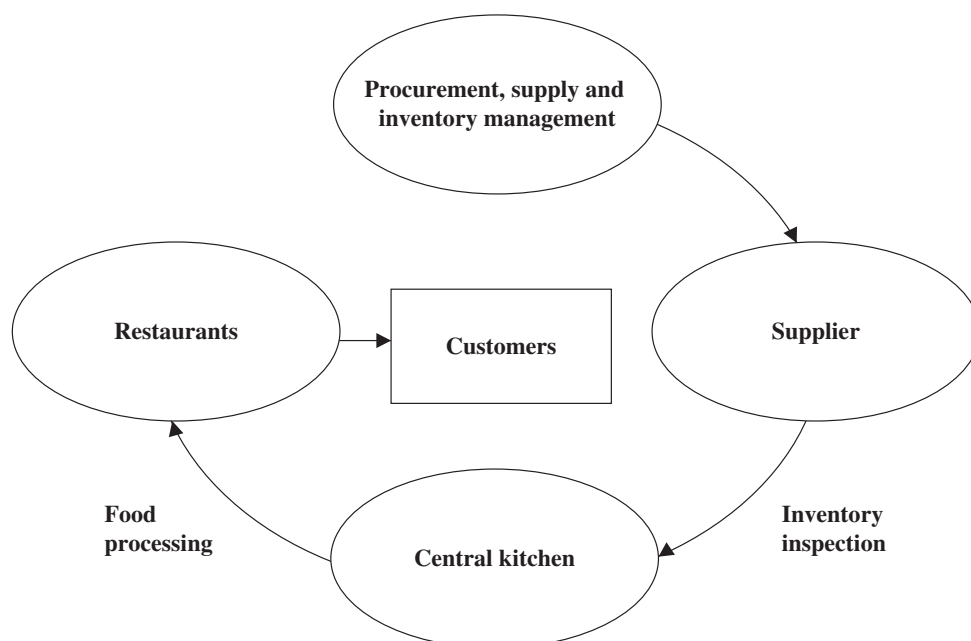
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FOOD PROCESSING

Part of the food ingredients are centrally procured, inspected, processed and stored at our central kitchen prior to delivery to our restaurants. Upon arrival of the processed food at our restaurants, they will again be inspected before being prepared and cooked in our restaurant kitchens.

Our central kitchen

Our central kitchen in Kwai Chung is fully equipped with kitchen equipment such as stoves, heated cabinets, fry-tops and freezer together with storage facilities. Our central kitchen upholds stringent food safety and quality control and is dedicated to servicing our network of restaurant. We conduct our preliminary food preparation and storage for frozen food, sauces and seasonings at our central kitchen. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, approximately 45.0%, 46.1% and 48.7% of our raw materials and consumables used in our restaurants were supplied by our central kitchen. The diagram below summarises the key operations administered at our central kitchen:



We have developed a set of standardised policies and procedures for the procurement, inventory inspection, food storage and food preparation and processing, to ensure the quality and safety of the food we serve to our customers. For further details on our quality control, please refer to the paragraph headed “Quality control” in this section.

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Procurement, supply and inventory management

Procurement is centralised at our central kitchen and managed by our procurement team in collaboration with each restaurant team. The head chef of each restaurant is responsible for monitoring the inventory level and assessing the inventory requirements at each restaurant to ensure the inventory level is maintained at an optimum level for normal business operations. Stock inventory assessments are conducted on-site daily by our head chef of each restaurant whereafter the restaurant manager will submit a purchase order before 3:00 p.m. daily via our ERP system. Upon receipt of the purchase orders, the procurement team will arrange for delivery of purchase orders the following day. Deliveries from our central kitchen to our restaurants are conducted on a daily basis by our out-sourced logistics company. During the Track Record Period and up to the Latest Practicable Date, we did not experience any business interruption as a result of any inaccurate inventory assessment, procurement or in connection with the delivery of supplies to any of our restaurants. For further details, please refer to the paragraph headed “Procurement and supply” in this section.

We strive to maintain an optimum inventory level at our central kitchen. As the shelf life of food supplies and raw materials vary from days to months, we have a target inventory policy differentiated by food categories. Generally, save for certain food perishables which do not last, we seek to maintain an adequate inventory of 7 days for semi-processed food products, 14 days for raw materials and one month for dry food supplies. Inventory at our central kitchen is monitored by our procurement team on a daily basis. Where considered appropriate, our procurement team will restock orders received from our restaurants and place purchase orders with our selected suppliers to replenish the inventory level at our central kitchen. In order to ensure the ingredients and supplies are kept fresh and to avoid food wastage, we maintain a minimum level of fresh and perishable ingredients and generally for not more than a few days. For further details, please refer to the paragraph headed “Procurement and supply” in this section.

Inventory inspection

Food quality is crucial to our business operations. We have implemented a standardised food quality control system to monitor the food ingredients inventory inspection process, which is administered by our quality assurance personnel at our central kitchen or restaurants. All food ingredients are inspected by our restaurant staff or quality assurance personnel upon arrival at our restaurants or central kitchen with regards to our quality control standards as well as quantity with reference to our purchase orders. We do not accept substandard food ingredients and we will request for replacements from our suppliers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any disputes with any of our suppliers with regards the quality or quantity of our purchase orders.

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Food processing

Leveraging on the benefits of division of labour, food ingredients are centrally prepared and processed at our central kitchen. The chef team at our central kitchen is responsible for food processing procedures such as defrosting, washing, pre-cooking, seasoning, cooking and packing. All processes are conducted under the supervision of the food factory manager. Each process is broken down into a series of tasks, forming a flow production chain. Processed food ingredients are thereafter categorised and stored accordingly, pending delivery to our restaurants.

Food storage

We maintain 2 storage facilities at our central kitchen, one for the refrigeration of food ingredients and another for the storage of dry ingredients and consumables. The refrigeration facility consists of 3 freezers, which are differentiated by temperature to ensure optimum storage for the respective ingredients and to prevent cross-contamination of food ingredients. The temperature of our freezers ranges from 0 to 4 degree celsius for the refrigeration of fresh produces such as vegetables, to -12 to -18 degree celsius for the refrigeration of frozen processed food and frozen raw ingredients. The storage facility is equipped with air conditioning and dehumidifier and is designated for the storage of dry ingredients and consumables such as canned food and bottled condiments. The temperature and humidity of the refrigeration facility and storage facility are closely monitored to ensure optimum refrigeration and storage conditions for all food ingredients and consumables.

CCTV surveillance systems have been installed to monitor the refrigeration facility and storage facility. Only designated personnels are authorised to access our refrigeration facility and storage facility to safeguard our inventories. During the Track Record Period and up to the Latest Practicable Date, we did not experience any disruptions to our refrigeration facility and storage facility or any theft at our central kitchen.

Our restaurant kitchens

Each of our restaurants is equipped with a fully functioning kitchen to conduct on-site preparation and cooking upon receipt of the ingredients from our central kitchen and suppliers. The equipment at each restaurant varies according to the brand. Marsino restaurants have a simplistic set-up while Grand Avenue restaurants are better equipped due to the complexity of the cuisine offered. With part of the ingredients preparation conducted in our central kitchen, labour and floor space required on-site are reduced.

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On-site inspection and storage

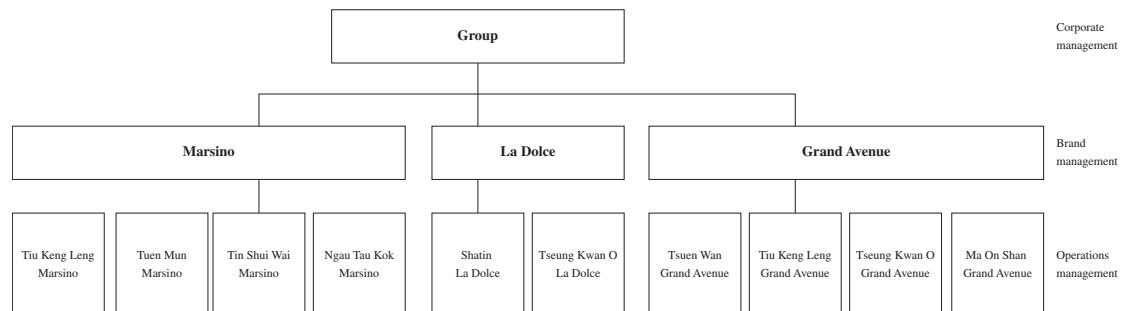
Upon receipt of stock replenishments from our central kitchen, the chef team at each of our restaurants will conduct inspections in accordance with the standardised food quality control system. If the chef teams consider the ingredients in order, ingredients will be stored at the on-site refrigeration and storage facilities. Defective ingredients will be returned and we will investigate the cause for the defect.

On-site food preparation

Preparation of our food ingredients and dishes are principally conducted by junior kitchen staff, who are supervised by a head chef at each restaurant. The cooking of dishes will be carried out via the collective effort of kitchen staff of varying seniority. The cooking process at Marsino restaurants is relatively easier in comparison to that of La Dolce restaurants and Grand Avenue restaurants. Accordingly, the chef team at Marsino restaurants require lower skill sets and are of lower seniority while the chef team at La Dolce restaurants and Grand Avenue restaurants receive greater culinary training. Once the dishes have been prepared, they will be plated and further inspected by the head chef for quality assurance before being served to our customers.

RESTAURANT OPERATIONS AND MANAGEMENT

We adopt a systematic three-tier management structure comprising corporate management, brand management and operations management. The table below illustrates the management structure as at the Latest Practicable Date:



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Corporate management

Our Group's overall business operations and strategies are devised by our Board. The roles and responsibilities at our corporate level are segregated by functions into accounts, logistics, operations, procurement of supply and restaurant operations. The accounts department is responsible for the overall accounting functions of our Group. The logistics department is responsible for the logistics arrangements between our central kitchen and restaurants. The procurement department is responsible for the purchase of raw materials from suppliers as well as the supply and delivery of raw materials to our central kitchen and/or restaurants. The operations department is further divided into brand and enterprise management as well as individual restaurant management and oversees our central kitchen, our restaurants and on-the-job training of our staff.

Brand management

Customised brand identity and strategic policies for each of Marsino, La Dolce and Grand Avenue are devised by our executive Director, Ms. ST Wong, subject to approval by our Board.

Brand identity and image

Whilst all of our 3 brands adopt a common theme of being refreshing and innovative, each of our 3 brands present a different brand identity and image.

Marsino

Targeting customers from all demographics, Marsino maintains a more grounded image, with crisp and clean decor in emphasis of its hygienic and fresh approach to noodles. Modern minimalist theme was adopted for the decor for our restaurants. Warm lighting is employed to reinforce the comfortable atmosphere.

La Dolce

La Dolce offers a more soothing and casual identity with the aim of appealing to a younger crowd. Modern European themed decor was employed to achieve so. The use of wood in decoration and furniture creates a rustic and homely feel. The combination of mirrors and wood panels on the walls adds a contemporary note to the overall environment.

Grand Avenue

Grand Avenue adopted a modern and edgy identity in order to reinforce its innovative character. Wood and metal wired frames were used to depict a trendy and hip ambience. The logo of the restaurant was constructed to resemble a neon billboard, in compliment of the edgy theme. Together with the black and grey tone adopted across the furniture and flooring, Grand Avenue presents itself as a fashionable and casual dining option for customers.

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Product and menu development and management

We strive to maximise customers satisfaction by diversifying our food offering portfolio through introducing additional varieties and selection alongside other value-added services. In order to sustain a fresh experience for our diners, our menu across our 3 restaurant brands are reviewed quarterly to half-yearly in terms of our product diversity and pricing. Our head chef together with the manager of the procurement department and restaurant managers will collaborate and analyse each food item and seasonal ingredients in reviewing the menu and develop new dishes. Thereafter, proposals for food items and sample food items will be presented to our Directors for tasting and approval prior to its inclusion in the menu. Generally, we will identify and retain the signature dishes and bestselling food items in the menu of each restaurant brand and the new food items serves to complement the existing menu.

Operations management

On-site restaurant management

Structured management is deployed across all restaurants allowing easy management and systematic approach. Each restaurant has a restaurant manager who administers the servicing staff and oversees the overall operations. Restaurant manager reports directly to our senior management, creating a simple chain of command which allows for effective communication. The head chef manages the restaurant kitchen, from ingredients preparation to polishing and presentation of the dish. Clear and concise procedure manual was developed with the aim to ensure efficient operations on-site. Job functions within our restaurants are clearly defined to allow for division of labour and flow production.

Customer feedback mechanism

Customers are at the core of our business. Our Directors believe that every feedback from our customers is valuable and essential to the growth of our business. A feedback mechanism has been put in place to allow for two-way communication with our customers. Whilst some customers would vocalise their suggestions to our on-site staff immediately, other channels such as our servicing hotline, email, Facebook and Openrice are also means by which customers can communicate with us. Feedback that was vocalised on-site will be dealt with by our restaurant manager or senior staff promptly, providing immediate comfort and resolution for the issue. In the event that resolution cannot be reached, the case will be transferred to our customer service department for further follow up. All feedbacks are documented and reviewed by the customer service department and management, where improvements and corrective measures will be implemented where appropriate in prevention of similar incidents. Feedback on food quality will be communicated to the procurement department and servicing complaints will be relayed to administration department and restaurant managers for individual coaching depending on the severity of the incident.

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For the years ended 31 March 2016 and 2017, and the five months ended 31 August 2017, we recorded a total of 47, 38 and 15 customer feedbacks and complaints across our 3 restaurant brands respectively and all of the customer feedbacks and complaints had been dealt with and resolved by our administration department and restaurant managers. The customer complaints were mainly about the quality of our food and services provided by our restaurant staff. Our restaurant staff would report to our management about the details of the complaints and a report will be prepared by our back office and will then be sent to the relevant restaurants. The relevant staff or the restaurant manager would fill in the report to explain the incident. We would also contact the customers to report the results of our investigations directly if necessary.

Settlement and cash management at our restaurants

The forms of payment that we accept at our restaurants vary depending on the restaurant brand due to service fees charged by payment solutions providers. Currently, Marsino restaurants accept payment in cash and by octopus card whereby La Dolce restaurants and Grand Avenue restaurants accept payment in cash and by octopus card and credit card. The table below sets out a breakdown of our revenue based on payment methods during the Track Record Period:

	Year ended 31 March 2016		Year ended 31 March 2017		Five months ended 31 August 2017	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Cash	98,123	74.0%	101,303	67.7%	38,894	64.3%
Octopus card	25,341	19.1%	32,639	21.8%	15,039	24.9%
Credit card	9,139	6.9%	15,773	10.5%	6,534	10.8%
Total	132,603	100.0%	149,715	100.0%	60,467	100.0%

The substantial decrease in cash settlement from approximately 74.0% of total revenue for the year ended 31 March 2016 to approximately 67.7% of total revenue for the year ended 31 March 2017 is primarily attributable to the increased use of credit card payment settlement due to the increase in revenue generated from our Grand Avenue restaurants. We believe the increased settlement by octopus card from approximately 19.1% of total revenue during the year ended 31 March 2016 to approximately 21.8% of total revenue for the year ended 31 March 2017 and to approximately 24.9% of total revenue for the five months ended 31 August 2017 is primarily attributable to the increased popularity and convenience offered by settlement by octopus card.

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Cash

Due to our economically priced brand propositions with an average spending of approximately HK\$44.0 at our Marsino restaurants, approximately HK\$49.3 at our La Dolce restaurants and approximately HK\$65.6 at our Grand Avenue restaurants for the five months ended 31 August 2017, a majority of our revenue is settled by cash. For the years ended 31 March 2016 and 2017, and the five months ended 31 August 2017, settlement by cash constituted approximately 74.0%, 67.7% and 64.3% of the total revenue from our restaurant operations, respectively. As such, staff at our restaurants deals with a substantial amount of cash on a daily basis. Our Directors recognise the risk of cash management and have implemented the following precautionary measures:

- **POS system:** We have installed a POS system at each of our restaurants to monitor all orders placed and transactions conducted and concluded at our restaurants;
- **Detailed cash handling procedures:** We have established a cash handling procedure detailing the segregation of staff duties in cash management, the procedures for reconciliation of cash on hand and record-tracking via the POS system;
- **Daily cash deposit into banks and security safe:** We require reconciled cash that are above a certain amount to be deposited into the nearest bank before the close of bank operations on the same day. In the event that cash is not deposited into the bank, we require our staff to stow all cash into a security safe located in certain restaurant, which will then be deposited into the bank the following morning;
- **CCTV surveillance system:** We have installed CCTV surveillance system in all of our restaurants which operates at all times;
- **External cash transport security services providers:** Due to the higher customer traffic during weekends and statutory public holidays, we have engaged an external cash transport security services provider to collect the reconciled cash to ensure cash are safely deposited into banks;
- **Monthly petty cash count:** A monthly petty cash count will be conducted at each restaurant by the restaurant manager. Any discrepancies will be reported to the management team in the first instance. Thereafter, an investigation team will be assigned to investigate the matter. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any major discrepancies in our monthly petty cash counts; and

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- **Reconciliation reports and bank verification:** All reconciliation reports prepared based on our POS system and bank deposit receipts will be collated and verified with our bank records by our accounting team on a weekly basis. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material cash misappropriation.

Octopus card

We believe the introduction of octopus card settlement system expedites the payment settlement and provides a secure, efficient, flexible and reliable means to collect payment. This will relieve the pressure on staff to deposit cash into banks while offering enhanced convenience and an alternative payment mechanism to our customers. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, the total service fees payable to the operator of the octopus card amounted to approximately HK\$0.3 million, HK\$0.4 million and HK\$0.2 million, respectively. We believe the octopus card settlement system will be increasingly popular and we will continue to implement octopus card settlement at our restaurants where our Directors consider appropriate.

Credit card

Settlement by credit card are available at La Dolce restaurants and Grand Avenue restaurants. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, settlement by credit card constituted approximately 6.9%, 10.5% and 10.8% of the total revenue from our restaurant operations, respectively. A service fee ranging from 1.9% to 2.0% is chargeable by credit card operators on each transaction. Due to the time lapse, we typically receive cash remittance from credit card operators, which is net of the service fees on the second or third business days after the transaction has been approved. We have implemented a set of procedures requiring our staff to verify the signature of the signing party to prevent transactions with stolen credit cards. During the Track Record Period and up to the Latest Practicable Date, we did not experience any fraudulent use of stolen credit cards.

CUSTOMERS

Due to the nature of our Group's business, the majority of our customers consist of walk-in customers from the general public. As such, the Directors consider that it is not practicable to identify the five largest customers of our Group for the Track Record Period. We did not rely on any single customer during the Track Record Period.

MARKETING AND PROMOTION

We design our branding, marketing and promotional efforts to solidify our brand image and raise brand awareness, attract new customers whilst retaining and reinforcing loyalty of existing customers. During the Track Record Period, we have deployed various marketing initiatives to enhance our presence in the casual dining market, including;

- ***Traditional marketing:*** We place advertisements on traditional media such as magazines and billboards within the neighbourhood and shopping malls to enhance our brand awareness. Leaflets are also sent to designated recipients via the post office mailing system to extend our reach to targeted customers.
- ***Digital media:*** We are active on social media, with an established Facebook page and Instagram account to make updates on our latest promotional offers, menu updates and new restaurant openings.
- ***Collaborations:*** We work alongside some of the shopping malls where our restaurants are located, complementing their marketing activities such as parking promotions or cash coupon redemption. We also collaborate with credit card merchants where customer's bill will be discounted if a certain credit card was used to settle the bill.
- ***Promotional campaigns:*** We offer discount coupons on Yahoo or Groupon from time to time to attract customer traffic to our restaurants.
- ***Awards:*** Via participating in various culinary competitions, brand awareness and recognition can be gained. For further details, please refer to the paragraph headed "Awards and recognition" in this section.
- ***Engagement in corporate social responsibility events:*** We sponsor charity organisations such as the Hong Kong Rehabilitation Power primarily to give back to our community and fulfil our social responsibility. As a derived effect, our participation in these events also acts to spread brand awareness and construct our brand image.

Our marketing activities are directed by our management with the aid of one marketing staff. Ideas and strategies are brainstormed and discussed, where the marketing activities will then be constructed into a calendar to be implemented and executed accordingly.

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PROCUREMENT AND SUPPLY

Procurement is conducted by our procurement department, under the leadership of our Board. Our core management team and our procurement department meet from time to time to discuss the sales analysis information, market trends and customer preferences to determine our food offerings.

Most of our food ingredients are sourced from local suppliers in Hong Kong and settled in Hong Kong dollars. As such, we do not have any material foreign currency exposure.

During the Track Record Period, we have not entered into any long-term supply arrangements with any of our suppliers. We have been engaged in some short term agreements which do not exceed 12-month period, relating to supply of predetermined amounts of certain raw materials. Depending on the terms with our suppliers, we are sometimes required to pay a certain percentage of the procurement costs in advance but in most cases, we pay upon or after receipt of inventories from our suppliers. Most of our suppliers grant us a credit period of 30 days from the receipt of supplier invoices. Irrespective of the payment terms, all of our suppliers agree to an arrangement where they will bear the risk during transit up till arrival at our central kitchen. During the Track Record Period, we have not been involved in any disputes with any of our suppliers relating to the risks allocation.

Supplies and food ingredients

As a restaurant operator, our raw materials and consumables used comprise primarily supplies and food ingredients including (i) food and condiments, (ii) beverages, and (iii) other non-perishable goods such as table cloth and cutleries. All of our supplies and food ingredients are readily available in the market and we have not experienced any shortage of supplies or food ingredients during the Track Record Period and up to the Latest Practicable Date.

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Selection of suppliers

We place great emphasis on the quality of our food ingredients and we seek to source fresh, delectable and healthy ingredients from reliable suppliers. As part of our quality control measures to ensure we procure supplies and food ingredients from reliable suppliers, we conduct a vetting process on all suppliers whom we have not developed any business relationships with and an annual vetting process on all suppliers. In assessing potential suppliers, we obtain basic background information including their business registrations, food licences and certificates and we usually request our suppliers to deliver sample products for taste and quality inspection by our chef and management team prior to any order placements by our Group. Occasionally, where our procurement department considered appropriate, we may conduct site visits to our potential suppliers to obtain a better understanding of their operations and conditions of their premises. Through our years of dealings with our suppliers, our Directors consider that we have developed a stable supply network. As at the Latest Practicable Date, we maintained a list of 164 approved suppliers for food ingredients and beverages, 38 approved suppliers for non-perishable items such as table cloth, cutlery and cooking equipment and 34 approved suppliers for services such as cleaning, renovation, computer systems, and machinery rental.

Our Directors confirmed that we did not enter into any rebate arrangements with any of our suppliers. To the best knowledge, information and belief of our Directors, we did not encounter any incidents involving any alleged bribery or kickback arrangements between any of our Directors, Controlling Shareholders or employees of our Group with any of our suppliers.

Five largest suppliers during the Track Record Period

During the year ended 31 March 2016, purchases from our five largest suppliers accounted for approximately 26.5% of our total purchases and purchases from our largest supplier accounted for approximately 6.0% of our total purchases. During the year ended 31 March 2016, all of our five largest suppliers are local suppliers and the major food supplies source include meat, vegetables, beverages and condiments. The table below sets out details of our five largest

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suppliers based on the ranking of purchase made by our Group during the year ended 31 March 2016:

Year ended 31 March 2016							
Rank	Name of supplier	Approximate number of years of relationship	Ingredient(s) supplied	Credit terms days	Payment method	Total purchases HK\$'000	% of total purchases %
1	Supplier A	more than 10	Grocery	30	Bank transfer	2,436	6.0%
2	Supplier B	16	Coffee bean, powder and tea bag	30	Bank transfer	2,407	6.0%
3	Supplier C	more than 10	Vegetable and fruits	30	Bank transfer	2,103	5.2%
4	Supplier D	16	Egg and lemon	30	Bank transfer	1,929	4.8%
5	Supplier E	4	Rice noodle	30	Bank transfer	1,794	4.5%
Sub-total of five largest suppliers						10,669	26.5%
Other suppliers						29,559	73.5%
Total purchases						40,228	100.0%

During the year ended 31 March 2017, purchases from our five largest suppliers accounted for approximately 24.3% of our total purchases and purchases from our largest supplier accounted for approximately 5.9% of our total purchases. During the year ended 31 March 2017, all of our five largest suppliers are local suppliers and the major food supplies source include meat, vegetables, beverages and condiments. The table below sets out details of our five largest suppliers based on the ranking of purchases made by our Group during the year ended 31 March 2017:

Year ended 31 March 2017							
Rank	Name of supplier	Approximate number of years of relationship	Ingredient(s) supplied	Credit terms days	Payment method	Total purchases HK\$'000	% of total purchases %
1	Supplier F	8	Frozen meat	30	Bank transfer	2,552	5.9%
2	Supplier B	17	Coffee bean, powder and tea bag	30	Bank transfer	2,430	5.7%
3	Supplier A	more than 10	Grocery	30	Bank transfer	2,193	5.1%
4	Supplier G	5	Frozen and chilled food	30	Bank transfer	1,676	3.9%
5	Supplier E	5	Rice noodle	30	Bank transfer	1,584	3.7%
Sub-total of five largest suppliers						10,435	24.3%
Other suppliers						32,494	75.7%
Total purchases						42,929	100.0%

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During the five months ended 31 August 2017, purchases from our five largest suppliers accounted for approximately 25.9% of our total purchases and purchases from our largest supplier accounted for approximately 7.8% of our total purchases. During the five months ended 31 August 2017, all of our five largest suppliers are local suppliers and the major food supplies source include meat, vegetables, beverages and condiments. The table below sets out details of our five largest suppliers based on the ranking of purchases made by our Group during the five months ended 31 August 2017:

Five months ended 31 August 2017							
Rank	Name of supplier	Approximate number of years of relationship	Ingredient(s) supplied	Credit terms <i>days</i>	Payment method	Total purchases <i>HK\$'000</i>	% of total purchases %
1	Supplier F	8	Frozen meat	30	Bank transfer	1,255	7.8%
2	Supplier B	17	Coffee bean, powder and tea bag	30	Bank transfer	800	5.0%
3	Supplier G	5	Frozen and chilled food	30	Bank transfer	746	4.6%
4	Supplier H	8	Poultry	30	Bank transfer	688	4.3%
5	Supplier A	more than 10	Grocery	30	Bank transfer	669	4.2%
Sub-total of five largest suppliers						4,158	25.9%
Other suppliers						11,906	74.1%
Total purchases						<u>16,064</u>	<u>100.0%</u>

To the best knowledge, information and belief of our Directors, all of our five suppliers are neither connected persons nor related parties to our Group. During the Track Record Period, none of our major suppliers ceased to be our supplier unilaterally.

Inventory Management

Our inventories consist of perishable items such as fresh food ingredients as well as non-perishable items such as cutlery and table cloth. With a majority of our raw materials being perishables, vigilant inventory management is required for efficient and effective operation.

Fresh food ingredients have a shelf life of several hours to several days; frozen meat, sauces and seasoning have a shelf life of 6-24 months; canned food have a shelf life of up to several years. With quality being our core value, whilst many of our ingredients have a shelf life, we maintain a much shorter inventory turnover rate to safeguard the quality and freshness of our ingredients used. It is within our guidelines where fresh food ingredients are to be used within 2 days, frozen food within one month and all sauces and seasoning within 2 months.

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Our central kitchen adopts a first-in, first-out approach. Restaurant kitchen staff will conduct a stock check and report to restaurant manager before 2:00 p.m. on a daily basis. Restaurant managers will place a request for stock via the ERP system before 3:30 p.m., based on the assessment of the existing stock level against the expected sales level for the next 2 days. Our central kitchen will also conduct a stock check in the same time frame and input the requests into the ERP system. All orders from both the central kitchen and each of the restaurants will be consolidated at the procurement team where they will then arrange for the deliveries from both the central kitchen and external suppliers to the respective locations on the next day. Via this system, stock levels in restaurants and central kitchen can be meticulously managed to minimise wastage alongside efficient operation.

QUALITY CONTROL

We believe food safety is very important to the success of our business and therefore we have implemented strict quality control in order to maintain high quality standard. A food safety policy is established which governs areas such as the hygiene of restaurants, food handling, personal hygiene and training. Our executive Director, Mr. MF Wong, and our senior management, Ms. SC Wong, are the key personnel responsible for our food safety quality control. Each of them has nearly 40 years of experience in the food and beverage industry. Mr. MF Wong is mainly responsible for our restaurants' food quality while Ms. SC Wong is responsible for our central kitchen's food quality.

Standardisation

Clear and concise SOPs were written for all processes across our Group, ranging from quality control at our central kitchen, to preparation of each ingredient upon receipt at the restaurants. Via detailed description of each process, cost and quality can be controlled meticulously alongside safeguarding the quality and standard of our food served. The SOPs also acts to facilitate the swift adjustment for staff to their role and allow for flexible deployment of employees across our Group.

Food Sourcing

New suppliers are required to fill in the new supplier registration form which is used to record relevant information gathered from new suppliers. Copies of suppliers' business registration certificates and other operational licences such as valid official health certificates with source of origin were properly maintained. New suppliers evaluation form are used to evaluate new suppliers with our pre-set evaluation criteria. The selection result was documented and approved by our purchasing staff. We purchase food ingredients from suppliers directly or from their authorised distributors.

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Records showing the dates, descriptions, quantities and sources of food products are kept and readily available for inspection on demand. In the event of a recall or a food poisoning incident, we can trace back the source of the food products and provide our feedback to the suppliers and request for a solution, such as re-delivery of the food products or cancellation of the order.

During the Track Record Period and up to the Latest Practicable Date, we did not engage any testing agencies or external parties to carry out inspections on our pre-approved suppliers as there was no statutory or market requirement to engage testing agencies to carry out inspections on food supplies, or to inspect food supplies at all, or to conduct laboratory tests on food supplies. However, a formal performance evaluation mechanism was established and conducted for suppliers in the supplier master file with official documentation of evaluation result. Key performance indicators, such as food quality and food hygiene condition were developed. If we discover that any supplier fails to pass our evaluation, we will communicate with that supplier to see if improvement can be made. If there is no sign of improvement, we will stop trading with them until they can provide evidence of improvement.

Moreover, written food receiving criteria and inspection standards in regulating the food receiving process were established to ensure the received food were consistent with what they have ordered and were protected from contamination. Inspection checklist was also established to document the inspection results.

The Company had engaged external testing laboratory to conduct sample inspection on ready-to-eat food and utensils in restaurants in the past years. Sample testing is expected to be extended to include food materials in the central kitchen to ensure all foods are obtained from a reliable and reputable source to ensure their quality. Food contaminant test, food microbiology test, food contact test and food additives test will be conducted for heavy metals, preservatives, antibiotics level and bacteria count etc., in related food ingredients, to ensure they comply with food safety standards. The sample testing is to be performed at least once a year for finished products, food materials and food handling utensils in restaurants and central kitchen.

Central kitchen quality control

Most of our suppliers deliver goods to our central kitchen for further processing before being used in our restaurants, therefore we need to apply strict quality control at our central kitchen including:

- **Inspection of food products:** Food products should be inspected upon delivery to prevent contamination. We engage third party laboratories to test samples of food products and water from our central kitchen annually. For some specific food products, they are required to keep at a specific level of temperature. We will also inspect the expiry dates of the food products to ensure we have sufficient time to process the products and use them before the expiry date.

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- **Food storage:** Raw materials should be stored in a suitable place as quickly as possible after delivery. Storage places should be clean to minimise the risk of contamination. Food products should be stored in appropriate refrigerators to ensure they are maintained at the appropriate temperature.
- **Food processing:** Food kept for a long period of time is likely to become spoiled, so we apply first-in-first-out principle to ensure freshness of our food products.
- **Food handling:** Frozen food should be thawed properly to prevent bacteria from growing. The time and temperature of cooking should be sufficient to reduce any foodborne pathogen. Food handlers should avoid contacting food with their bare hands. Raw or unprocessed food should be kept separate from ready-to-eat food. Food that is not compliant with our food safety policy will be either discarded or re-processed.

We will clean our central kitchen regularly including the equipment, food preparation areas, utensils and all food contact surfaces. We will also monitor all parts of the premises, fixtures, fittings and equipment and maintain them in a state of good repair and working condition.

Food transportation

We have outsourced to an Independent Third Party to deliver our food products from our central kitchen to our restaurants after they are being processed or handled by our central kitchen. Before delivery, the food products are wrapped and protected properly to prevent contamination. They are then put in covered containers and delivered by refrigerated trucks to ensure the food is in a controlled environment. Upon delivery of the food products, our restaurant staff stores the food products at an appropriate temperature and in a suitable storage condition.

Restaurant quality control

The quality control of our restaurants is as important as our central kitchen. We have trained our restaurant staff to report to our management if any quality-related issues from suppliers are found and reject any food products which do not meet our standards.

We have internal guidelines for our restaurants on how to handle and prepare food to ensure our quality standard is met. By providing food of good quality, our customers are able to enjoy dishes with consistent quality and taste, which would also help us retain existing and attract new customers by providing confidence to our customers.

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We will review our food safety policies regularly to ensure consistency of our food quality which includes:

- **Food freshness and quality:** Our chefs usually prepare dishes upon receiving orders from customers. We will discard any food leftover before the closing of each restaurant. We will also check the expiry dates of the food products to avoid using expired food products.
- **Hygiene manager and supervisor:** In order to meet the requirements of FEHD, each restaurant will nominate one HM and one HS who have participated and completed the respective training courses.
- **Patrol by our management:** Our management will visit each restaurant regularly to identify any potential quality issues and provide suggestions on how to rectify the problems. This practice can pass a message to our staff on the importance of quality control within our Group.
- **Dish checking:** We will check our dishes before serving them to our customers to ensure they are consistent with our quality standard in terms of colour, temperature, aroma, aesthetic and portion of the dishes.
- **Staff training:** We provide trainings to our staff regularly on food and work safety and food hygiene including temperature control of food, how to handle customer's complaints, maintain personal hygiene and educate them on work safety.
- **Customer feedback:** Customer feedback is valuable to us as it helps us to improve our food quality and services. All customer feedback is saved and passed to our management for further study.

MARKET AND COMPETITION

According to the Euromonitor Report, the industry we operate in is characterised as a highly competitive and fragmented industry; market leaders reap the benefits from scale and central food processing centers; overseas investors are entering into the casual dining market offering fusion concepts; Hong Kong is well positioned for franchises to enter the market; and dining concepts following trends may have short lifespans.

According to the Euromonitor Report, in 2016, casual dining full-service restaurants constitute 11.6% of the overall restaurant industry foodservice value sales in Hong Kong, and have seen stronger growth compared to other types of food service establishments.

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The competition among restaurants are tough in Hong Kong with thousands of outlets in the casual dining scene, leaving our Group to hold an estimated 1.1% market share of the casual dining full service restaurants segment in Hong Kong.

For further details on the industry we operate in, please refer to the section headed “Industry Overview” in this prospectus.

Seasonality

Whilst we have a stable base of local diners, our sales volume are also susceptible to seasonality. Historically, we have recorded higher sales revenue during holiday seasons/specific celebratory days, such as Christmas. Local residents tend to dine out during the festive season and specific celebratory days which creates a surge in sales. Our sales revenue and periodic financial performance are also influenced by various factors including, among others, our promotional campaigns, changes in our customer preferences, neighbouring competition such as new entrants, and our pricing strategies.

EXPANSION PLANS AND SITE SELECTION DEVELOPMENT

Since the launching of Marsino in 2003, we have grown to 10 restaurants under 3 brands (namely Marsino, La Dolce and Grand Avenue) in locations across the New Territories and Kowloon as at the Latest Practicable Date. As part of our Group’s strategy to continually expand and diversify our network of restaurants and to replace restaurant locations when the leases expire and cannot be renewed, our Directors and senior management will take into consideration, among others, the following factors before deciding on the setting up of a restaurant on new locations:

- **accessibility:** we will consider the accessibility for pedestrians and vehicles and proximity to public transport;
- **visibility:** we will consider a location’s ability to bring visibility to our brand;
- **demographics:** we will consider the demographics of the residents in the proposed area such as, among others, age groups and income levels. For example, Marsino restaurants target customers from all demographics and as such we try to situate them in areas with a diversified and vast traffic base. La Dolce restaurants appeal to a younger crowd and as such these restaurants tend to open in areas which are in close proximity to business, shopping and/or areas where the younger crowd gathers. Grand Avenue restaurants are casual and fashionable and therefore is situated in areas where income levels are a proposed factor for consideration;

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- **competition:** we will consider the existing and potential restaurants (including cannibalism from our own restaurants) within the neighbouring geographical area that may compete with us in terms of, among other things, the number, type and size;
- **rental costs:** our ability to operate profitably based on the rental costs; and
- **breakeven and payback periods:** we will consider the time it may take for a new restaurant to achieve breakeven and payback.

In deciding whether a location is suitable for a new restaurant, we will also prepare a feasibility report internally which will cover matters such as budgeting, staffing requirements and pricing structure.

New restaurant development procedures

If a neighbourhood is considered suitable for a new restaurant, we will generally follow the following process:

1. **site selection:** there are 2 channels where we may find an appropriate site for a proposed restaurant: (i) we may be approached by a property owner and/or property agents with potential sites that they have available for rent, or (ii) by own accord where we look for sites within a certain location or rental parameters;
2. **fact finding and feasibility studies:** with a location in mind, we will conduct a detailed research on, among other things, demographics, rental costs and whether the proposed location is suitable for restaurant licensing purposes. We will also prepare a feasibility study which will set out information such as financial projections and the number of staff required for our management's consideration;
3. **decide restaurant concept and design:** once the Directors have approved a location, we will commence discussions with designers and architects to prepare initial design proposals to target the demographics of our proposed restaurant. Depending on the brand of restaurant to be developed, the design may take between one month to three months to finalise. The design concept is approved by our management prior to execution.
4. **lease negotiation and execution:** if a site and concept is approved by our Directors, we will commence negotiations with the landlord taking into consideration, among other things, factors such as rental costs (base rent and contingent rent), comparable rents of similar size locations within the vicinity, potential increases in rents at expiry of a lease, and FEHD licensing requirements. From our experience, it usually takes about three months from the commencement of lease negotiation to secure and enter into the lease;

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5. **finalise restaurant design and commence renovation:** once a lease has been signed, we will continue discussions with designers and architects to finalise design, layout plans and commence the tender process to decide on the appropriate consultants and contractors to be used. Deciding on the appropriate consultants and contractors will be primarily determined by a critical path based on the lead time towards site handover. From our experience, it usually takes two months to renovate the restaurant premise;
6. **apply for necessary licences:** we will then work with a consultant to apply for the necessary licences for the operation of the restaurant among others, general restaurant licence, food factory licence, water pollution control licence, music licence etc. as the case may require. For details on the licensing requirements, please refer to the section headed “Regulatory Overview” in this prospectus;
7. **source for necessary staff:** based on the staffing guide in the approved feasibility study, we will commence planning the amount of staff that will be required, their respective positions, job titles, job specifications and the salary structure. With this in mind, we first look at the possibility of internal transfers and promotions. Once this has been determined we will prepare a recruitment plan based on the timeline until site handover from main contractor; and
8. **commence operation:** sometimes, we conduct an event with our suppliers and service providers for testing of operations, procedures and facilities before our restaurant’s formal opening.

During the Track Record Period, the typical lead time from the delivery of premises to the actual opening of a restaurant will be approximately 2 months to 3 months.

Rebranding and refurbishment cycle of our restaurants

Apart from undergoing renovations before opening, our restaurants may also undergo refurbishment if and when our landlords request us to refurbish and/or rebrand our restaurants. During the Track Record Period, these requests were usually issued by our landlords close to the dates of renewing our leases. Our Directors believe that such requests were issued in order to add freshness and variations to accommodate the customers visiting the shopping malls. Our renovation and refurbishment costs (i.e. additions to property, plant equipment apart from land and building) amounted to approximately HK\$9.8 million for the year ended 31 March 2016, approximately HK\$8.9 million for the year ended 31 March 2017 and approximately HK\$67,000 for the five months ended 31 August 2017. As at the Latest Practicable Date, we had no plan to refurbish or rebrand any of our restaurants.

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PROPERTIES

All of our Marsino restaurants, La Dolce restaurants and Grand Avenue restaurants are operated on leased properties. The total rental and related expenses amounted to approximately HK\$20.9 million, HK\$23.7 million and HK\$9.6 million for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, respectively. As at the Latest Practicable Date, we leased a total of 8 properties in Hong Kong and we owned 2 properties and one private car parking space.

The table below sets out details of the properties leased by our Group as at the Latest Practicable Date:

Address	Restaurant(s)	FEHD licensed area (approximately) sq.m.	Rental type	Expiration of tenancy
Shop No 1-021, 1-022, 1-023, Level 1, Commercial Portion of Tseung Kwan O Plaza, 1 Tong Tak Street, Tseung Kwan O, New Territories	La Dolce and Grand Avenue	299.8	Lease	November 2018
G4-7, G/F, Phase 1 Amoy Plaza, 77 Ngau Tau Kok Road, Kwun Tong, Kowloon	Marsino	90.2	Lease	December 2018
Shop 183, 1/F, Fortune City One, 1 Ngan Shing Street, Shatin, New Territories	La Dolce	218.9	Lease	February 2019
Shop G23, G/F, Citywalk I, 1 Yeung Uk Road, Tsuen Wan, New Territories	Grand Avenue	232.1	Lease	March 2019
L2-027 & R03, Level 2, Metro Town Shopping Mall, 8 King Ling Road, Tseung Kwan O, New Territories	Marsino and Grand Avenue	299.4	Lease	July 2019

BUSINESS

Address	Restaurant(s)	FEHD licensed area (approximately) sq.m.	Rental type	Expiration of tenancy
Shop A1 & A2, G/F, Tuen King Building, 8 Tsing Hoi Circuit, Tuen Mun, New Territories	Marsino	117.0	Lease	August 2019
No 138, 1/F, Phase 1, Fortune Kingswood, No. 12-18 Tin Yan Road, Tin Shui Wai, Yuen Long, New Territories	Marsino	108.6	Lease	May 2020
Shop No. 3E-12, Level 3, Sunshine City Plaza, Ma On Shan, Shatin, New Territories	Grand Avenue	182.9	Lease	August 2020

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

The table below sets out details of the properties owned by our Group as at the Latest Practicable Date:

Address	Owner	Use of property
Unit 13, 8/F, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung, New Territories	WDL	Storage and ancillary office use
Unit 19, 8/F, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung, New Territories	GWHL	Food processing
Car Parking No. P26, 1/F, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung, New Territories	GWHL	Leasing of private car parking space

BUSINESS

INTELLECTUAL PROPERTY

We recognise the importance of protecting and enforcing our intellectual property rights. Our Directors believe that we have taken all appropriate actions to protect our own intellectual property rights. As at the Latest Practicable Date, we had 6 registered trademarks and 5 registered domain names in Hong Kong. Our Group had applied for the registration of two trademarks in Hong Kong.

For further details of our intellectual property rights, please refer to the sub-section headed “B. Information about our business – 2. Intellectual property rights of our Group” in Appendix V to this prospectus. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any complaints or claims relating to infringement of intellectual property rights owned by us or third parties.

AWARDS AND RECOGNITION

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

Year of award	Awarding body	Award
2007	The 5th Grand Cuisine Awards Hong Kong	Spicy Category: Most Creative Dish Instant Noodle Category: Silver
2008	The 6th Grand Cuisine Awards Hong Kong	Finalist
2016	CLP Green Plus	Award 2016 Catering-Fusion: “Bronze”

LICENCES AND PERMITS

We are required to obtain certain licences for our business operations, including the food business licence issued by the FEHD for the operation of our restaurants and the food factory licence issued by the FEHD for the operation of our central kitchen. For further details on the regulatory requirements in relation to our business operations, please refer to the section headed “Regulatory Overview” in this prospectus.

BUSINESS

The table below sets out details of our food licences, liquor licences and water pollution control licences as at the Latest Practicable Date:

Location	Restaurant brand/premise	Licence category	Food licence expiry date (dd/mm/yy)	Liquor licence expiry date (dd/mm/yy)	Water pollution control licences expiry date (dd/mm/yy)
Kwai Chung	Central kitchen	Food Factory	18/07/2018	Nil	30/04/2022
Tuen Mun	Marsino	General restaurant	19/06/2018	Nil	31/03/2022
Tin Shui Wai	Marsino	General restaurant	14/11/2018	Nil	30/11/2021
Ngau Tau Kok	Marsino	General restaurant	27/09/2018	Nil	30/11/2021
Shatin	La Dolce	General restaurant	09/01/2019	Nil	30/11/2021
Tiu Keng Leng	Marsino	General restaurant	05/12/2018	27/02/2018	31/10/2021
	Grand Avenue	General restaurant	05/12/2018	27/02/2018	31/10/2021
Ma On Shan	Grand Avenue	General restaurant (Provisional)	23/04/2018	23/04/2018	30/11/2022
Tsuen Wan	Grand Avenue	General restaurant	29/01/2019	13/08/2019	31/01/2022
Tseung Kwan O	Grand Avenue	General restaurant	14/09/2018	28/03/2018	31/10/2021
	La Dolce	General restaurant	14/09/2018	28/03/2018	31/10/2021

As at the Latest Practicable Date, our Group had obtained the relevant licences required for all of our restaurants and central kitchen in Hong Kong. Our Group will apply to renew the relevant licences as and when applicable and to the best knowledge information and belief of our Directors, they are not aware of any impediments for the renewal of the relevant licences. We aim to submit applications for the renewal of licences at least one month before the relevant expiry date.

BUSINESS

EMPLOYEES

Our business is labour-intensive and our success depends on, among others, our ability to maintain a stable staff force to deliver consistent and high quality services to our customers. As at 31 March 2016 and 2017 and 31 August 2017, we employed 266 full-time and 178 part-time staff, 242 full-time and 156 part-time staff, and 220 full-time and 181 part-time staff, respectively, including chef and kitchen staff, waiters and waitress, customer service ambassadors and other administrative personnel. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, our staff costs amounted to approximately HK\$46.7 million, HK\$52.8 million and HK\$20.2 million, respectively, accounting for approximately 35.3%, 35.3% and 33.4% of our total revenue during the same periods, respectively.

As at the Latest Practicable Date, we employed 341 full-time and part-time staff. The table below sets out a breakdown of our employees by function as at the Latest Practicable Date:

Function	Number of full-time staff as at the Latest Practicable Date	Number of part-time staff as at the Latest Practicable Date
<i>Management team</i>	7	0
Directors	5	0
Senior Management	2	0
<i>Administration and support team</i>	4	1
Procurement and logistics staff	4	1
<i>Restaurant team</i>	185	128
Kitchen staff	104	36
Service staff	81	92
<i>Central kitchen team</i>	16	0
Kitchen staff	16	0
Total	212	129

Despite the opening of new restaurants and the expansion of the scale of our operation, we had a decreasing number of staff during the Track Record Period and as at the Latest Practicable Date mainly due to (i) decreased restaurant area of Tuen Mun Marsino of approximately 117.0 sq.m. as compared to K-Point Marsino of approximately 169.0 sq.m. therefore the number of staff needed decreased from 26 as at 31 March 2016 to 15 as at the Latest Practicable Date; and (ii) our effort in managing staff costs by re-arranging staff work schedule.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any major dispute with our employees.

BUSINESS

Recruitment

We pursue a structured recruitment approach with an objective to developing a staff force with diverse capabilities and skills. Our recruitment and screening process involves an assessment of personal attributes including education background, qualifications and certifications, employment history and industry experience. Predominantly, we recruit our staff from the open market and we do not engage external recruitment agencies. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant difficulties in recruitment and we did not experience any material staff shortages.

Training and development

We place great emphasis on training and development of our staff. With a view to providing professional and quality services to our customers, we have implemented a comprehensive training programme which includes an induction training for new staff and regular training updates for staff to enhance their industry knowledge and personal skills.

Employee compensation, benefits and retention

We value our staff and we believe a competitive remuneration plays a vital role in the retention of our staff. Most of our remuneration packages comprise basic salary, allowances and bonuses commensurate to their respective qualifications, job positions, seniority and performance. To ensure our remuneration packages remain competitive, we will review and adjust the remuneration package from time to time as appropriate.

Mandatory Provident Fund

In accordance with the laws and regulations in Hong Kong, we have enrolled all of our staff in an MPF scheme. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we have complied with all applicable labour and social welfare laws and regulations in Hong Kong in all material respects.

OCCUPATION, HEALTH AND SAFETY

We strive to minimise workplace accidents and injuries with our continuous efforts to maintain a safe working environment through implementing a set of stringent work safety measures and control. Our safety handbook sets out our work safety policies and measures to be adopted at each of our restaurants and our central kitchen and procedures for handling accidents. Staff are also required to undergo a training on the implementation of the work safety policies and measures detailed in the safety handbook. Our Directors believe our safety measures and precautions help to reduce the number of work-related injuries of our staff and are adequate and effect to prevent serious work injuries. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, no material workplace accident occurred at any of our restaurants or our central kitchen.

BUSINESS

ENVIRONMENTAL MATTERS

We are subject to various environmental protection laws and regulations in Hong Kong. For further details, please refer to the section headed “Regulatory Overview” in this prospectus. Further, our Directors believe that they should operate their food and beverage operations with social responsibility and as such should take into account factors that may affect the environment. As at the Latest Practicable Date, we had obtained the licence for water discharge where applicable for all of our restaurants. For the years ended 31 March 2016 and 2017, and the five months ended 31 August 2017, our costs of compliance with the applicable environment protection laws and regulations amounted to approximately nil, HK\$12,000 and nil, respectively.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we have not been penalised for breach of any of the environmental protection laws and regulations in Hong Kong.

INFORMATION TECHNOLOGY

In order to promote automation and efficiency of our business operations, we have installed a POS system at each of our restaurants. The POS system promotes proper documentation of all transactions as well as facilitating the management of stock inventory and captures extensive consumer spending data enabling our Directors and senior management to analyse our Group’s performance and to assess the consumers’ preferences. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any business interruptions due to malfunction of our POS system.

INSURANCE

As at the Latest Practicable Date, our insurance coverage included all property risks insurance, a business interruption insurance, a stock inventory insurance and public liability insurance in respect of each of our restaurants, as well as employees’ compensation insurance against employer’s liability arising under the ECO and/or at common law, medical insurance for all of our office staff and senior restaurant staff. For the years ended 31 March 2016 and 2017, and the five months ended 31 August 2017, our total insurance premiums amounted to approximately HK\$0.5 million, HK\$0.7 million and HK\$0.3 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not make any material claims under our insurance policies.

With regards to our current operations and the prevailing industry practice, our Directors are of the view that our insurance coverage is adequate for our current business operations and in line with the commonly adopted industry practice. Our Directors will continue to review our insurance coverage and assess our risk portfolio to make necessary and appropriate adjustments to our insurance coverage in light of our business growth.

BUSINESS

LEGAL PROCEEDINGS

During the Track Record Period, our Group had been subject to a number of claims in the ordinary course of business, including personal injury claims made by our past employees. Our Directors are of the view that such claims against our Group are not uncommon in our industry. As at the Latest Practicable Date, our Group was faced with 1 ongoing employees' compensation claim which is fully covered by our employees' compensation insurance policy and is being handled by our insurer. The Deed of Indemnity was entered into by the Controlling Shareholders in favour of our Group to indemnify and keep our Group indemnified from and against such claims.

On 20 September 2015, an employee of our Group, who was employed as a cleaner at the time of the alleged incident, was alleged to have collided with another employee of our Group in the kitchen area of one of the restaurants under the brand "Marsino". As a result of the incident, the employee suffered injuries to her shoulder and back and made a claim against our Group for an amount to be assessed by the court. As at the Latest Practicable Date, the claim has been fully settled. The compensation made to the said employee was fully covered under the employees' compensation insurance policy of our Group.

On 12 June 2016, an employee of our Group, who was employed as a kitchen staff at the time of the alleged incident, was alleged to have been injured while moving around kitchen equipment in one of our restaurants under the brand "Grand Avenue". As a result of the incident, the employee suffered injuries to her shoulder, neck and back. As at the Latest Practicable Date, the claim has been taken up by our employees' compensation insurer, who is currently investigating and reviewing the said claim and handling the negotiations with the solicitors of the said employee. Our Directors believe that any compensation payable would be covered under the employees' compensation insurance policy of our Group.

During the Track Record Period, our Group also received summonses for obstruction of means of escape and fire exit and contravention of food safety and hygiene regulations by our Group. Our Group has pleaded guilty to these charges and paid the corresponding fines imposed. Details of these summonses are disclosed in the paragraph headed "Non-compliances" in this section of the prospectus.

Save as disclosed above and as at the Latest Practicable Date, to the best of our Directors' knowledge, having made reasonable enquiries, our Company and our Directors were not subject to any actual or threatened claims or litigation of material importance that may have a material impact on our operations, financial position and reputation.

The Controlling Shareholders have given indemnities in favour of our Group against all claims, actions, demands, proceedings, judgement, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered by any member of our Group. Details of this indemnity are disclosed in the section headed "Tax and other Indemnities" in Appendix V to this prospectus.

BUSINESS

NON-COMPLIANCES

During the Track Record Period and up to the Latest Practicable Date, our Group has been subject to 16 investigations by FEHD of which 15 cases were result of FEHD received complaints on our restaurants and 1 case was a result of random spot check. 5 investigations were conducted by Fire Services Department as a result of random spot check. There were no follow up actions on 13 of the investigations by FEHD and 2 of the investigations by Fire Services Department. For the remaining investigations with follow up actions, please refer to below section headed “Investigations by Fire Services Department” for details of 3 investigations by Fire Services Department and section headed “Investigations by FEHD” for details of 3 investigations by FEHD:

Investigations by Fire Services Department

During the Track Record Period, we have been charged by the relevant government authority for contravention of fire safety regulations on three occasions, details of which are as follows:

Date of summons	Restaurant/ Group company	Details of non-compliance	Regulation(s) contravened	Penalty
17 September 2015	Tiu Keng Leng Marsino and Tiu Keng Leng Grand Avenue (SDGL)	Obstruction of means of escape of a premises.	Sections 14(1)(b) and 14(2) of the Fire Services (Fire Hazard Abatement) Regulations (Chapter 95F of the Laws of Hong Kong)	SDGL was fined HK\$20,000 on 15 October 2015 and the fine was settled on 22 October 2015.
3 March 2017	Tuen Mun Marsino (WSEL)	Failure to maintain the exit to an industrial undertaking in good condition and free from obstruction.	Regulations 5(1) and 14(5) of the Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations ("FIU(F)R")	WSEL was fined HK\$5,000 on 13 April 2017 and the fine was settled on the same day.
1 June 2017	Shatin La Dolce (ACL)	Failure to maintain the exit to an industrial undertaking in good condition and free from obstruction.	Regulations 5(1) and 14(5) of the FIU(F)R	ACL was fined HK\$15,000 on 30 June 2017 and the fine was settled on the same day.

The managers of the restaurants at the time did not have comprehensive understanding of the fire safety regulations and requirement and hence did not take steps to prevent workers from obstructing the fire exits. Our Directors have since briefed all our restaurant managers on the relevant fire safety regulations and provided further training to all staff members on the understanding of the relevant regulations. Managers of the restaurants are required to conduct routine inspections on a daily basis to ensure fire exits of our restaurants are not being obstructed.

BUSINESS

Investigations by FEHD

Restaurant/Group Company	Date of incident	Details of non-compliance	Ordinance(s) or Regulation(s) Contravened	Result and follow-up action
Tsuen Wan Grand Avenue (ASCL)	20 November 2016	A customer complained to the FEHD that a worm was found in the salad vegetable in a Hainan Chicken dish served to the customer.	Section 52(1) of the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) (“PHMSO”)	A summons was issued against ASCL on 10 May 2017 for contravention of section 52(1) of PHMSO. ASCL was fined HK\$3,000 on 8 June 2017 and the fine was settled on the same day. 5 Demerit Points were registered against ASCL under the FEHD Demerit Points System.
	11 July 2017	An officer of the FEHD carried out an inspection and found that a wall in the kitchen of the restaurant was not kept clean.	Section 15(1) of FBR	A summons was issued against ASCL on 23 August 2017 for contravention of section 15(1) of the FBR. ASCL was fined HK\$1,200 and the fine was settled on 10 October 2017. 5 Demerit Points were registered against ASCL under the FEHD Demerit Points System.
Central kitchen	21 December 2016	Loading area not in line with the approved layout plan	No. 1 of Standard Conditions for Food Factory	4-day verbal warning was issued. UCL applied for alteration of the approved plan on 8 December 2016. On 28 March 2017, FEHD issued a letter stating that there is no health objection to UCL’s application.

As disclosed in the paragraph headed “Regulating Overview – Demerit Points System” in this prospectus, if a total of 15 Demerit Points are registered against a licenced premise in a period of 12 months, the licence of the premise may be subject to a suspension for seven days. In the worst case scenario that the licence of ASCL is suspended due to contravention of this regulation, the Group would suffer a loss in revenue of approximately HK\$50,000 per day based on the average daily revenue of ASCL as disclosed in the paragraph headed “Operational performance of our restaurants during the Track Record Period” in this section of this prospectus. As 5 Demerit Points registered against ASCL under the FEHD Demerit Points System were cancelled in November 2017 and as at the Latest Practicable Date, there remains 5 Demerit Points registered against ASCL, the Directors are of the view that the risk of a total of 15 Demerit Points being registered leading to a suspension of licence of ASCL is low.

BUSINESS

We have implemented cleaning and pest control procedures in all of our restaurants. Since the above incidents, we have purchased specialised equipment to ensure quality of our food and have charged an executive Director with the responsibility to enhance the effectiveness of the cleaning and pest control procedures undertaken in the restaurants by conducting periodic spot checks and having frequent discussions with the manager of each restaurant to ensure these procedures are strictly adhered to in all of our restaurants.

INTERNAL CONTROL AND RISK MANAGEMENT MEASURES

It is the responsibility of our Board to ensure that we maintain sound and effective internal controls to safeguard our Shareholders' investment and our assets at all times. In preparation of the Listing, we have engaged an independent external consulting firm as our internal control adviser (the "**Internal Control Adviser**") in February 2017 as our independent external adviser to undertake a review of (i) our financial, operational and compliance procedures, (ii) our systems and controls (including accounting and management systems), and (iii) our risk management functions. The Internal Control Adviser performed an internal control review in February and March 2017 and follow-up review in June 2017. The Internal Control Adviser has provided some recommendations for our management's consideration to enhance our internal control system. As confirmed by our Directors, all the remedial measures will be fully implemented by us upon the Listing.

We have adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- **Employee handbook:** employee handbook has been established by our management to define our code of conduct, integrity and ethical values. Our employee handbook has been distributed to and acknowledged by each of our staff;
- **Conflict of interests:** mechanisms for our employees to declare conflict of interests have been established in our internal control policy. All of our employees shall fill in a prescribed declaration form to declare any potential conflict of interest and submit to our management;
- **Compliance officer:** a compliance officer has been appointed by the Company to review and monitor the business and operation of the Company, working alongside the senior management to ensure that the Company conducts its business in full compliance with all the relevant rules and regulations at all times;
- **Compliance checklist:** a compliance checklist has been established to assist the employees and senior management of the Company to monitor the compliance status of the Company. The compliance checklist is reviewed and updated regularly to ensure that the content is relevant and up to date;

BUSINESS

- ***Selection and evaluation of our suppliers:*** New supplier registration forms were used to record relevant information gathered from each of the new supplier. Copies of each of the new supplier's business registration certificates and other operational licences such as official health certificates with source of origin were properly maintained. New supplier evaluation forms were also used to evaluate new suppliers with our pre-set evaluation criteria. The selection results were documented and approved by our purchasing staff before we purchased food from them;
- ***Food safety and ingredients quality control:*** Our Group purchased most of the condiments and seasonings either from the original manufacturers directly or through their authorised distributors to prevent usage of counterfeit goods in our food production process. We evaluated our suppliers' performance in terms of their food quality and food hygiene condition. If any of the suppliers were found unsatisfactory, we would reflect our findings to the suppliers and suggest ways of improvement. Evaluation results were also documented;
- ***Compliance with relevant laws and regulations pertaining to the casual dining industry:*** Our human resources and administrative manager would make sure our Group was conducting business in compliance with all the relevant rules and regulations pertaining to the casual dining industry. A compliance checklist was used during regular compliance check to ensure there were no non-compliance issues. We would also check whether there were any updates on food safety rules and regulations and press releases to ensure food used in our restaurants was safe and fit for consumption;
- ***Regular inspection:*** In order to monitor the food hygiene conditions of restaurant, regular inspections of the restaurants and kitchens were carried out by managers and senior management, who have documented their findings and feedback after each inspection for future reference and evaluation purpose;
- ***Accident reporting:*** Procedures for the handling and reporting of employees' accidents and incidents are have been out in detail in both the staff handbook and internal controls manual. Employees who are involved in any accidents or incidents are required to complete a work injury accident report and submit it to the human resources department within 7 days for review and process of their compensation. A proof of recovery from work injury is required to be signed by both the Company and the employee involved in the work injury accident to confirm that the employee has recovered from the work injury and is able to return to work;
- ***Internal audit:*** Internal audit functions will be conducted by our executive Director, Mr. SH Ma, to evaluate and assess our internal control mechanism periodically. Our Audit Committee is responsible for supervising our internal audit function; and

BUSINESS

- ***Compliance with GEM Listing Rules and relevant laws and regulations:*** We will continue to monitor our compliance with relevant laws and regulations and our senior management team will work closely with our employees to implement actions required to ensure our compliance with relevant laws and regulations. We will also continue to arrange various trainings to be provided by external Hong Kong legal advisers to our Directors and senior management on the GEM Listing Rules, including but not limited to aspects relating to corporate governance and connected transactions.

CORPORATE GOVERNANCE

We continually strive to strengthen the role of our Board as a collective decision-making body responsible for defining our fundamental policies, resolving our executive management issues, supervising the execution of our business operations.

Our Directors believe that we had implemented adequate corporate governance measures to protect the interests of our Shareholders. For further details on the corporate governance measures adopted by our Company to avoid potential conflict of interests between our Controlling Shareholders and our Company, please refer to the sub-section headed “Relationship with Controlling Shareholders – Corporate governance measures” in this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following completion of the Capitalisation Issue and the Share Offer, MJL, which is owned as to 31.0% by Ms. SH Wong, 31.0% by Ms. LF Chow, 18.7% by Ms. ST Wong, 15.0% by Ms. SC Wong and 4.3% by Mr. SH Ma, will be interested in 67.5% of the issued share capital of our Company (assuming any options which may be granted under the Share Option Scheme are not exercised). Accordingly, MJL, Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Mr. SH Ma and Ms. SC Wong will be our Controlling Shareholders. Details of our Group structure immediately after the Capitalisation Issue and the Share Offer are set out in the section headed “History, Reorganisation and Group Structure” in this prospectus.

MJL, our Directors and their respective close associates, Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Mr. SH Ma and Ms. SC Wong confirmed that apart from the business of our Group, they do not have any business or interest that competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 11.04 of the GEM Listing Rules.

Save as disclosed above, there is no other person who will, immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares that may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme), be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

INDEPENDENCE TO OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we will be able to operate independently from our Controlling Shareholders and their respective close associates (other than our Group) upon Listing for the following reasons:

Management Independence

Our Board comprises 5 executive Directors and 3 independent non-executive Directors. Although 3 of our executive Directors are Controlling Shareholders and Ms. LF Chow is the spouse of Mr. MF Wong, the day-to-day management and operation of the business of our Group will be the responsibility of all our executive Directors and senior management of our Group and we consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (i) each of our Directors is aware of his/her fiduciary duties as a Director which require, amongst other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Directors shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum;
- (iii) in the circumstances where all our executive Directors are required to abstain from voting on board resolutions due to potential conflict of interest, it will fall to our independent non-executive Directors to exercise their business judgement to make decision as our Board. Given the experience of our independent non-executive Directors, details of which are set out in the section headed “Directors, Senior Management and Employees” in this prospectus, our Directors believe that the remaining Board can still function properly in the event that all our executive Directors are required to abstain from voting; and
- (iv) our Group has also employed other senior management members who have the experience and calibre to conduct our Group’s business.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders following completion of the Share Offer.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

Operational Independence

The operations of our Group are independent of and not connected with our Controlling Shareholders and their respective close associates. Our Group has established our own set of organisational structure made up of individual divisions, each with specific areas of responsibilities, including, inter alia, business development, procurement and operations, strategic direction, quality assurance, training and development, finance, etc.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders during the Track Record Period and will continue to operate independently after Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial Independence

We are financially independent of our Controlling Shareholders and their respective close associates. We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. During the Track Record Period, although our Controlling Shareholders had provided financial assistance to our Group, as at the Latest Practicable Date, all guarantees provided by our Controlling Shareholders and their respective close associates on our Group's borrowings have been fully released.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders.

NON-COMPETITION UNDERTAKINGS AND FIRST RIGHT OF REFUSAL

Non-competition undertakings

To protect our Group from any potential competition, each of our Controlling Shareholders have entered into the Deed of Non-Competition in favour of our Company (for ourselves and as trustee of our subsidiaries), pursuant to which our Controlling Shareholders have jointly and severally, irrevocably and unconditionally undertaken to and covenanted with our Company (for ourselves and for the benefit of our subsidiaries) that during the continuation of the Deed of Non-Competition he/she/it shall not, and shall procure that his/her/its close associates (other than any member of our Group) not to, whether on his/her/its own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly, carry on a business, or be interested or involved or engaged in or acquire or hold any right or interest, or otherwise involved in (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise and whether for profit, reward or otherwise) any business, which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to the operation of restaurants in Hong Kong and any other country or jurisdiction) (the “**Restricted Business**”) subject to the exceptions and first right of refusal stated as follows:

Exceptions

Such non-competition undertaking does not apply to:

- (i) any interests in the shares of any member of our Group; or
- (ii) the associates of our Controlling Shareholders over which or whom each of them has no right and power to control; or

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iii) interests in the shares of a company other than our Company whose shares are listed on a recognised stock exchange provided that:
 - (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated revenue or assets, as shown in that company's latest audited accounts; or
 - (b) the total number of the shares held by our Controlling Shareholders and/or their respective close associates in aggregate does not exceed 10% of the issued shares of that class of the company in question and such Controlling Shareholders and/or their respective close associates 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 whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and their respective close associates in aggregate; or
 - (c) our Controlling Shareholders and/or their respective close associates do not have the control over the board of such company.

Further, each of our Controlling Shareholders has undertaken that during the period in which he/she/it and his/her/its close associates, individually or taken as a whole, remains as a Controlling Shareholder:

- (a) he/she/it will not invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time, unless pursuant to the provisions stipulated in the Deed of Non-Competition;
- (b) he/she/it will not take any action, directly or indirectly, which constitutes an interference with or a disruption of the Restricted Business including, but not limited to, (i) solicitation of any existing or then existing employees of our Group for employment by he/she/it or his/her/its close associates (excluding our Group), and (ii) solicitation of any current or then current customers and/or suppliers and/or former customers and/or suppliers of our Group for the preceding six months at the relevant time away from our Group;
- (c) he/she/it will not without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/her/its knowledge in his/her/its capacity as our Controlling Shareholder for any purposes; and
- (d) he/she/it will procure his/her/its close associates (excluding our Group) not to invest or participate in any project or business opportunity mentioned above, unless pursuant to the provisions stipulated in the Deed of Non-Competition.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The undertakings in (a) and (d) are subject to the exception that any of the close associates of our Controlling Shareholders (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Business or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review and approval by our Directors (including the independent non-executive Directors without the attendance by any Director with beneficial interest in such project or business opportunities, in which resolutions have been duly passed by the majority of the independent non-executive Directors), confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Business and provided also that the principal terms on which that relevant close associate of our Controlling Shareholders invests, participates or engages in the Restricted Business are substantially the same as or not more favourable than those offered to our Company. Subject to the above, if the relevant close associate of our Controlling Shareholders decides to be involved, engaged, or participate in the relevant Restricted Business, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

First right of refusal

In addition, pursuant to the Deed of Non-Competition, each of our Controlling Shareholders has undertaken that if any of our Controlling Shareholders is offered or becomes aware of, and/or if each of them becomes aware that any of his/her/its close associates (other than any members of the Group) is offered or becomes aware of, any project or new business opportunity that relates to the Restricted Business (“**New Business Opportunity**”) which he/she/it wants to pursue, whether directly or indirectly, he/she/it shall first (i) promptly within ten (10) business days notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such New Business Opportunity; and (ii) using his/her/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such New Business Opportunity is offered to him/her/it and/or his/her/its close associates.

All of our Directors (excluding those who is/are interested in the New Business Opportunity and has/have conflict of interests with our Company) will review the New Business Opportunity and decide whether to invest in the New Business Opportunity. If our Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within fifteen (15) business days (the “**15-day Offering Period**”) of receipt of notice from the relevant Controlling Shareholder, the relevant Controlling Shareholder and/or his/her/its close associates shall be permitted to invest in or participate in the New Business Opportunity on his/her/its own accord. With respect to the 15-day Offering Period, our Directors consider that such period is adequate for our Company to assess any New Business Opportunity.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Deed of Non-Competition shall take effect upon Listing and shall expire on the earlier of:

- (a) the day on which the Shares cease to be listed on the GEM or other recognised stock exchange; or
- (b) the day on which our Controlling Shareholders and his/her/its close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as Controlling Shareholders and do not have power to control our Board or there is at least one other independent shareholder other than our Controlling Shareholders and his/her/its close associates holding more Shares than our Controlling Shareholders and his/her/its close associates taken together.

CORPORATE GOVERNANCE MEASURES

Upon Listing, we will be required to comply with stringent requirements concerning internal controls and corporate governance as stipulated under the GEM Listing Rules. In this regard, our Directors confirm that neither they nor their respective close associates have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business and would require disclosure under Rule 11.04 of the GEM Listing Rules. Each of our Directors has confirmed that he fully comprehends his obligations to act in the best interests of our Company and the Shareholders as a whole.

Our Company will adopt the following corporate governance measures to manage any potential or actual conflict of interests between us and our Controlling Shareholders and to safeguard the interests of our Shareholders:

- our Company adopted the Articles on 29 January 2018 to take effect on the Listing Date, the provisions of which are in compliance with requirements of the Companies Law and the GEM Listing Rules. Generally, unless otherwise provided in the Articles, a Director is prohibited under the Articles from voting (or being counted in the quorum) on any resolution of our Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have any material interest, and if he shall do so his vote shall not be counted (and he shall not be counted in the quorum for that resolution);
- 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;
- our Controlling Shareholders have undertaken to us that they will, and will procure their respective close associates to use their best endeavours to provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- we will disclose the review by the independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition, including the decision and related basis to accept or decline any proposed investment, in our annual report or by way of announcement to the public in compliance with the requirements of the GEM Listing Rules;
- our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report;
- the executive Directors will ensure that any material conflict or material potential conflict of interests involving the proposed investment will be reported to the independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a Board meeting will be held to review and evaluate the proposed investment. The conflicted Directors shall refrain from participating in the Board meetings on which resolutions with material conflict or material potential conflicts of interest are discussed;
- in the event that the material conflict or material potential conflict of interests involving the proposed investment may materialise, our Controlling Shareholder(s) and their close associates will abstain from voting in the Shareholders' meeting with respective resolution(s), considering such acquisition;
- our Company has set up the Audit Committee on 29 January 2018 to review and supervise our Company's financial reporting process and internal control systems of our Group and to monitor any continuing connected transactions, all members of which are independent non-executive Directors; and
- our Group has appointed Vinco Capital Limited as our compliance adviser, particulars of the terms of appointment are set forth under the sub-section headed "Directors, Senior Management and Employees – Compliance adviser" in this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board has the ultimate responsibility for the management of our Company and currently consists of 8 Directors, made up of 5 executive Directors and 3 independent non-executive Directors. The following table sets forth a summary of regarding our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
Ms. Wong Suet Hing	65	Chairlady and executive Director	13 November 1998	27 January 2017	Responsible for overseeing the overall operations, procurement of our Group and member of Remuneration and Nomination Committee	Mother of Ms. ST Wong, sister of Mr. MF Wong and Ms. SC Wong and aunt of Mr. SH Ma
Ms. Wong Sau Ting Peony	43	Chief executive officer and executive Director	6 September 1999	5 July 2017	Responsible for overseeing our Group's overall operations, strategic direction and business development and member of Remuneration and Nomination Committee	Daughter of Ms. SH Wong, niece of Mr. MF Wong and Ms. SC Wong and cousin of Mr. SH Ma
Mr. Wong Muk Fai Woody	56	Executive Director	13 November 1998	5 July 2017	Responsible for overseeing the restaurant operations of our Group as well as developing restaurants in different cuisines	Brother of Ms. SH Wong and Ms. SC Wong, uncle of Ms. ST Wong and Mr. SH Ma
Mr. Ma Sui Hong	34	Executive Director	12 September 2007	5 July 2017	Responsible for our Group's customer services and human resources operations	Nephew of Ms. SH Wong, Ms. SC Wong and Mr. MF Wong and cousin of Ms. ST Wong
Mr. Wong Chi Chiu Henry	42	Executive Director	1 September 2016	5 July 2017	Responsible for overseeing our Group's overall financial accounting and reporting matters	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
Ms. Ng Yau Kuen Carmen	42	Independent non-executive Director	Listing Date	29 January 2018 ⁽¹⁾	Performing the role as Independent non-executive director, chairlady of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee	N/A
Mrs. Cheung Lau Lai Yin Becky	58	Independent non-executive Director	Listing Date	29 January 2018 ⁽¹⁾	Performing the role as Independent non-executive director, chairlady of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee	N/A
Mr. Yu Ronald Patrick Lup Man	46	Independent non-executive Director	Listing Date	29 January 2018 ⁽¹⁾	Performing the role as Independent non-executive director, chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee	N/A

Note (1): The appointments are to take effect on the Listing Date.

Executive Directors

Ms. Wong Suet Hing (黃雪卿) (“Ms. SH Wong”), aged 65, was appointed as a Director on 27 January 2017 and was redesignated as an executive Director and appointed as chairlady of our Board on 29 January 2018. Ms. SH Wong worked together with her brother Mr. MF Wong and her daughter Ms. ST Wong from September 1999 in 美食特區 (Food Deli Special Zone) operated by GLIL. Ms. SH Wong co-founded our Group together with her brother Mr. MF Wong in 2003 by establishing our Group’s first Marsino restaurant managed by GLIL. She is, primarily responsible for overseeing the overall operations and procurement of our Group including but not limited to handling suppliers relationship, approval of procurement, review of stock level and order size and approval on menu changes. Being raised in a family engaging in the food and beverage industry operating a Hong Kong style dai pai dong (大牌檔)(an open-air food stall), both Ms. SH Wong and Mr. MF Wong are devoted to the food and beverage industry. Ms. SH Wong has nearly 50 years of experience in this industry, since the 1960s when she was working in the dai pai dong known as Sui Yuen (瑞園) in To Kwa Wan.

Ms. SH Wong is the mother of Ms. ST Wong. She is also the sister of Mr. MF Wong and Ms. SC Wong and an aunt of Mr. SH Ma.

Ms. SH Wong was not a director of any company listed on any stock exchange during the 3 years before the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Wong Sau Ting Peony (王秀婷) (“Ms. ST Wong”), aged 43, joined our Group in September 1999. She was appointed as a Director on 5 July 2017 and was redesignated as an executive Director on 29 January 2018. As chief executive officer, she is responsible for and works with Ms. SH Wong to oversee our Group’s overall operations, strategic direction and business development.

Ms. ST Wong graduated from The Chinese University of Hong Kong with a degree in bachelor of social science in May 1997 and a degree in master of business administration which was a distance learning course organised by University of South Australia in September 2005.

Prior to her joining our Group, Ms. ST Wong worked at the office of Ms. Selina Chow Liang Shuk-ye, GBS, JP as her personal assistant from September 1997 to March 1998. Afterwards, she worked together with her mother Ms. SH Wong and her uncle Mr. MF Wong from September 1999 in GLIL and was primarily responsible for overseeing the financial matters of 美食特區 (Food Deli Special Zone). Since 2003, Ms. ST Wong has been delegated with the management of our restaurant brands and establishing our restaurant operations at shopping mall, such as La Dolce and Marsino at Metro Town Shopping Mall in 2010, Marsino at Amoy Plaza in 2013, and Grand Avenue restaurant at Citywalk I in 2014. Ms. ST Wong is primarily responsible for negotiation with landlords of our Group’s restaurants, adapting and changing our Group’s cuisine mix to changes in the market. Ms. ST Wong is the daughter of Ms. SH Wong. She is also the niece of Mr. MF Wong and Ms. SC Wong and cousin of Mr. SH Ma.

Ms. ST Wong was not a director of any company listed on any stock exchange during the 3 years before the Latest Practicable Date.

Mr. Wong Muk Fai Woody (黃木輝) (“Mr. MF Wong”), aged 56, was appointed as a Director on 5 July 2017 and was redesignated as an executive Director on 29 January 2018. Mr. MF Wong worked together with his sister Ms. SH Wong and his niece Ms. ST Wong from September 1999 in 美食特區 (Food Deli Special Zone) operated by GLIL. Mr. MF Wong co-founded our Group together with his sister Ms. SH Wong in 2003 by establishing our Group’s first Marsino restaurant managed by GLIL. He is primarily responsible for overseeing the restaurant operations of our Group as well as developing restaurants in different cuisines and to ensure the quality of our products. Being raised in a family engaging in the food and beverage industry operating a dai pai dong, both Mr. MF Wong and Ms. SH Wong are devoted to the food and beverage industry. Mr. MF Wong has nearly 40 years of experience in this industry, since the 1960s when he was working in the dai pai dong known as Sui Yuen in To Kwa Wan. In the past years, Mr. MF Wong has been continuously finding new ways and new ideas by introducing western cuisine and Thai cuisine to our Group to strive for the present success of us. He is the brother of Ms. SH Wong and Ms. SC Wong and spouse of Ms. LF Chow, one of our Controlling Shareholders. Mr. MF Wong is also the uncle of Ms. ST Wong and Mr. SH Ma.

Mr. MF Wong was not a director of any company listed on any stock exchange during the 3 years before the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Ma Sui Hong (馬瑞康) (“Mr. SH Ma”), aged 34, was appointed as a Director on 5 July 2017 and was redesignated as an executive Director on 29 January 2018. Mr. SH Ma is primarily responsible for our Group’s customer services and human resources operations. Mr. SH Ma is also responsible for the provision of staff training and adjusting the number of staff to reflect the business needs of each restaurants. He graduated from University of Wollongong in Australia with a degree in bachelor of commerce in logistics in July 2006. He gained and developed his management skills and knowledge in different Marsino restaurants managed by GLIL and our Group in the past for more than ten years. Mr. SH Ma has completed a master degree in science in management (human resources management) in The Hong Kong Polytechnic University in December 2017.

He is the nephew of Ms. SH Wong, Ms. SC Wong and Mr. MF Wong and cousin of Ms. ST Wong.

Mr. SH Ma was not a director of any company listed on any stock exchange during the 3 years before the Latest Practicable Date.

Mr. Wong Chi Chiu Henry (黃智超) (“Mr. Wong”) aged 42, was appointed as a Director on 5 July 2017 and redesignated as an executive Director on 29 January 2018. He joined our Group in September 2016 as Chief Financial Officer. He is primarily responsible for overseeing our Group’s overall financial accounting and reporting matters. Mr. Wong received a bachelor’s degree in business administration from Acadia University, Canada in August 1999 and obtained a master degree in business administration from The Hong Kong Polytechnic University in August 2008. He is a qualified member of the Association of Chartered Certified Accountants since March 2006 and a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2007. Mr. Wong has over 16 years of experience in accounting and financing gained from different business entities, including Deloitte Touche Tohmatsu from September 2000 to March 2003. Prior to joining to our Group, his last position was a general manager in Multi Packaging Solutions Asia Sourcing Limited from March 2013 to July 2016, mainly responsible for finance, human resources and logistics functions.

Mr. Wong was not a director of any company listed on any stock exchange during the 3 years before the Latest Practicable Date.

Independent non-executive Directors

Ms. Ng Yau Kuen Carmen (吳幼娟) (“Ms. Ng”) aged 42, was appointed as an independent non-executive Director on 29 January 2018 whose appointment is to take effect from the Listing Date. She had worked at PricewaterhouseCoopers for approximately 13 years in the Financial Services Assurance Department. Since leaving PricewaterhouseCoopers, she has been a practising certified public accountant. Ms. Ng obtained a bachelor’s degree of business administration from the Chinese University of Hong Kong in May 1998, a master’s degree of business administration and a master’s degree of laws in corporate and financial law from the Hong Kong University of Science and Technology in November 2007 and the University of Hong Kong in November 2013,

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

respectively. Since October 2017, Ms. Ng has been a fellow member of the Hong Kong Institute of Certified Public Accountants and she is currently the managing partner of Cypress Certified Public Accountants.

Ms. Ng is currently an independent non-executive director, a member and chairman of the audit committee, a member and chairman of the remuneration committee and a member and chairman of the nomination committee of Get Nice Financial Group Limited (stock code: 1469), the issued shares of which are listed on the Main Board of the Stock Exchange.

Save as disclosed above, Ms. Ng was not a director of any company listed on any stock exchange during the 3 years before the Latest Practicable Date.

Mrs. Cheung Lau Lai Yin Becky (張劉麗賢) (“Mrs. Cheung”) aged 58, was appointed as an independent non-executive Director on 29 January 2018 whose appointment is to take effect from the Listing Date.

Mrs. Cheung has over 25 years food safety and operation experience in catering, food retail, research and development, distribution and manufacturing industry in England, Hong Kong and China. She was as an assistant food technologist in British Home Stores, England between July 1983 and February 1984, an assistant scientific officer at Flour Milling Baking Research Association, England in February to August 1984, a quality control and product development manager at Kenyons Fine Foods Ltd, England between October 1986 and July 1987, a technical manager at St Ivel Limited from August 1987 to May 1991, managing director and principal trainer at Best Key Food Hygiene Consultants, England from June 1991 to May 1994. Since 1983, Mrs. Cheung has been working in food safety related areas in England and Hong Kong. She is the chief executive officer of Best Key Consultants since 2007.

Mrs. Cheung is currently the chairman of International Food Safety Association, and has served as a part-time lecturer trainer at The Chinese University of Hong Kong, The University of Hong Kong, and The Hong Kong Polytechnic University.

She obtained a bachelor degree in food science from the London South Bank University, United Kingdom in July 1985 and a postgraduate diploma in management studies from the University of Westminster, United Kingdom in October 1986. She was elected as a member of the Institute of Food Science & Technology (UK) in 1991 and a fellow member of Royal Society of Health in 1991 and a fellow member of the Royal Society for Public Health in 2011. She is a voting member and a registered trainer of The Chartered Institute of Environmental Health since 2011.

Mrs. Cheung was not a director of any company listed on any stock exchange during the 3 years before the Latest Practicable Date. During the Track Record Period, a company in which Mrs. Cheung is beneficially interested in received enrolment fees in the aggregate amount of HK\$12,000 for the provision of courses on hygiene management to a number of employees of our Group. Our Directors considered that this would not affect Mrs. Cheung’s independence as an

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

independent non-executive Director of our Group as Mrs. Cheung is among a small group of expert in the area of food hygiene in Hong Kong and has provided similar courses to a number of restaurants and food and beverage companies in Hong Kong.

Mr. Yu Ronald Patrick Lup Man (余立文) (“**Mr. Yu**”) aged 46, was appointed as an independent non-executive Director on 29 January 2018 whose appointment is to take effect from the Listing Date. He has over 20 years of working experience in accounting and auditing, investment banking, and private equity investments.

Mr. Yu worked in PricewaterhouseCoopers from April 1997 to February 2006 and his last position was senior manager. From April 2006 to May 2007, Mr. Yu was a vice president in AP International Operations Department of Citigroup Global Market Asia Limited, responsible for investment banking operation, reconciliation and control. From May 2007 to March 2009, Mr. Yu was an associated director in Starr International Company (Asia), Limited, who was responsible for investment portfolio monitoring. Mr. Yu joined Sinocap Investment Holdings Limited from May 2010 to January 2017 and his last position was executive director and responsible officer of Sinocap Management (Hong Kong) Limited. Since January 2017, Mr. Yu is the investment director in WK Fund Management Limited.

He graduated from the Griffith University, Australia with a bachelor’s degree of informatics in March 1993 and obtained a master’s degree of professional accounting from the University of Queensland, Australia in December 1995. Mr. Yu is a member of CPA Australia since 1996 and a fellow member of CPA Australia since 2016. Mr. Yu is also a fellow member of the Hong Kong Institute of Certified Public Accountants since 2008.

Mr. Yu was not a director of any company listed on any stock exchange during the 3 years before the Latest Practicable Date.

Mr. Yu was a director of the following company, which was dissolved or wound-up (but not due to members’ voluntary winding-up), with details as follows:

Name of company	Principle business activity immediately before dissolution	Date of dissolution or winding-up	Details
Rui Capital Limited	Consulting	8 March 2013	Reason for dissolution by deregistration was cessation of business

Mr. Yu confirmed that there was no wrongful act on his part leading to the above dissolution and he is not aware of any actual or potential claim which has been or will be made against him as a result of the above dissolution.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Disclosure of relationships

Except for the relationship as disclosed in the section under the paragraph headed “Directors” above, each of our Directors and senior management are independent from and not related to any of our Directors or senior management.

Save as disclosed above and elsewhere in this prospectus, each of our Directors confirmed with respect to him/herself that: (i) apart from our Company, he/she has not held directorships in the last 3 years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) save as disclosed in the paragraph headed “C. Further information about Directors and substantial shareholders” in Appendix V to this prospectus, he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iii) there is no other information that should be disclosed for him/herself pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iv) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders.

AUDIT COMMITTEE

We have established an Audit Committee pursuant to a resolution of our Directors passed on 29 January 2018 with written terms of reference in compliance with the Corporate Governance Code and Rule 5.28 as set out in the GEM Listing Rules. The primary duties of our Audit Committee are mainly (i) to make recommendations to our Board on the appointment and removal of external auditors; (ii) to review and revise our Group’s financial statements and render advice in respect of financial reporting; (iii) to oversee internal control procedures and corporate governance of our Group; (iv) to supervise internal control systems of our Group. All members of our Audit Committee are appointed by the Board. Our Audit Committee currently consists of all 3 of our independent non-executive Directors, namely Ms. Ng Yau Kuen Carmen, Mrs. Cheung Lau Lai Yin Becky and Mr. Yu Ronald Patrick Lup Man. Ms. Ng Yau Kuen Carmen is the chairlady of our Audit Committee.

REMUNERATION COMMITTEE

We have established a Remuneration Committee pursuant to a resolution of our Directors passed on 29 January 2018 with written terms of reference in compliance with the Corporate Governance Code and Rule 5.34 as set out in the GEM Listing Rules. The primary duties of our Remuneration Committee are mainly (i) to review and make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; (ii) to review other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors and senior management; and (iii) to review the performance based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration. Our Remuneration Committee currently consists of Ms. Ng Yau Kuen Carmen, Mrs. Cheung Lau Lai Yin Becky, Mr. Yu Ronald Patrick Lup Man, Ms. SH Wong and Ms. ST Wong. Mrs. Cheung Lau Lai Yin Becky is the chairlady of our Remuneration Committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

NOMINATION COMMITTEE

We have established a Nomination Committee pursuant to a resolution of our Directors passed on 29 January 2018 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of our Nomination Committee are mainly (i) to review the structure, size, composition and diversity of our Board on a regular basis; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors; and (v) to make recommendations to our Board regarding the candidates to fill vacancies on our Board. Our Nomination Committee currently consists of Ms. Ng Yau Kuen Carmen, Mrs. Cheung Lau Lai Yin Becky, Mr. Yu Ronald Patrick Lup Man, Ms. SH Wong and Ms. ST Wong. Mr. Yu Ronald Patrick Lup Man is the chairman of our Nomination Committee.

SENIOR MANAGEMENT

Mr. Cheung Shing Kang (張成耕), aged 60, joined our Group on 1 July 2017 as Business Development Manager is mainly responsible for developing Japanese restaurant operations for us. Mr. SK Cheung has nearly 35 years of experience in the food and beverage industry with well known brands such as Beppu Group (formerly known as Beppu Menkan Management Limited), Kowloon Shangri-La Hotel and Cathay Pacific Catering (HK) Limited. He was a Demi Chef de Partie of Nadaman restaurant at the Kowloon Shangri-La Hotel from 1995 to 1996. Prior to joining our Group, Mr. SK Cheung had been the executive chef of Beppu Group, a group of Japanese style casual dining full-service chain restaurants operating about 6 Japanese ramen restaurants as at the Latest Practicable Date, for 15 years. While Mr. SK Cheung was the executive chef of Beppu Group, he was responsible for overseeing the operation of the Japanese ramen restaurants.

Ms. Wong Suet Ching (黃雪貞) (“**Ms. SC Wong**”), aged 59, is our Controlling Shareholder and joined our Group on 10 September 2014 as food factory assistant and promoted to food factory manager at April 2017. She is mainly responsible for the operation of our central kitchen. Ms. SC Wong has nearly 40 years of experience in the food and beverage industry earned from running cha chaan teng with her husband prior to joining our Group. Ms. SC Wong was not appointed as a Director of our Company because of her own personal reasons as she wanted to spend more time with her family and had she been appointed, she would be a suitable candidate as a director of a company listed on GEM under the GEM Listing Rules. Ms. SC Wong is the sister of Ms. SH Wong and Mr. MF Wong and aunt of Ms. ST Wong and Mr. SH Ma.

COMPANY SECRETARY

Mr. Wong Chi Chiu Henry is the company secretary of our Company. Please refer to the paragraph headed “Executive Directors” above in this section for details about Mr. Wong’s qualifications and experience.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE OFFICER

Mr. Wong Chi Chiu Henry was appointed as the compliance officer (pursuant to Rule 5.19 of the GEM Listing Rules) of our Company on 29 January 2018. Please refer to the paragraph headed “Executive Directors” above in this section for details about Mr. Wong’s qualifications and experience.

AUTHORISED REPRESENTATIVES

Ms. ST Wong and Mr. Wong Chi Chiu Henry are the authorised representatives of our Company.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, the total remuneration (including salaries and allowance, discretionary bonuses and contributions to defined contribution retirement benefits scheme) paid by us to our Directors for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, were approximately HK\$2.0 million, HK\$2.2 million and HK\$0.9 million respectively.

During the Track Record Period, the total remuneration (including salaries and allowance, discretionary bonuses and contributions to defined contribution retirement benefits scheme) paid by us to our five highest paid individuals for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, were approximately HK\$2.4 million, HK\$2.3 million and HK\$0.9 million respectively.

Under the arrangements currently in force, the aggregate remuneration and benefits-in-kind to our Directors paid or payable (excluding any commission or discretionary bonus) in respect of the year ending 31 March 2018 is estimated to be approximately HK\$2.3 million.

Our Group’s principal policies concerning remuneration of Directors and senior management are determined based on the relevant individual’s duties, responsibilities, experience, skills, time commitment, performance of our Group and comparable market levels. Our executive Directors and senior management may receive discretionary bonuses that shall be determined by our Board with regard to the performance of the relevant individual and operating results of our Group as a whole in respect of the financial year. Our independent non-executive Directors receive compensation in the form of director fees.

Each of our executive Directors and independent non-executive Directors has entered into either a service contract or letter of appointment with our Company for an initial term of three years with effect from the Listing Date, which will continue thereafter until terminated by not less than three months’ notice in writing. Further details of the terms of the service contracts and letters of appointment entered into with our Directors are set out in the paragraph headed “C. Further information about Directors and substantial shareholders – 1. Directors – (b) Particulars of service contracts and letters of appointment” in Appendix V to this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE ADVISER

We have appointed Vinco Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise our Company in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated, including but not limited to share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares pursuant to Rule 17.11 of the GEM Listing Rules.

Term

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date.

Duties of our Company

Our Company shall fully comply with and discharge our responsibilities under the GEM Listing Rules and other applicable laws, regulations and codes relating to securities and corporate governance that are applicable to our Company.

During the term, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the circumstances as required under Rule 6A.23 of the GEM Listing Rules.

Termination

The compliance adviser agreement can be terminated by either party upon giving the other party not less than one month's prior written notice.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have beneficial interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

(a) Interests or short positions in our Company

Name of Shareholder	Nature of Interest	Shares held immediately prior to the Capitalisation Issue and the Share Offer		Shares held immediately following the completion of the Capitalisation Issue and the Share Offer	
		Number	Percentage	Number	Percentage
MJL	Beneficial interest ⁽²⁾	18,000	90%	540,000,000 (L) ⁽¹⁾	67.5%
CDIL	Beneficial interest ⁽³⁾	2,000	10%	60,000,000 (L) ⁽¹⁾	7.5%
Mr. Cheung Wai Yin Wilson	Interest in controlled corporation ⁽³⁾	2,000	10%	60,000,000 (L) ⁽¹⁾	7.5%
Ms. Lam Ka Wai	Spouse interest ⁽³⁾	2,000	10%	60,000,000 (L) ⁽¹⁾	7.5%

Notes:

- (1) The letter “L” denotes long position in our Shares.
- (2) MJL is owned as to (i) 31.0% by Ms. SH Wong; (ii) 31.0% by Ms. LF Chow; (iii) 18.7% by Ms. ST Wong; (iv) 15.0% by Ms. SC Wong; and (v) 4.3% by Mr. SH Ma.
- (3) CDIL is 100% beneficially owned by Mr. Cheung Wai Yin Wilson, as such, he is deemed under the SFO to be interested in all the Shares in which CDIL is interested. Ms. Lam Ka Wai, the spouse of Mr. Cheung Wai Yin Wilson is deemed to be interested in all the Shares in which Mr. Cheung Wai Yin Wilson is interested pursuant to the SFO.

(b) Interests or short positions in other members of our Group

Name of Shareholder	Name of member of our Group	Nature of interest	Number of shares ^(Note 1)	Percentage of shareholding in member of our Group
Mr. Luk Chi Sing	AHL	Beneficial interest	1,000 (L)	10%
Mr. Yau Wai Leung	AHL	Beneficial interest	1,000 (L)	10%
Faith Great Limited ^(note 2)	AHL	Beneficial interest	1,000 (L)	10%
Faith Great Limited ^(note 2)	ASCL	Beneficial interest	1,000 (L)	10%
Ms. Yim Wan Ying	GFCL	Beneficial interest	20 (L)	20%
Ms. Ng Siu Ying Christina	GFCL	Beneficial interest	20 (L)	20%

1. The letter “L” denotes the long position in the shares in the member of our Group.
2. Faith Great Limited is owned as to 55% by Tam Chak Keung and 45% by Lau Suk Yee Carmen.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately prior to and following the completion of the Capitalisation Issue and the Share Offer (assuming no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group. 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 following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Capitalisation Issue and the Share Offer (without taking into account the exercise of the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme):

Nominal value
HK\$

Authorised share capital:

<u>2,000,000,000</u>	Shares of HK\$0.01 each	<u>20,000,000</u>

Nominal value
HK\$

Issued and to be issued, fully paid or credited as fully paid:

20,000	Shares in issue as of the date of this prospectus	200
599,980,000	Shares to be issued pursuant to the Capitalisation Issue	5,999,800
<u>200,000,000</u>	Shares to be issued under the Share Offer	<u>2,000,000</u>
<u>800,000,000</u>	Total	<u>8,000,000</u>

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Capitalisation Issue and the Share Offer are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will qualify for all dividends or other distribution declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

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

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of shares of not more than the sum of:

- (1) 20% of the total number of shares of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- (2) the total number of shares of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to our Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option which may be granted under the Share Option Scheme.

This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its Articles to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the paragraph headed "A. Further information about our Group – 3. Written resolutions of our Shareholders passed on 29 January 2018" in Appendix V to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total number of shares of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “A. Further information about our Group – 6. Repurchases by our Company of our own securities” in Appendix V to this prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company’s next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its Articles to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the paragraph headed “A. Further information about our Group – 3. Written resolutions of our Shareholders passed on 29 January 2018” in Appendix V to this prospectus.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders dated 29 January 2018, we conditionally adopted the Share Option Scheme. Summaries of the principal terms of the Share Option Scheme are respectively set out in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolutions 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 Companies Law, reduce its share capital by its shareholders' special resolution. For more details, please refer to the paragraph headed "Alteration of capital" in Appendix IV to this prospectus.

Pursuant to the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our 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 our Shares of that class. For more details, please refer to the paragraph headed "Variation of rights of existing shares or classes of shares" in Appendix IV to this prospectus.

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You should read this section in conjunction with our audited combined financial statements for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, including the notes thereto, as set out in our Accountants' Report in Appendix I to this prospectus (the "Combined Financial Statements"). The Combined Financial Statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

The following discussion and analysis of our financial condition and results of operations is based on the financial information set out in the Combined Financial Statements and contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depend on a number of risks and uncertainties over which our Group does not have control. For further information, please refer to the section headed "Risk Factors" and elsewhere in this prospectus.

The following discussion and analyses also contain amounts and percentage figures that 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 and all monetary amounts shown are approximate amounts only.

OVERVIEW

We are a casual dining full service restaurant operator under 3 self-operated brands as at the Latest Practicable Date, namely Marsino, La Dolce and Grand Avenue, and Roast Beef Abura Soba Beefst as franchisee, which is expected to commence operations by March 2018. As at the Latest Practicable Date, we operated a total of 10 restaurants across the New Territories and Kowloon, including 4 Marsino restaurants, 2 La Dolce restaurants and 4 Grand Avenue restaurants. All of our Marsino, La Dolce and Grand Avenue restaurants are founded and operated by our Group and we have not entered into any licensing or franchising arrangements with any third parties during the Track Record Period. Subsequent to the Track Record Period in November 2017, FBL entered into a franchise agreement in relation to the franchise rights to, among others, operate and develop Roast Beef Abura Soba Beefst restaurants in Hong Kong. Our first Roast Beef Abura Soba Beefst restaurant is expected to commence operations by March 2018.

All of our revenue is derived in Hong Kong from our restaurant operations. For the year ended 31 March 2016, we recorded revenue of approximately HK\$132.6 million, of which approximately HK\$64.3 million, HK\$47.9 million and HK\$20.4 million were derived from our Marsino restaurants, La Dolce restaurants and Grand Avenue restaurants, respectively, accounting for approximately 48.5%, 36.1% and 15.4% of our total revenue, respectively. For the year ended

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31 March 2017, we recorded revenue of approximately HK\$149.7 million, of which approximately HK\$61.6 million, HK\$44.8 million and HK\$43.3 million were derived from our Marsino restaurants, La Dolce restaurants and Grand Avenue restaurants, respectively, accounting for approximately 41.1%, 29.9% and 29.0% of our total revenue, respectively. For the five months ended 31 August 2017, we recorded revenue of approximately HK\$60.5 million, of which approximately HK\$25.6 million, HK\$15.3 million and HK\$19.6 million were derived from our Marsino restaurants, La Dolce restaurants and Grand Avenue restaurants, respectively, accounting for approximately 42.3%, 25.4% and 32.3% of our total revenue during the same period, respectively. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, we recorded net profit of approximately HK\$5.7 million, HK\$7.4 million and net loss of approximately HK\$3.2 million, respectively.

Our current assets and current liabilities amounted to approximately HK\$18.9 million and HK\$65.1 million as at 31 March 2016, respectively, and approximately HK\$11.0 million and HK\$27.2 million as at 31 March 2017, respectively, resulting in net current liabilities of approximately HK\$46.2 million and HK\$16.2 million as at 31 March 2016 and 2017, respectively. Our net current liabilities positions as at 31 March 2016 and 2017 were primarily attributable to, among others, (i) the acquisition of our office premises and the private car parking space during the Track Record Period, which were classified as our non-current assets; and (ii) classification of the bank borrowings during the Track Record Period as our current liabilities due to the repayable on demand clause contained in the bank facilities letters, all of which were fully discharged and released as at the Latest Practicable Date. For further details, please refer to the paragraph headed “Working capital – Net current liabilities as at 31 March 2016 and 2017” in this section. Taking into account (i) our net cash from operating activities of approximately HK\$13.2 million and HK\$9.8 million for the years ended 31 March 2016 and 2017, respectively; and (ii) the written confirmation obtained from Shanghai Commercial Bank Limited confirming they would not request for early repayment of our loans prior to their maturity, being three years from the loan drawn date which was 19 June 2017, our Directors believe that the net current liabilities position as at 31 March 2017 will not have an adverse effect on the going concern of our Company.

As at 31 August 2017, our current assets and current liabilities amounted to approximately HK\$18.8 million and HK\$15.5 million, respectively, resulting in net current assets of approximately HK\$3.4 million.

As at 31 March 2016 and 2017 and 31 August 2017, our borrowings consisted of bank borrowings and amounts due to related parties and non-controlling shareholders of subsidiaries. As at 31 August 2017, we had unsecured and unguaranteed amounts due to related parties and non-controlling shareholders of subsidiaries of approximately HK\$30,000 and HK\$1.2 million, respectively, all of which will be fully settled prior to the Listing.

The impact of the listing expenses may adversely affect our financial or trading position or prospect of our Group since 31 August 2017 (being the date the latest audited combined financial statements were made up to). Save as disclosed in this prospectus, our Directors confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospects of our Group since 31 August 2017 (being the date of which our

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Group's latest audited combined financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no events since 31 August 2017 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

RECENT DEVELOPMENT

Subsequent to the Track Record Period, we opened Ma On Shan Grand Avenue in October 2017. In relation to the opening of Ma On Shan Grand Avenue in late October 2017, the Group (i) incurred capital expenditure of approximately HK\$4.2 million for the renovation works and the acquisition of kitchen equipment of which approximately HK\$2.8 million had been paid from September 2017 to January 2018; and (ii) paid the rental deposit of approximately HK\$1.2 million in September 2017.

In relation to the closure of Ma On Shan Marsino and Ma On Shan La Dolce in December 2017 upon expiry of lease, the Group (i) had written off all fixed assets with net book value of approximately HK\$0.2 million; (ii) had carried out the reinstatement works of the rental property which the provision for such reinstatement works of approximately HK\$0.2 million has been accounted for the year ended 31 March 2017; (iii) had settled the severance payment and long service payment of all employees to be dismissed by reason of redundancy which will not incur material liability to the Group as the severance payment and long service payment were mainly settled by the employer's Mandatory Provident Fund contributions previously paid by the Group; and (iv) had partially received the refund of other deposits of approximately HK\$0.1 million.

Since it is expected that Ma On Shan Grand Avenue will have a higher average spending per customer than Ma On Shan Marsino and Ma On Shan La Dolce, the Directors expect that Ma On Shan Grand Avenue will be able to recoup a majority portion of the decrease in revenue as a result of the closure of Ma On Shan Marsino and Ma On Shan La Dolce despite Ma On Shan Grand Avenue is expected to host fewer seats (i.e. 104 seats, as compared to an aggregate of 200 seats for Ma On Shan Marsino and Ma On Shan La Dolce). On the other hand, it is expected that the operating costs of Ma On Shan Grand Avenue will be lower compared to that of Ma On Shan Marsino and Ma On Shan La Dolce primarily due to fewer number of staff employed at Ma On Shan Grand Avenue.

Based on the unaudited combined management accounts of the Company for the one month ended 30 November 2017, being the first month of operation of Ma On Shan Grand Avenue and the second last month of operation of Ma On Shan Marsino and Ma On Shan La Dolce, the total revenue recorded by Ma On Shan Grand Avenue was slightly more than the total revenue recorded by Ma On Shan Marsino and Ma On Shan La Dolce and the average spending per customer of Ma On Shan Grand Avenue, Ma On Shan Marsino and Ma On Shan La Dolce were approximately HK\$60.5, HK\$40.9 and HK\$47.8, respectively. Accordingly, the Directors expect that the closure of Ma On Shan Marsino and Ma On Shan La Dolce and the opening of Ma On Shan Grand Avenue will not have a material adverse effect on the Group's business operations, financial results and cash flow of the Group for the year ending 31 March 2018.

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On 1 November 2017, we entered into the Franchise Agreement with the Franchisor in relation to the franchise to operate and develop Roast Beef Abura Soba Beefst restaurants in Hong Kong. In consideration of the grant of the franchise rights, FBL had paid to the franchisor a franchise fee in the sum of JPY 5 million (approximately HK\$357,000). For further details of the Franchise Agreement and our planned new Japanese ramen restaurants, please refer to the sub-section headed “Business – Business strategies” in this prospectus.

Subsequent to the Track Record Period, we have implemented a series of marketing promotions to strengthen our brand images and to enhance our competitiveness in midst of the increased competition. In September 2017, we launched a beer promotional campaign in collaboration with Carlsberg Hong Kong Limited, to promote the sales from beverages. In November 2017, we entered into a cooperation arrangement for the delivery of our Grand Avenue Thai cuisine with Deliveroo Hong Kong Limited, an online food delivery services provider, which has already commenced in January 2018. In December 2017, we have launched a promotional campaign with a credit card services provider to offer customers dining at our Marsino restaurants and Grand Avenue restaurants discounts when concluding transactions with designated credit cards.

On the cost side, we continued to strive to lower our foods costs by increasing the portion of food and raw materials subject to bulk purchase. We also continued our efforts in managing staff costs by re-arranging staff work schedule, such as reducing the working hours during relatively less busy operating hours.

MATERIAL ADVERSE CHANGE

Save as disclosed above, our Directors confirm that there has been no material adverse change in our financial or trading position since 31 August 2017 (being the date to which the latest audited combined financial statements of our Group were made up) and up to the date of this prospectus. Furthermore, since (i) we are either subject to fixed or contingent rent based on our restaurants’ revenue; (ii) our staff costs are budgeted and under constant scrutiny by our management; (iii) the franchise fees and royalties associated with our planned new Japanese ramen restaurants are determined after arm’s length negotiation between the parties and budgeted; and (iv) none of our existing leases as at the Latest Practicable Date will expire on or before 31 March 2018, our Directors expect that the increasing rentals and staff costs, together with the payment of franchising fees and royalties for our planned new Japanese ramen restaurants will not have any material adverse effect on the Group’s financial position for the year ending 31 March 2018.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 27 January 2017 as an exempted company with limited liability. Pursuant to the reorganisation as more fully described in the sub-section headed “History, Reorganisation and Group Structure – Group Structure – Reorganisation” in this prospectus, our Company became the holding company of the companies

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comprising our Group on 29 January 2018. Our Group comprising our Company and our subsidiaries resulting from the reorganisation is regarded as a continuing entity and our combined financial statements had been prepared as if our Company had always been the holding company of our Group. For further details of our Reorganisation, please refer to the sub-section headed “History, Reorganisation and Group Structure – Group Structure – Reorganisation” in this prospectus.

The historical financial information of our Group, including the statements of financial position of our Company as at 31 March 2016 and 2017 and 31 August 2017, the combined statements of financial position of our Group as at 31 March 2016 and 2017 and 31 August 2017, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017 has been prepared based on the accounting policies set out in Note 3 “Significant Accounting Policies” of the Accountants’ Report in Appendix I to this prospectus and the principle of merger accounting under Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants.

The financial statements are presented in Hong Kong Dollars, which is the functional currency of our Group, and all values are rounded to the nearest thousand, except where otherwise indicated.

KEY FACTORS AFFECTING OUR FINANCIAL POSITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations 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. The key factors affecting our financial condition and results of operations include, among others, the following:

- Ability to control our staff costs
- Fluctuations in our costs of raw materials and consumables used
- Fluctuations in our leases payments
- Opening of new restaurants and related renovation costs

Ability to control our staff costs

Our operations are labour intensive as we need to maintain adequate staff to serve our customers. Staff costs thus constituted the largest expenditure of our Group. We employed a total of 266 full-time staff and 178 part-time staff as at 31 March 2016, a total of 242 full-time staff

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and 156 part-time staff as at 31 March 2017 and a total of 220 full-time staff and 181 part-time staff as at 31 August 2017. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, our staff costs amounted to approximately HK\$46.7 million, HK\$52.8 million and HK\$20.2 million, respectively, representing approximately 35.3%, 35.3% and 33.4% of our revenue for such periods, respectively.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in staff costs on our profit before tax and our profit after tax during the Track Record Period. Fluctuations are assumed to be 5.0% and 10.0% for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, which correspond to the range of historical increments of our staff costs from 4.8% to 9.7% during the Track Record Period.

Hypothetical Fluctuation	+5%	–5%	+10%	–10%
<i>Impact on certain combined statements of comprehensive income items for the year ended 31 March 2016</i>				
Change in staff costs	2,337	(2,337)	4,674	(4,674)
Change in profit before tax	(2,337)	2,337	(4,674)	4,674
Change in profit after tax	(1,951)	1,951	(3,903)	3,903
<i>Impact on certain combined statements of comprehensive income items for the year ended 31 March 2017</i>				
Change in staff costs	2,641	(2,641)	5,283	(5,283)
Change in profit before tax	(2,641)	2,641	(5,283)	5,283
Change in profit after tax	(2,205)	2,205	(4,411)	4,411
<i>Impact on certain combined statements of comprehensive income items for the five months ended 31 August 2017</i>				
Change in staff costs	1,011	(1,011)	2,022	(2,022)
Change in loss before tax	1,011	(1,011)	2,022	(2,022)
Change in loss after tax	844	(844)	1,688	(1,688)

We are required to comply with the statutory minimum wage requirements, which came into force on 1 May 2011. During the Track Record Period, the statutory minimum wage rate was increased from HK\$30.0 per hour to HK\$32.5 per hour with effect from 1 May 2015. With effect from 1 May 2017, the statutory minimum wage rate was further increased from HK\$32.5 per hour to HK\$34.5 per hour. During the Track Record Period, the salaries of all of our staff were higher than the statutory minimum wage. If we are not able to offset such increase in staff costs, our financial performance may be adversely affected.

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Fluctuations in our costs of raw materials and consumables used

Costs of raw materials and consumables used affect our prices of food offerings and constituted the second largest expenditure during the Track Record Period. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, our cost of raw materials and consumables used amounted to approximately HK\$39.9 million, HK\$42.9 million and HK\$16.4 million, respectively, representing approximately 30.1%, 28.7% and 27.1% of our revenue for such financial year, respectively.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in costs of raw materials and consumables used on our profit before tax and our profit after tax during the Track Record Period. Fluctuations are assumed to be 5.0% and 10.0% for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, which correspond to the range of historical market fluctuations from -1.3% to 10.3% from 2011 and 2016. For further details on the historical market fluctuations of our raw materials and consumables used, please refer to the sub-section headed “Industrial Overview – Supplier relationships and ingredient prices – Table 2 The consumer price index for certain food ingredients in Hong Kong (October 2014 – September 2015 = 100)”.

Hypothetical Fluctuation	+5%	–5%	+10%	–10%
<i>Impact on certain combined statements of comprehensive income items for the year ended 31 March 2016</i>				
Change in costs of raw materials and consumables used	1,996	(1,996)	3,991	(3,991)
Change in profit before tax	(1,996)	1,996	(3,991)	3,991
Change in profit after tax	(1,667)	1,667	(3,332)	3,332
<i>Impact on certain combined statements of comprehensive income items for the year ended 31 March 2017</i>				
Change in costs of raw materials and consumables used	2,145	(2,145)	4,291	(4,291)
Change in profit before tax	(2,145)	2,145	(4,291)	4,291
Change in profit after tax	(1,791)	1,791	(3,583)	3,583

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Hypothetical Fluctuation	+5%	–5%	+10%	–10%

Impact on certain combined statements of comprehensive income items for the five months ended 31 August 2017

Change in costs of raw materials and consumables used	819	(819)	1,639	(1,639)
Change in loss before tax	819	(819)	1,639	(1,639)
Change in loss after tax	684	(684)	1,368	(1,368)

The availability of raw materials fluctuates and is subject to various factors which are beyond our control, such as seasonality, climate conditions, market demand. Our suppliers may also be affected by higher costs, and such additional costs may be passed to our Group resulting in higher procurement costs for raw materials and consumables. If we were unable to pass our additional procurement costs to our customers, our profitability may be adversely affected.

Fluctuations in our leases payments

We lease most of the properties in which we conduct our business operations. Accordingly, we have to compete with other retailers and restaurants for location in the highly competitive market for retail premises. The costs of leasing are reflected in our rental and related expenses. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, our rental and related expenses amounted to approximately HK\$20.9 million, HK\$23.7 million and HK\$9.6 million, respectively, representing approximately 15.8%, 15.8% and 15.8% of our revenue for such period, respectively. Rental and related expenses constituted the third largest expenditure during the Track Record Period and any material fluctuations in our rental and related expenses may adversely affect our net profit and overall financial performance.

Save for our Tuen Mun Marsino, which is on a fixed rental payment arrangement, all of our leased properties are subject to a contingent rent arrangement comprising a minimum rent and an additional rent calculated with reference to the gross receipts from our business operations ranging from 8% to 12%. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, the total amount of fixed rental payments paid by our Group was approximately HK\$14.9 million, HK\$17.1 million and HK\$7.1 million, respectively and the total amount of contingent rent paid by our Group was approximately HK\$2.4 million, HK\$2.7 million and HK\$0.9 million, respectively. As a result of our contingent rent arrangement, our rental and related expenses will increase proportionately with our revenue and will continue to be a significant portion of our expenditure.

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For every lease that our Group enter into, we will consider whether the rental expense, taking into account various factors, such as (i) the proposed terms of lease, in particular, whether the lease payment is based on fixed or contingent terms and whether such proposed lease payment falls within the range acceptable by us; and (ii) the expected customer traffic and expected average spending of each customer. 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 gradually in the future.

Opening of new restaurants and related renovation costs

The opening of a new restaurant incurs a range of costs and expenditures over a stretched period of time. Capital expenditures for renovation as well as promotional and advertising expense to build awareness and interest are incurred well in advance prior to the opening. A ramp-up period is usually required in order to achieve the target turnover. The amount of time taken for each new restaurant to reach planned operating levels, breakeven and investment payback varies.

Breakeven period

Our Directors consider that a restaurant achieves breakeven when its monthly revenue is able to cover its monthly operating costs and expenses on an accounting basis. The time required to achieve breakeven vary depending on various factors, including the size, venue, customer traffic and brand of a restaurant. The breakeven period of the 10 restaurants operated by our Group as at the Latest Practicable Date ranged from one month to four months, which our Directors consider are fair and reasonable taking into account the scale of each restaurant.

Investment payback period

Our Directors consider that a restaurant achieves investment payback when the accumulated net cash inflow since the commencement of business operations is able to cover the total investment amounts. The time required to achieve investment payback vary depending on various factors, including (i) the capital investment such as renovation costs, acquisition costs of kitchen equipment, fixture and furniture; (ii) the size, venue, customer traffic and brand of a restaurant; and (iii) whether the lease is a standalone lease or a joint lease for 2 adjoining restaurants. We typically record higher total costs of investments in respect of adjoining restaurants under joint lease due to the increased costs of renovation and the total costs of investments being shared between the adjoining restaurants. However, despite the higher costs of investment, our adjoining restaurants typically have shorter investment payback period mainly due to the synergy effect that the adjoining restaurants offer more options to passing potential customers and in turn attract a wider spectrum of customers. In addition, we also record higher total costs of investments for the high-end restaurant brands among our restaurant brands. For further details on our breakeven and investment payback, please refer to the sub-section headed “Business – Operating profit, operating margin, breakeven period and investment payback period of our restaurants” in this prospectus.

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As at the Latest Practicable Date, we operated a total of 10 restaurants. Based on the latest unaudited financial information as at 31 August 2017 provided by the management of the Company, 5 restaurants have yet to achieve investment payback, namely, (i) Tsuen Wan Grand Avenue which commenced operations in June 2014 and is expected to achieve investment payback in June 2018; (ii) the adjoining Tiu Keng Leng Marsino and Tiu Keng Leng Grand Avenue which commenced operations in October 2016 are expected to achieve investment payback in April 2018 and February 2018 respectively; (iii) Tuen Mun Marsino which commenced operations in December 2016 and is expected to achieve investment payback in February 2020; and (iv) Ma On Shan Grand Avenue which commenced operations in October 2017 and is expected to achieve investment payback in July 2019.

The number of new restaurants we intend to open may affect our overall results of operations and our ability to successfully open new restaurants in the future is subjected to a host of uncertainties. Our financial performance may be adversely affected if we are unable to attract enough customers to our new restaurants and generate our target turnover.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Our combined financial information has been prepared in accordance with HKFRSs. 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 “Significant Accounting Policies” of the Accountants’ Report in Appendix I to this prospectus.

In addition, the preparation of our 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 years ended 31 March 2016 and 2017 and the five months ended 31 August 2017. 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. These key assumptions and estimates are set forth in Note 4 “Key Sources of Estimation Uncertainty” of the Accountants’ Report in Appendix I to this prospectus.

Critical accounting policies

Revenue recognition

We measure revenue at the fair value of the consideration received or receivable, and revenue represents amounts receivable for goods sold and services provided in the normal course of our business operations and net of discounts.

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Revenue is recognised when the amount of revenue can be measured reliably; when it is probable that the future economic benefits will flow to our Group and when specific criteria have been met for each of our Group's activities. In respect of sales of goods, revenue are recognised when the goods are delivered and titles have passed, while in respect of service income, revenue is recognised when the services are rendered.

Property, plant and equipment

Our property, plant and equipment are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and the depreciation method are reviewed at the end of each reporting period, with any changes in estimates are accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from 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 recognised in profit or loss.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme as defined contribution plan are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRSs requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by our Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRSs requires or permits their inclusion in the cost of an asset.

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Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the term.

Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, our Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to our Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Key Sources of Estimation Uncertainty

Estimation of useful lives and impairment of property, plant and equipment

Our Group's management determines the estimated useful lives and depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. Our Group's management will accelerate the depreciation charge where the economic useful lives are shorter than previously estimated due to removal or closure of restaurants. Our Group's management will also write-off or write-down the carrying value of the items which are technically obsolete or non-strategic assets that have been abandoned. Actual economic useful lives may differ from estimated economic useful lives.

In addition, our Group's management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. When the recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognised in the period in which such event takes place. As at 31 March 2016 and 2017 and 31 August 2017, the carrying amounts of property, plant and equipment were approximately HK\$52.1 million, HK\$54.1 million and HK\$51.2 million, respectively.

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SUMMARY OF THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

We recorded revenue of approximately HK\$132.6 million, HK\$149.7 million and HK\$60.5 million for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, respectively.

The table below sets out a summary of the combined statements of profit or loss and other comprehensive income for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2016 and 2017, and should be read in conjunction with the Accountants' Report in Appendix I to this prospectus.

	Year ended 31 March		Five months ended 31 August	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Revenue	132,603	149,715	67,857	60,467
Other income	642	678	244	295
Other losses	–	(467)	(460)	–
Raw materials and consumables used	(39,910)	(42,906)	(19,366)	(16,386)
Staff costs	(46,743)	(52,829)	(22,153)	(20,215)
Depreciation	(6,206)	(7,652)	(2,904)	(3,011)
Rental and related expenses	(20,919)	(23,724)	(10,631)	(9,565)
Utilities expenses	(6,377)	(7,068)	(3,220)	(3,190)
Listing expenses	–	(669)	–	(7,422)
Other expenses	(5,365)	(6,081)	(2,618)	(2,897)
Finance costs	<u>(369)</u>	<u>(286)</u>	<u>(132)</u>	<u>(131)</u>
Profit (loss) before taxation	7,356	8,711	6,617	(2,055)
Income tax expense	<u>(1,632)</u>	<u>(1,359)</u>	<u>(892)</u>	<u>(1,119)</u>
Profit (loss) and total comprehensive income (expenses) for the year/ period	<u>5,724</u>	<u>7,352</u>	<u>5,725</u>	<u>(3,174)</u>

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PRINCIPAL COMPONENTS OF THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

All of our revenue is derived in Hong Kong from our restaurant operations from the sales of food and beverages at our 3 restaurant brands, namely (i) Marsino; (ii) La Dolce; and (iii) Grand Avenue. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, our revenue amounted to approximately HK\$132.6 million, HK\$149.7 million and HK\$60.5 million, respectively.

Our restaurants

The table below sets out the total number of restaurants by brands as at 31 March 2016, 31 March 2017, 31 August 2017 and the Latest Practicable Date:

Restaurant brand	As at 31 March		As at	As at the
	2016	2017	31 August 2017	Latest Practicable Date
Marsino (<i>Note 1</i>)	5	5	5	4
La Dolce (<i>Note 2</i>)	4	3	3	2
Grand Avenue (<i>Note 2 & 3</i>)	<u>2</u>	<u>3</u>	<u>3</u>	<u>4</u>
Total	<u>11</u>	<u>11</u>	<u>11</u>	<u>10</u>

Notes:

- (1) (i) K-Point Marsino was closed in September 2016; (ii) Tuen Mun Marsino was opened in December 2016; and (iii) Ma On Shan Marsino was closed in December 2017.
- (2) Tiu Keng Leng La Dolce was closed in August 2016 and rebranded to Tiu Keng Leng Grand Avenue in October 2016 whereas Ma On Shan La Dolce was closed in December 2017.
- (3) Ma On Shan Grand Avenue was opened in October 2017.

There were a total of 6 Marsino restaurants during the Track Record Period and 4 Marsino restaurants as at the Latest Practicable Date:

- ***Tiu Keng Leng Marsino:*** Tiu Keng Leng Marsino was opened in September 2010. As at the Latest Practicable Date, Tiu Keng Leng Marsino offered 86 seatings with a FEHD licensed area of 149.7 sq.m.;
- ***Ma On Shan Marsino:*** Ma On Shan Marsino was opened in February 2012 and was closed in December 2017 upon expiry of lease;

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- **Ngau Tau Kok Marsino:** Ngau Tau Kok Marsino was opened in January 2013. As at the Latest Practicable Date, Ngau Tau Kok Marsino offered 60 seatings with a FEHD licensed area of 90.2 sq.m.;
- **Tin Shui Wai Marsino:** Tin Shui Wai Marsino was opened in July 2014. As at the Latest Practicable Date, Tin Shui Wai Marsino offered 64 seatings with a FEHD licensed area of 108.6 sq.m.;
- **K-Point Marsino:** K-Point Marsino was opened in February 2009 and was closed in September 2016 due to expiry of the lease by the landlord. Our Directors believed that the lease was not renewed by the landlord due to remapping of the shopping mall and the landlord intended to lease the venue of K-Point Marsino to a retail store; and
- **Tuen Mun Marsino:** Tuen Mun Marsino was opened in December 2016 within the vicinity of K-Point Marsino. As at the Latest Practicable Date, Tuen Mun Marsino offered 68 seatings with a FEHD licensed area of 117.0 sq.m..

There were a total of 4 La Dolce restaurants during the Track Record Period and 2 La Dolce restaurants as at the Latest Practicable Date:

- **Tiu Keng Leng La Dolce:** Tiu Keng Leng La Dolce was opened in September 2010 and was closed in August 2016 as the landlord recommended our Group to rebrand our restaurant;
- **Ma On Shan La Dolce:** Ma On Shan La Dolce was opened in February 2012 and was closed in December 2017 upon expiry of lease;
- **Shatin La Dolce:** Shatin La Dolce was opened in April 2013. As at the Latest Practicable Date, Shatin La Dolce offered 120 seatings with a FEHD licensed area of 218.9 sq.m.; and
- **Tseung Kwan O La Dolce:** Tseung Kwan O La Dolce was opened in December 2015. As at the Latest Practicable Date, Tseung Kwan O La Dolce offered 71 seatings with a FEHD licensed area of 149.9 sq.m.

There were a total of 3 Grand Avenue restaurants during the Track Record Period and 4 Grand Avenue restaurants as at the Latest Practicable Date:

- **Tsuen Wan Grand Avenue:** Tsuen Wan Grand Avenue was opened in June 2014. As at the Latest Practicable Date, Tsuen Wan Grand Avenue offered 116 seatings with a FEHD licensed area of 232.1 sq.m.;
- **Tseung Kwan O Grand Avenue:** Tseung Kwan O Grand Avenue was opened in February 2016. As at the Latest Practicable Date, Tseung Kwan O Grand Avenue offered 93 seatings with a FEHD licensed area of 149.9 sq.m.;
- **Tiu Keng Leng Grand Avenue:** Tiu Keng Leng Grand Avenue was opened in October 2016. As at the Latest Practicable Date, Tiu Keng Leng Grand Avenue offered 74 seatings with a FEHD licensed area of 149.7 sq.m.; and

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- **Ma On Shan Grand Avenue:** Ma On Shan Grand Avenue was opened in October 2017. As at the Latest Practicable Date, Ma On Shan Grand Avenue offered 104 seatings with a FEHD licenced area of 182.9 sq.m..

For further details, please refer to the sub-section headed “Business – Operational performance of our restaurants during the Track Record Period” in this prospectus.

Revenue by restaurant brands

The table below sets out a breakdown of our revenue by restaurant brands during the Track Record Period:

Restaurant brand	Year ended 31 March					
	2016			2017		
	Revenue HK\$'000	Percentage of total revenue %	Average daily revenue HK\$'000	Revenue HK\$'000	Percentage of total revenue %	Average daily revenue HK\$'000
Marsino	64,264	48.5%	35.2	61,571	41.1%	36.7
K-Point Marsino (Note 1)	13,729	10.4%	37.6	6,866	4.5%	39.7
Tiu Keng Leng Marsino (Note 2)	15,170	11.4%	41.6	13,006	8.7%	43.8
Ma On Shan Marsino (Note 3)	15,246	11.5%	41.8	16,493	11.0%	45.3
Ngau Tau Kok Marsino	10,954	8.3%	30.0	11,603	7.8%	32.4
Tin Shui Wai Marsino	9,165	6.9%	25.1	10,888	7.3%	29.9
Tuen Mun Marsino (Note 4)	–	–	–	2,715	1.8%	22.6
La Dolce	47,892	36.1%	40.3	44,782	29.9%	36.9
Tiu Keng Leng La Dolce (Note 5)	13,861	10.4%	38.0	5,109	3.4%	41.5
Ma On Shan La Dolce (Note 3)	15,727	11.9%	43.1	15,095	10.1%	41.5
Shatin La Dolce	15,126	11.4%	41.4	14,283	9.5%	39.2
Tseung Kwan O La Dolce (Note 6)	3,178	2.4%	34.5	10,295	6.9%	28.3
Grand Avenue	20,447	15.4%	49.7	43,362	29.0%	48.0
Tsuen Wan Grand Avenue	18,532	14.0%	50.8	18,311	12.2%	50.3
Tseung Kwan O Grand Avenue (Note 7)	1,915	1.4%	41.6	17,299	11.6%	47.5
Tiu Keng Leng Grand Avenue (Note 8)	–	–	–	7,752	5.2%	44.3
Total	132,603	100.0%	38.7	149,715	100.0%	39.5

Note (1): K-Point Marsino was closed in September 2016.

Note (2): Tiu Keng Leng Marsino was temporarily closed for renovation in August and September 2016.

Note (3): Ma On Shan Marsino and Ma On Shan La Dolce were closed in December 2017.

Note (4): Tuen Mun Marsino was opened in December 2016.

Note (5): Tiu Keng Leng La Dolce was closed in August 2016.

Note (6): Tseung Kwan O La Dolce was opened in December 2015.

Note (7): Tseung Kwan O Grand Avenue was opened in February 2016.

Note (8): Tiu Keng Leng Grand Avenue was opened in October 2016.

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Restaurant brand	Five months ended 31 August					
	2016			2017		
	Revenue	Percentage of	Average	Revenue	Percentage of	Average
	HK\$'000	total revenue	daily revenue	HK\$'000	total revenue	daily revenue
	(unaudited)	%	HK\$'000		%	HK\$'000
Marsino	28,201	41.6%	38.4	25,572	42.3%	33.4
K-Point Marsino (Note 1)	5,998	8.8%	39.2	–	–	–
Tiu Keng Leng Marsino (Note 2)	5,445	8.0%	44.4	6,595	10.9%	43.1
Ma On Shan Marsino (Note 3)	7,224	10.7%	47.2	6,775	11.2%	44.3
Ngau Tau Kok Marsino	4,862	7.2%	31.8	4,866	8.1%	31.8
Tin Shui Wai Marsino	4,672	6.9%	30.5	4,296	7.1%	28.1
Tuen Mun Marsino (Note 4)	–	–	–	3,040	5.0%	19.9
La Dolce	23,106	34.0%	39.7	15,343	25.4%	33.4
Tiu Keng Leng La Dolce (Note 5)	5,110	7.5%	41.7	–	–	–
Ma On Shan La Dolce (Note 3)	6,991	10.3%	45.7	5,828	9.6%	38.1
Shatin La Dolce	6,133	9.0%	40.1	5,117	8.5%	33.4
Tseung Kwan O La Dolce (Note 6)	4,872	7.2%	31.8	4,398	7.3%	28.7
Grand Avenue	16,550	24.4%	54.1	19,552	32.3%	42.6
Tsuen Wan Grand Avenue	8,501	12.5%	55.6	7,295	12.0%	47.7
Tseung Kwan O Grand Avenue						
(Note 7)	8,049	11.9%	52.6	6,638	11.0%	43.4
Tiu Keng Leng Grand Avenue						
(Note 8)	–	–	–	5,619	9.3%	36.7
Total	67,857	100.0%	41.8	60,467	100.0%	35.9

Note (1): K-Point Marsino was closed in September 2016.

Note (2): Tiu Keng Leng Marsino was temporarily closed for renovation in August and September 2016.

Note (3): Ma On Shan Marsino and Ma On Shan La Dolce were closed in December 2017.

Note (4): Tuen Mun Marsino was opened in December 2016.

Note (5): Tiu Keng Leng La Dolce was closed in August 2016.

Note (6): Tseung Kwan O La Dolce was opened in December 2015.

Note (7): Tseung Kwan O Grand Avenue was opened in February 2016.

Note (8): Tiu Keng Leng Grand Avenue was opened in October 2016.

For further details, please refer to the paragraph headed “Period to period review of our results of operations – Year ended 31 March 2017 compared to year ended 31 March 2016 – Revenue” and “Period to period review of our results of operations – Five months ended 31 August 2017 compared to five months ended 31 August 2016 – Revenue” in this section.

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Largest revenue-generating restaurant brand

During the Track Record Period, our Marsino restaurants contributed approximately 48.5% of our total revenue for the year ended 31 March 2016, approximately 41.1% of our total revenue for the year ended 31 March 2017 and approximately 42.3% of our total revenue for the five months ended 31 August 2017.

Five largest revenue-generating restaurants

During the year ended 31 March 2016, our five largest revenue-generating restaurants were (i) Tsuen Wan Grand Avenue contributing revenue of approximately HK\$18.53 million; (ii) Ma On Shan La Dolce contributing revenue of approximately HK\$15.73 million; (iii) Ma On Shan Marsino contributing revenue of approximately HK\$15.25 million; (iv) Tiu Keng Leng Marsino contributing revenue of approximately HK\$15.17 million; and (v) Shatin La Dolce contributing revenue of approximately HK\$15.13 million. Altogether, our five largest revenue-generating restaurants contributed revenue of approximately HK\$79.8 million, representing approximately 60.2% of our total revenue for the year ended 31 March 2016.

During the year ended 31 March 2017, our five largest revenue-generating restaurants were (i) Tsuen Wan Grand Avenue contributing revenue of approximately HK\$18.3 million; (ii) Tseung Kwan O Grand Avenue contributing revenue of approximately HK\$17.3 million; (iii) Ma On Shan Marsino contributing revenue of approximately HK\$16.5 million; (iv) Ma On Shan La Dolce contributing revenue of approximately HK\$15.1 million; and (v) Shatin La Dolce contributing revenue of approximately HK\$14.3 million. Altogether, our five largest revenue-generating restaurants contributed revenue of approximately HK\$81.5 million, representing approximately 54.4% of our total revenue for the year ended 31 March 2017.

During the five months ended 31 August 2017, our five largest revenue-generating restaurants were (i) Tsuen Wan Grand Avenue contributing revenue of approximately HK\$7.3 million; (ii) Ma On Shan Marsino contributing revenue of approximately HK\$6.8 million; (iii) Tseung Kwan O Grand Avenue contributing revenue of approximately HK\$6.6 million; (iv) Tiu Keng Leng Marsino contributing revenue of approximately HK\$6.6 million; and (v) Ma On Shan La Dolce contributing revenue of approximately HK\$5.8 million. Altogether, our five largest revenue generating restaurants contributed revenue of approximately HK\$33.1 million, representing approximately 54.8% of our total revenue for the five months ended 31 August 2017.

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Settlement

During the Track Record Period, our transactions were settled by cash, octopus cards or credit cards. Transactions settled by cash, octopus cards or credit cards accounted for approximately 74.0%, 19.1% and 6.9% for the year ended 31 March 2016, respectively, approximately 67.7%, 21.8% and 10.5% for the year ended 31 March 2017, respectively and approximately 64.3%, 24.9% and 10.8% for the five months ended 31 August 2017. For further details, please refer to the sub-section headed “Business – Restaurant operations and management – Operations management – On-site restaurant management – Settlement and cash management at our restaurants” in this prospectus.

Other income

Our other income consisted of (i) service management income rendered by our Group to certain entities owned by Mr. Benson Hung, a former shareholder of AGIL prior to the Reorganisation; (ii) rental income, representing the rental payments in respect of our office premises payable to our Group as landlord of approximately HK\$74,000 per month for the period commencing from 15 April 2015 to 13 September 2015 pursuant to the pre-existing lease, which was acquired along with our office premises; (iii) promotion income, representing rebates granted to our Group to promote the purchase of electrical kitchen equipment; and (iv) other income. The table below sets out a breakdown of our other income during the Track Record Period:

	Year ended 31 March		Five months ended	
	2016	2017	31 August	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Service management income	253	491	190	190
Rental income	370	–	–	–
Promotion income	13	130	2	69
Others	<u>6</u>	<u>57</u>	<u>52</u>	<u>36</u>
Total	<u>642</u>	<u>678</u>	<u>244</u>	<u>295</u>

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The service management income represents (i) management fee charged in accordance with the terms of a management service agreement dated 17 April 2015 (“**Stella Agreement**”) entered into between the Group and Stella Technology (HK) Co Ltd. (“**Stella**”) pursuant to which the Group agreed to provide certain office area at Flat 819, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong and ancillary office management services, such as office services and secretarial and clerical services to Stella for its office use; and (ii) management fee charged in accordance with the terms of a management service agreement dated 1 January 2016 (“**Sheencolor Agreement**”) entered into between the Group and Sheencolor Biotechnology (HK) Co Ltd. (“**Sheencolor**”) pursuant to which the Group agreed to provide certain office area at Flat 813, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong and ancillary office management services, such as office services and secretarial and clerical services to Sheencolor for its office use. The management fee stipulated under the Sheencolor Agreement was higher than that under the Stella Agreement as larger office area was provided under the Sheencolor Agreement. Both the management fees under the Sheencolor Agreement and the Stella Agreement were determined with reference to the size of the office areas provided taking into account the office management services provided and after arm’s length negotiations between the respective parties. Both Sheencolor and Stella were limited companies incorporated in Hong Kong principally engaging in the agency business in trading cosmetic raw materials and indirectly wholly owned by Mr. Benson Hung and his close associate as at the Latest Practicable Date. The Stella Agreement was terminated on 16 April 2016 while the Sheencolor Agreement is expected to continue after the Listing.

Other losses

We recorded other losses, being our loss on written-off/disposal of property, plant and equipment, of nil, approximately HK\$0.5 million and nil for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, respectively.

Raw materials and consumables used

Our costs of raw materials and consumables used primarily consisted of the cost of the food ingredients and beverages used in our restaurant operations and represented the second largest component of our operating expenses during the Track Record Period. The principal food ingredients used in our restaurant operations include meat, seafood, flour, vegetables and condiments. The principal consumables used in our restaurant operations include paper cups, paper plates and disposable cutleries for takeaway. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, our raw materials and consumables used amounted to approximately HK\$39.9 million, HK\$42.9 million and HK\$16.4 million, respectively, representing approximately 30.1%, 28.7% and 27.1% of our revenue for such period, respectively.

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Staff costs

Our staff costs consisted of salaries and benefits, including wages, salaries, bonuses, retirement benefit costs and other allowances and benefits payable to all our employees. Staff costs represented the largest component of our operating expenses during the Track Record Period. We employed a total of 266 full-time staff and 178 part-time staff as at 31 March 2016, a total of 242 full-time staff and 156 part-time staff as at 31 March 2017 and a total of 220 full-time staff and 181 part-time staff as at 31 August 2017. Our staff comprised chef and kitchen staff, waiters and waitress, customer service and other administrative personnel. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, our staff costs amounted to approximately HK\$46.7 million, HK\$52.8 million and HK\$20.2 million, respectively, representing approximately 35.3%, 35.3% and 33.4% of our revenue for such period, respectively.

Depreciation

Our depreciation represented depreciation charges for our property, plant and equipment comprising (i) leasehold land and buildings; (ii) leasehold improvements; (iii) furniture and fixtures; (iv) kitchen equipment; and (v) other equipment. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, our depreciation amounted to approximately HK\$6.2 million, HK\$7.7 million and HK\$3.0 million, respectively, representing approximately 4.7%, 5.1% and 5.0% of our revenue for such period, respectively.

Rental and related expenses

Our rental and related expenses primarily represent the rental payments under operating leases and property management fee paid for our restaurants. The rental and related expenses comprised the third largest component of our operating expenses during the Track Record Period. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, rental and related expenses amounted to approximately HK\$20.9 million, HK\$23.7 million and HK\$9.6 million, respectively, representing approximately 15.8%, 15.8% and 15.8% of our revenue for such period, respectively.

Save for our Tuen Mun Marsino, which is on a fixed rental payment arrangement, all of our leased properties are subject to a contingent rent arrangement comprising a minimum rent and an additional rent calculated with reference to the gross receipts from our business operations ranging from 8% to 12%. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, the total amount of fixed rental payments paid by our Group was approximately HK\$14.9 million, HK\$17.1 million and HK\$7.1 million, respectively and the total amount of contingent rent paid by our Group was approximately HK\$2.4 million, HK\$2.7 million and HK\$0.9 million, respectively.

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Utilities expenses

Our utilities expenses primarily consisted of expenses incurred for electricity, gas and water utilities. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, our utility expenses amounted to approximately HK\$6.4 million, HK\$7.1 million and HK\$3.2 million, respectively, representing approximately 4.8%, 4.7% and 5.3% of our revenue for such period, respectively.

Listing expenses

Our listing expenses consisted of professional fees incurred in connection with the Listing. For the year ended 31 March 2017 and the five months ended 31 August 2017, our listing expenses amounted to approximately HK\$0.7 million and approximately HK\$7.4 million, respectively.

Other expenses

Other expenses consisted of, among others, (i) auditor's remuneration; (ii) cleaning and repair and maintenance expenses, being the fees payable to external cleaning companies for the cleaning of our restaurants and the largest component of our other expenses; (iii) kitchen utensils and supplies; (iv) commission to credit card companies and octopus card company; (v) insurance premiums; (vi) legal and professional fees; (vii) office and administrative expenses; and (viii) other expenses. The table below sets out a breakdown of our other expenses during the Track Record Period:

	Year ended 31 March				Five months ended 31 August			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Auditor's remuneration	163	3.0	283	4.7	70	2.7	245	8.5
Cleaning and repair and maintenance expenses	1,460	27.2	1,931	31.8	859	32.8	907	31.3
Kitchen utensils and supplies	668	12.5	823	13.5	357	13.6	418	14.4
Credit card and octopus card commission	487	9.1	742	12.2	305	11.7	325	11.2
Insurance premiums	485	9.0	742	12.2	367	14.0	349	12.0
Legal and professional fees	613	11.4	295	4.9	116	4.4	258	8.9
Office and administrative expenses	1,071	20.0	836	13.7	392	15.0	265	9.2
Others	418	7.8	429	7.0	152	5.8	130	4.5
	<u>5,365</u>	<u>100.0</u>	<u>6,081</u>	<u>100.0</u>	<u>2,618</u>	<u>100.0</u>	<u>2,897</u>	<u>100.0</u>

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Income tax expense

Our operations in Hong Kong are subject to Hong Kong profits tax of 16.5% on estimated assessable profit arising in Hong Kong and we have no tax obligation arising from other jurisdictions during the Track Record Period. For further details, please refer to Note 10 “Income tax expense” of the Accountants’ Report set out in Appendix I to this prospectus.

PERIOD TO PERIOD REVIEW OF OUR RESULTS OF OPERATIONS

Year ended 31 March 2017 compared to year ended 31 March 2016

Revenue

Our revenue increased by approximately 12.9% from approximately HK\$132.6 million for the year ended 31 March 2016 to approximately HK\$149.7 million for the year ended 31 March 2017. The increase in revenue is primarily attributable to the increase in revenue generated from our Grand Avenue restaurants despite the slight decrease in revenue from our Marsino restaurants and La Dolce restaurants, which are detailed below:

Marsino restaurants

Despite most of our Marsino restaurants have recorded increases in revenue during the year ended 31 March 2017, the total revenue generated from our Marsino restaurants still slightly decreased from approximately HK\$64.3 million for the year ended 31 March 2016 to approximately HK\$61.6 million for the year ended 31 March 2017. The revenue from most of our Marsino restaurants increased due to price increase of our food offering across our Marsino restaurants during the year ended 31 March 2017.

K-Point Marsino

K-Point Marsino was closed in September 2016 and operated for only about six months for the year ended 31 March 2017, so it recorded a decrease in revenue from approximately HK\$13.7 million for the year ended 31 March 2016 to approximately HK\$6.9 million for the year ended 31 March 2017.

Tiu Keng Leng Marsino

Tiu Keng Leng Marsino recorded a decrease in revenue from approximately HK\$15.2 million for the year ended 31 March 2016 to approximately HK\$13.0 million for the year ended 31 March 2017 mainly due to the temporary closure during August and September 2016 for refurbishment of the premises. The operation days decreased from 365 days for the year ended 31 March 2016 to 297 days for the year ended 31 March 2017.

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Ma On Shan Marsino

Ma On Shan Marsino recorded an increase in revenue from approximately HK\$15.2 million for the year ended 31 March 2016 to approximately HK\$16.5 million for the year ended 31 March 2017 primarily due to increased customer visit as a result of marketing initiatives carried out by the Group and increase in menu price as mentioned above.

Ngau Tau Kok Marsino

Ngau Tau Kok Marsino recorded an increase in revenue from approximately HK\$11.0 million for the year ended 31 March 2016 to approximately HK\$11.6 million for the year ended 31 March 2017 primarily due to stable customer visit and increase in menu price as mentioned above.

Tin Shui Wai Marsino

Tin Shui Wai Marsino recorded an increase in revenue from approximately HK\$9.2 million for the year ended 31 March 2016 to approximately HK\$10.9 million for the year ended 31 March 2017 primarily due to increase in menu price as mentioned above and increased customer visit from 208,727 for the year ended 31 March 2016 to 241,225 for the year ended 31 March 2017.

Tuen Mun Marsino

Tuen Mun Marsino was opened in December 2016 and operated for only about 4 months for the year ended 31 March 2017. It recorded revenue of approximately HK\$2.7 million for the year ended 31 March 2017 due to lower customer traffic at street level comparing to that at shopping malls. While we have subsequently opened Tuen Mun Marsino in December 2016 within the vicinity of K-Point Marsino, our Directors expect it will take time for Tuen Mun Marsino to establish its customer traffic.

La Dolce restaurants

The total revenue from our La Dolce restaurants decreased slightly from approximately HK\$47.9 million for the year ended 31 March 2016 to approximately HK\$44.8 million for the year ended 31 March 2017. Such decrease was partly attributable to menu adjustment in order to enhance the competitiveness of our menu during the year ended 31 March 2017. We have reduced expensive food items such as lobster and steak and focusing on other food items such as pasta and pizza. Consequentially, the average spending per customer decreased from approximately HK\$51.8 for the year ended 31 March 2016 to approximately HK\$50.3 for the year ended 31 March 2017.

FINANCIAL INFORMATION

Shatin La Dolce

Shatin La Dolce recorded a decrease in revenue from approximately HK\$15.1 million for the year ended 31 March 2016 to approximately HK\$14.3 million for the year ended 31 March 2017 mainly due to increase in competition as a result of the opening of new restaurants in Kings Wing Plaza Phase I within the vicinity of Shatin La Dolce and opening of new restaurants in the same mall that Shatin La Dolce is located at.

Tiu Keng Leng La Dolce

Tiu Keng Leng La Dolce recorded a decrease in revenue from approximately HK\$13.9 million for the year ended 31 March 2016 to approximately HK\$5.1 million for the year ended 31 March 2017 mainly due to it operated for only about four months for the year ended 31 March 2017 as a result of its closure in August 2016 for renovation of the premises to rebrand Tiu Keng Leng La Dolce to Tiu Keng Leng Grand Avenue.

Ma On Shan La Dolce

Ma On Shan La Dolce recorded a decrease in revenue from approximately HK\$15.7 million for the year ended 31 March 2016 to approximately HK\$15.1 million for the year ended 31 March 2017 primarily due to the decreased average spending per customer from approximately HK\$52.1 for the year ended 31 March 2016 to approximately HK\$49.6 for the year ended 31 March 2017 as a result of menu adjustment as mentioned above.

Tseung Kwan O La Dolce

Tseung Kwan O La Dolce was opened in December 2015 and as such it did not record a full year financial performance for the year ended 31 March 2016. As a result of the foregoing reason, Tseung Kwan O La Dolce recorded an increase in revenue from approximately HK\$3.2 million for the year ended 31 March 2016 to approximately HK\$10.3 million for the year ended 31 March 2017.

Grand Avenue restaurants

The total revenue from our Grand Avenue restaurants increased significantly from approximately HK\$20.4 million for the year ended 31 March 2016 to approximately HK\$43.4 million for the year ended 31 March 2017 mainly due to full year operation of Tseung Kwan O Grand Avenue and six months operation of Tiu Keng Leng Grand Avenue for the year ended 31 March 2017.

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Tseung Kwan O Grand Avenue

Tseung Kwan O Grand Avenue was opened in February 2016 and as such it did not record a full year financial performance for the year ended 31 March 2016. As a result of the foregoing reason, Tseung Kwan O Grand Avenue recorded an increase in revenue from approximately HK\$1.9 million for the year ended 31 March 2016 to approximately HK\$17.3 million for the year ended 31 March 2017.

Tiu Keng Leng Grand Avenue

Tiu Keng Leng Grand Avenue was opened in October 2016 and operated for about six months for the year ended 31 March 2017 and it recorded revenue of approximately HK\$7.8 million for the year ended 31 March 2017.

Tsuen Wan Grand Avenue

Tsuen Wan Grand Avenue recorded a slight decrease in revenue from approximately HK\$18.5 million for the year ended 31 March 2016 to approximately HK\$18.3 million for the year ended 31 March 2017. The Directors are of the view that decrease in revenue was due to slight decrease in customer visit.

Other income

Our other income increased slightly by approximately 5.6% from approximately HK\$0.6 million for the year ended 31 March 2016 to approximately HK\$0.7 million for the year ended 31 March 2017. The slight increase in other income was primarily attributable to the increase in the promotion income from approximately HK\$13,000 for the year ended 31 March 2016 to approximately HK\$130,000 for the year ended 31 March 2017 due to the increase in acquisition of electrical kitchen equipment which resulted in increased rebates granted to our Group to promote the purchase of electrical kitchen equipment.

Other losses

Our other losses increased from nil for the year ended 31 March 2016 to approximately HK\$0.5 million for the year ended 31 March 2017 due to our loss on written-off/disposal of property, plant and equipment.

FINANCIAL INFORMATION

Raw materials and consumables used

Our costs of raw materials and consumables used increased by approximately 7.5% from approximately HK\$39.9 million for the year ended 31 March 2016 to approximately HK\$42.9 million for the year ended 31 March 2017. The increase was generally in line with the increase of the revenue of our Group for the year ended 31 March 2017. Our revenue growth of approximately 12.9% was higher than our cost of raw materials and consumables used growth of approximately 7.5% for the year ended 31 March 2017, which was mainly due to the overall decrease in the costs of raw materials and consumables used as a result of, among others, (i) reduction in expensive food items such as lobster and steak and focusing on other food items such as pasta and pizza; and (ii) implementation of a bulk-purchase procurement strategy. Our bulk-purchase procurement strategy during the year ended 31 March 2017 had assisted us to reduce our average unit cost and enhanced our overall cost control.

Staff costs

Our staff costs increased by approximately 13.0% from approximately HK\$46.7 million for the year ended 31 March 2016 to approximately HK\$52.8 million for the year ended 31 March 2017. The increase in staff costs was primarily attributable to (i) the increase in the average headcounts for the year ended 31 March 2017; (ii) the increase in the number of operation days in respect of (a) our Tuen Mun Marsino, which opened in December 2016; (b) Tseung Kwan O La Dolce, which opened in December 2015; (c) Tseung Kwan O Grand Avenue, which opened in February 2016; and (d) Tiu Keng Leng Grand Avenue, which opened in October 2016; and (iii) the increase in the statutory minimum wage during the Track Record Period.

Depreciation

Our depreciation increased by approximately 23.3% from approximately HK\$6.2 million for the year ended 31 March 2016 to approximately HK\$7.7 million for the year ended 31 March 2017. The increase in depreciation was primarily attributable to the additions of kitchen equipment and leasehold improvements for our new restaurants opened during the year ended 31 March 2017.

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Rental and related expenses

Our rental and related expenses increased by approximately 13.4% from approximately HK\$20.9 million for the year ended 31 March 2016 to approximately HK\$23.7 million for the year ended 31 March 2017. The increase in rental and related expenses was generally in line with the increasing trend in revenue from restaurant operations. Such increase was primarily attributable to the combined effect of (i) the increase in revenue and consequentially, increase in contingent rent paid by our Group under our operating leases with contingent rent arrangement; and (ii) the full year operation of Tseung Kwan O Grand Avenue during the year ended 31 March 2017, as opposed to two months operations during the year ended 31 March 2016. These effects were partially offset by the decrease of the monthly rental as a result of the replacement of K-Point Marsino by Tuen Mun Marsino.

Utilities expenses

Our utilities expenses increased by approximately 10.8% from approximately HK\$6.4 million for the year ended 31 March 2016 to approximately HK\$7.1 million for the year ended 31 March 2017. The increase was primarily attributable to the increase in the number of operation days in respect of (i) our Tuen Mun Marsino, which opened in December 2016; (ii) Tseung Kwan O La Dolce, which opened in December 2015; (iii) Tseung Kwan O Grand Avenue, which opened in February 2016; and (iv) Tiu Keng Leng Grand Avenue, which opened in October 2016.

Other expenses

Our other expenses increased by approximately 13.3% from approximately HK\$5.4 million for the year ended 31 March 2016 to approximately HK\$6.1 million for the year ended 31 March 2017, which was generally in line with the increasing trend in revenue from restaurant operations and was primarily attributable to the increased cleaning and repair and maintenance expenses for our restaurants of approximately HK\$0.5 million, increased kitchen utensils and supplies of approximately HK\$0.2 million and increased credit card and octopus card commission of approximately HK\$0.3 million as more customers used them to settle payment.

Finance costs

Our finance costs decreased by approximately 22.5% from approximately HK\$0.4 million for the year ended 31 March 2016 to approximately HK\$0.3 million for the year ended 31 March 2017, which was primarily due to continuous repayment of the principal outstanding under the term loan, which led to reduced interest payable on the total outstanding principal amount of loan.

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Profit before taxation

As a result of the foregoing, our profit before taxation increased by approximately 18.4% from approximately HK\$7.4 million for the year ended 31 March 2016 to approximately HK\$8.7 million for the year ended 31 March 2017.

Income tax expense

Our business operations in Hong Kong are subject to Hong Kong Profits Tax of 16.5% on estimated assessable profit arising in Hong Kong. As all of our business operations are conducted and concluded in Hong Kong only, we do not have any tax obligation arising from other jurisdictions. For the years ended 31 March 2016 and 2017, our income tax expenses amounted to approximately HK\$1.6 million and HK\$1.4 million, respectively. Our effective tax rate decreased from approximately 22.2% for the year ended 31 March 2016 to approximately 15.6% for the year ended 31 March 2017. The effective tax rate was higher for the year ended 31 March 2016 primarily due to tax losses incurred by certain group companies while no deferred tax credit is recognised. The decrease in effective tax rate for the year ended 31 March 2017 was primarily attributable to utilisation of tax losses brought forward from previous years by certain group companies. For further details, please refer to Note 10 “Income tax expense” and Note 14 “Deferred taxation” of the Accountants’ Report set out in Appendix I to this prospectus.

Five months ended 31 August 2017 compared to five months ended 31 August 2016

Revenue

Our revenue decreased by approximately 10.9% from approximately HK\$67.9 million for the five months ended 31 August 2016 to approximately HK\$60.5 million for the five months ended 31 August 2017. The decrease in revenue is primarily attributable to (i) the closure of K-Point Marsino in September 2016; (ii) increased competition; and (iii) decrease in customer visit as a result of disturbance caused by renovation of adjacent restaurant in Tseung Kwan O Plaza. The performance details of our individual restaurants are set out below:

Marsino restaurants

The total revenue generated from our Marsino restaurants decreased from approximately HK\$28.2 million for the five months ended 31 August 2016 to approximately HK\$25.6 million for the five months ended 31 August 2017 primarily due to the closure of K-Point Marsino.

K-Point Marsino

K-Point Marsino was closed in September 2016.

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Tiu Keng Leng Marsino

Tiu Keng Leng Marsino recorded an increase in revenue from approximately HK\$5.4 million for the five months ended 31 August 2016 to approximately HK\$6.6 million for the five months ended 31 August 2017 mainly due to the temporary closure during August and September 2016 for refurbishment of the premises.

Ma On Shan Marsino

Ma On Shan Marsino recorded a decrease in revenue from approximately HK\$7.2 million for the five months ended 31 August 2016 to approximately HK\$6.8 million for the five months ended 31 August 2017 primarily due to increased competition.

Ngau Tau Kok Marsino

Ngau Tau Kok Marsino recorded a relatively stable revenue of approximately HK\$4.9 million for the five months ended 31 August 2016 to approximately HK\$4.9 million for the five months ended 31 August 2017.

Tin Shui Wai Marsino

Tin Shui Wai Marsino recorded a decrease in revenue from approximately HK\$4.7 million for the five months ended 31 August 2016 to approximately HK\$4.3 million for the five months ended 31 August 2017 primarily due to increased competition as a result of increased restaurant options brought about by the reopening of Tin Yiu Plaza, a nearby renovated shopping mall.

Tuen Mun Marsino

Tuen Mun Marsino was opened in December 2016. It recorded revenue of approximately HK\$3.0 million for the five months ended 31 August 2017.

La Dolce restaurants

The total revenue from our La Dolce restaurants decreased from approximately HK\$23.1 million for the five months ended 31 August 2016 to approximately HK\$15.3 million for the five months ended 31 August 2017. Such decrease was primarily attributable to the closure of Tiu Keng Leng La Dolce for rebranding.

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Shatin La Dolce

Shatin La Dolce recorded a decrease in revenue from approximately HK\$6.1 million for the five months ended 31 August 2016 to approximately HK\$5.1 million for the five months ended 31 August 2017 mainly due to increase in competition as a result of the opening of new restaurants in Kings Wing Plaza Phase I within the vicinity of Shatin La Dolce and opening of new restaurants in the same mall that Shatin La Dolce is located at.

Tiu Keng Leng La Dolce

Tiu Keng Leng La Dolce was closed in August 2016 for renovation of the premises to rebrand Tiu Keng Leng La Dolce to Tiu Keng Leng Grand Avenue.

Ma On Shan La Dolce

Ma On Shan La Dolce recorded a decrease in revenue from approximately HK\$7.0 million for the five months ended 31 August 2016 to approximately HK\$5.8 million for the five months ended 31 August 2017 primarily due to increased competition as a result of increased restaurant options brought about by the reopening of Sunshine City Plaza, a nearby renovated shopping mall.

Tseung Kwan O La Dolce

Tseung Kwan O La Dolce recorded a decrease in revenue from approximately HK\$4.9 million for the five months ended 31 August 2016 to approximately HK\$4.4 million for the five months ended 31 August 2017 primarily due to (i) decrease in customer visit as a result of disturbance caused by renovation of adjacent restaurant in Tseung Kwan O Plaza; and (ii) increased competition as a result of increased restaurant options brought about by the opening of PopWalk, a new shopping mall nearby.

Grand Avenue restaurants

The total revenue from our Grand Avenue restaurants increased from approximately HK\$16.6 million for the five months ended 31 August 2016 to approximately HK\$19.6 million for the five months ended 31 August 2017 mainly due to the opening of Tiu Keng Leng Grand Avenue offset by the decreased revenue recorded by Tsuen Wan Grand Avenue and Tseung Kwan O Grand Avenue.

Tseung Kwan O Grand Avenue

Tseung Kwan O Grand Avenue recorded a decrease in revenue from approximately HK\$8.0 million for the five months ended 31 August 2016 to approximately HK\$6.6 million for the five months ended 31 August 2017 primarily due to (i) decrease in customer

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visit as a result of disturbance caused by renovation of adjacent restaurant in Tseung Kwan O Plaza; and (ii) increased competition as a result of increased restaurant options brought about by the opening of PopWalk, a new shopping mall nearby.

Tiu Keng Leng Grand Avenue

Tiu Keng Leng Grand Avenue was opened in October 2016 and as such it did not record any revenue for the five months ended 31 August 2016.

Tsuen Wan Grand Avenue

Tsuen Wan Grand Avenue recorded a decrease in revenue from approximately HK\$8.5 million for the five months ended 31 August 2016 to approximately HK\$7.3 million for the five months ended 31 August 2017 primarily due to decrease in customer visit.

Other income

Our other income increased by approximately 20.9% from approximately HK\$0.2 million for the five months ended 31 August 2016 to approximately HK\$0.3 million for the five months ended 31 August 2017. The increase in other income was primarily attributable to the increase in the promotion income from approximately HK\$2,000 for the five months ended 31 August 2016 to approximately HK\$69,000 for the five months ended 31 August 2017 due to the increase in acquisition of electrical kitchen equipment which resulted in increased rebates granted to our Group to promote the purchase of electrical kitchen equipment.

Other losses

We did not record other losses for the five months ended 31 August 2017.

Raw materials and consumables used

Our costs of raw materials and consumables used decreased by approximately 15.4% from approximately HK\$19.4 million for the five months ended 31 August 2016 to approximately HK\$16.4 million for the five months ended 31 August 2017. Our cost of raw materials and consumables used decline of approximately 15.4% was higher than our revenue decline of approximately 10.9% for the five months ended 31 August 2017, which was mainly due to the overall decrease in the costs of raw materials and consumables used as a result of, among others, (i) reduction in expensive food items such as lobster and steak and focusing on other food items such as pasta and pizza; and (ii) implementation of a bulk-purchase procurement strategy. Our bulk-purchase procurement strategy during for the five months ended 31 August 2017 had assisted us to reduce our average unit cost and enhanced our overall cost control.

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Staff costs

Our staff costs decreased by approximately 8.7% from approximately HK\$22.2 million for the five months ended 31 August 2016 to approximately HK\$20.2 million for the five months ended 31 August 2017 despite the increase in salary as a result of increased competition in the labour market and the increase in the statutory minimum wage. The decrease in staff costs was primarily attributable to our effort in managing staff costs by re-arranging staff work schedule, such as reducing the working hours during relatively less busy operating hours. We recorded approximately 47,000 less staff working hours for the five months ended 31 August 2017 as compared to the five months ended 31 August 2016.

Depreciation

Our depreciation remained constant from approximately HK\$2.9 million for the five months ended 31 August 2016 to approximately HK\$3.0 million for the five months ended 31 August 2017.

Rental and related expenses

Our rental and related expenses decreased by approximately 10.0% from approximately HK\$10.6 million for the five months ended 31 August 2016 to approximately HK\$9.6 million for the five months ended 31 August 2017. Such decrease was primarily attributable to (i) the decrease in contingent rent paid as a result of the decrease in revenue; and (ii) the decrease of the monthly rental as a result of the replacement of K-Point Marsino by Tuen Mun Marsino.

Utilities expenses

Our utilities expenses remained constant from approximately HK\$3.2 million for the five months ended 31 August 2016 to approximately HK\$3.2 million for the five months ended 31 August 2017.

Other expenses

Our other expenses increased by approximately 10.7% from approximately HK\$2.6 million for the five months ended 31 August 2016 to approximately HK\$2.9 million for the five months ended 31 August 2017, which was primarily attributable to the increased audit fee of approximately HK\$0.2 million and increased credit card and octopus card commission of approximately HK\$0.1 million as more customers used them to settle payment.

Finance costs

Our finance costs remained constant from approximately HK\$0.1 million for the five months ended 31 August 2016 to approximately HK\$0.1 million for the five months ended 31 August 2017.

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Profit (loss) before taxation

As a result of the foregoing and our accrued listing expenses of approximately HK\$7.4 million, we recorded a loss before taxation of approximately HK\$2.1 million for the five months ended 31 August 2017 as compared to the profit before taxation of approximately HK\$6.6 million for the five months ended 31 August 2016. Excluding the expenses incurred in connection with the Listing, our profit before taxation for the five months ended 31 August 2017 would be approximately HK\$5.4 million.

Income tax expense

For the five months ended 31 August 2016 and 2017, our income tax expenses amounted to approximately HK\$0.9 million and HK\$1.1 million, respectively. Our effective tax rate on the profit before taxation excluding the listing expenses increased from approximately 13.5% for the five months ended 31 August 2016 to approximately 20.8% for the five months ended 31 August 2017. The effective tax rate was higher for the five months ended 31 August 2017 primarily due to tax losses incurred by certain group companies while no deferred tax credit is recognised. The lower effective tax rate for the five months ended 31 August 2016 was primarily attributable to utilisation of tax losses brought forward from previous years by certain group companies. For further details, please refer to Note 10 "Income tax expense" and Note 14 "Deferred taxation" of the Accountants' Report set out in Appendix I to this prospectus.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

During the Track Record Period, we have been financing our working capital and other capital requirements through a combination of cash flow generated from our operating activities and debt financing. Going forward, we expect to fund our future operations and expansion plans principally with cash flow generated from our operating activities, debt financing and the net proceeds from the Share Offer.

We expect to finance our working capital requirements and the planned capital expenditures for the 12 months following the date of this prospectus with the following sources of funding:

- (i) bank balances and cash as at Latest Practicable Date;
- (ii) net cash inflows to be generated from our operating activities;
- (iii) an overdraft facility of HK\$10.0 million which has not been utilised; and
- (iv) net proceeds from the Share Offer.

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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.

The table below sets out selected cash flow data from our combined statements of cash flows during the Track Record Period:

	Year ended 31 March		Five months ended 31 August	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Net cash from operating activities	13,190	9,753	6,679	2,595
Net cash used in investing activities	(32,928)	(2,846)	(4,191)	(1,603)
Net cash from (used in) financing activities	<u>18,363</u>	<u>(9,262)</u>	<u>(2,411)</u>	<u>5,489</u>
Net (decrease) increase in cash and cash equivalents	(1,375)	(2,355)	77	6,481
Cash and cash equivalents at beginning of the year/period	<u>8,077</u>	<u>6,702</u>	<u>6,702</u>	<u>4,347</u>
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	<u>6,702</u>	<u>4,347</u>	<u>6,779</u>	<u>10,828</u>

For further details on our expected capital expenditure requirements, please refer to the paragraph headed “Capital expenditure” in this section.

Net cash from operating activities

Our cash inflow from operating activities was derived from the receipts from our restaurant operations. Our operating expenses comprised mainly raw materials and consumables used, rental and related expenses, staff costs and utilities expenses. During the Track Record Period, our net cash flows from operating activities represented profit before tax for the year adjusted for depreciation, loss on written off/disposal of property, plant and equipment, finance costs, income tax paid, non-cash items and changes in working capital.

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The table below sets out a summary of the adjusted cash flows from operating activities before changes in working capital excluding listing expenses during the Track Record Period:

	Year ended 31 March		Five months ended 31 August	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Profit (loss) before taxation	7,356	8,711	6,617	(2,055)
Adjustments for:				
Depreciation	6,206	7,652	2,904	3,011
Loss on written off/disposal of property, plant and equipment	–	467	460	–
Finance costs	<u>369</u>	<u>286</u>	<u>132</u>	<u>131</u>
Operating cash flows before movements in working capital	13,931	17,116	10,113	1,087
(Increase) decrease in inventories	(318)	(23)	327	322
Increase in trade and other receivables, deposits and prepayments	(2,452)	(2,222)	(21)	(79)
Increase (decrease) in trade and other payables and accruals	<u>2,624</u>	<u>(2,682)</u>	<u>(3,013)</u>	<u>1,734</u>
Cash generated from operations	13,785	12,189	7,406	3,064
Hong Kong Profits Tax paid	(226)	(2,150)	(595)	(338)
Interest paid	<u>(369)</u>	<u>(286)</u>	<u>(132)</u>	<u>(131)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>13,190</u>	<u>9,753</u>	<u>6,679</u>	<u>2,595</u>

As shown in the table above, our Group is able to meet the minimum cash flow requirements under Rule 11.12A of the GEM Listing Rules.

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Year ended 31 March 2016

For the year ended 31 March 2016, net cash from operating activities was approximately HK\$13.2 million. Operating cash inflow before changes in working capital was approximately HK\$13.9 million, which was attributable to profit before taxation for 2016 in the amount of approximately HK\$7.4 million and adjustments for depreciation in the amount of approximately HK\$6.2 million and finance costs in the amount of approximately HK\$0.4 million.

Changes in working capital contributed a net cash outflow during the year ended 31 March 2016 in the amount of approximately HK\$0.1 million consisting primarily of (i) an increase in trade and other payables and accruals in the amount of approximately HK\$2.6 million, representing primarily the accruals of renovation fees and consultancy fees in relation to the decoration costs of the new restaurant; and (ii) an increase in trade and other receivables, deposits and prepayments in the amount of approximately HK\$2.5 million, representing the rental deposits for the new tenancy agreements during the year ended 31 March 2016.

Year ended 31 March 2017

For the year ended 31 March 2017, net cash from operating activities was approximately HK\$9.8 million. Operating cash inflow before changes in working capital was approximately HK\$17.1 million, which was attributable to profit before taxation for 2017 in the amount of approximately HK\$8.7 million and adjustments for depreciation in the amount of approximately HK\$7.7 million, loss on written off/disposal of property, plant and equipment in the amount of approximately HK\$0.5 million and finance costs in the amount of approximately HK\$0.3 million.

Changes in working capital contributed a net cash outflow during the year ended 31 March 2017 in the amount of approximately HK\$4.9 million consisting primarily of (i) a decrease in trade and other payables and accruals in the amount of approximately HK\$2.7 million, representing the settlement of renovation fees and consultancy fees; and (ii) an increase in trade and other receivables, deposits and prepayments in the amount of approximately HK\$2.2 million, representing the rental deposits for the new tenancy agreements during the year ended 31 March 2017.

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Five months ended 31 August 2017

For the five months ended 31 August 2017, net cash from operating activities was approximately HK\$2.6 million. Operating cash inflow before changes in working capital was approximately HK\$1.1 million, which was attributable to loss before taxation for the five months ended 31 August 2017 in the amount of approximately HK\$2.1 million and adjustments for depreciation in the amount of approximately HK\$3.0 million and finance costs in the amount of approximately HK\$0.1 million.

Changes in working capital contributed a net cash inflow during the five months ended 31 August 2017 in the amount of approximately HK\$2.0 million consisting primarily of (i) an increase in trade and other payables and accruals in the amount of approximately HK\$1.7 million, representing accrual of listing expenses payable; and (ii) a decrease in inventories in the amount of approximately HK\$0.3 million.

Net cash used in investing activities

Our cash used in investing activities mainly consisted of the purchases of property, plant and equipment, advances to related parties and non-controlling shareholders of subsidiaries. Our cash flow from investing activities mainly represented repayments from related parties and non-controlling shareholders of subsidiaries.

For the year ended 31 March 2016, net cash used in investing activities was approximately HK\$32.9 million, which was primarily due to the acquisition cost for our new office premises in the amount of approximately HK\$20.9 million, renovation costs and additions of property, plant and equipment of approximately HK\$8.7 million and the advances to related parties and non-controlling shareholders of subsidiaries of approximately HK\$5.9 million which was offset by the repayments from related parties and non-controlling shareholders of subsidiaries of approximately HK\$2.6 million.

For the year ended 31 March 2017, net cash used in investing activities was approximately HK\$2.8 million, which was primarily due to the acquisition cost for a private car parking space in the amount of approximately HK\$1.3 million, renovation costs and additions of property, plant and equipment of approximately HK\$9.1 million and the advances to related parties and non-controlling shareholders of subsidiaries of approximately HK\$3.9 million, which was offset by the repayments from related parties and non-controlling shareholders of subsidiaries of approximately HK\$11.5 million.

For the five months ended 31 August 2017, net cash used in investing activities was approximately HK\$1.6 million, which was primarily due to advances to related parties in the amount of approximately HK\$1.5 million which will be settled before the Listing.

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Net cash from (used in) financing activities

Our cash inflows from financing activities mainly consisted of (i) issue of shares; (ii) advances from related parties and non-controlling shareholders of subsidiaries; and (iii) new bank borrowings raised. Our cash used in financing activities mainly consisted of (i) repayments of bank borrowings; (ii) repayments of amounts due to related parties and non-controlling shareholders of subsidiaries; (iii) acquisition of additional interest of a subsidiary; and (iv) dividends paid.

For the year ended 31 March 2016, net cash from financing activities was approximately HK\$18.4 million, comprising (i) advances from related parties and non-controlling shareholders of subsidiaries of approximately HK\$15.8 million; and (ii) new bank borrowings raised of approximately HK\$11.4 million, which were offset by (a) repayments to related parties and non-controlling shareholders of subsidiaries of approximately HK\$4.3 million; (b) repayment of bank borrowings of approximately HK\$3.4 million; and (c) dividends paid of approximately HK\$1.1 million.

For the year ended 31 March 2017, net cash used in financing activities was approximately HK\$9.3 million, comprising advances from related parties and non-controlling shareholders of subsidiaries of approximately HK\$7.3 million and the first tranche of Pre-IPO Investment through issue of shares of the Company amounted to HK\$3.0 million, which was offset by (a) repayments to related parties and non-controlling shareholders of subsidiaries of approximately HK\$16.9 million; (b) repayment of bank borrowings of approximately HK\$1.5 million; and (c) dividends paid of approximately HK\$1.2 million.

For the five months 31 August 2017, net cash from financing activities was approximately HK\$5.5 million, comprising (i) drawdown of new bank borrowings of HK\$15.0 million; (ii) repayments of bank borrowings of approximately HK\$13.1 million; (iii) the second tranche of Pre-IPO Investment amounting to HK\$5.0 million; and (iv) repayments to related parties of approximately HK\$1.4 million.

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WORKING CAPITAL

The table below sets out the breakdown of our current assets and current liabilities as at 31 March 2016 and 2017, 31 August 2017 and 31 December 2017:

	As at 31 March		As at 31 August	As at 31 December
	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Current assets				
Inventories	1,167	1,190	868	1,073
Trade and other receivables, deposits and prepayments	3,457	5,297	5,467	6,076
Amounts due from related parties	7,202	–	1,536	1,536
Amounts due from non-controlling shareholders of subsidiaries	385	–	–	–
Tax recoverable	–	149	128	197
Bank balances and cash	<u>6,702</u>	<u>4,347</u>	<u>10,828</u>	<u>6,916</u>
	<u>18,913</u>	<u>10,983</u>	<u>18,827</u>	<u>15,798</u>
Current liabilities				
Trade and other payables and accruals	12,708	9,588	11,322	10,529
Amounts due to related parties	27,581	1,383	30	30
Amounts due to non-controlling shareholders of subsidiaries	8,388	1,319	1,219	789
Tax payable	1,927	1,879	2,718	3,101
Bank borrowings	14,520	13,058	–	–
Provision	<u>–</u>	<u>–</u>	<u>180</u>	<u>–</u>
	<u>65,124</u>	<u>27,227</u>	<u>15,469</u>	<u>14,449</u>
Net current (liabilities) assets	<u>(46,211)</u>	<u>(16,244)</u>	<u>3,358</u>	<u>1,349</u>

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Our total current assets as at 31 March 2016 and 2017, 31 August 2017 and 31 December 2017 amounted to approximately HK\$18.9 million, HK\$11.0 million, HK\$18.8 million and HK\$15.8 million, respectively, which primarily consisted of inventories, trade and other receivables, deposits and prepayments, amounts due from related parties, amounts due from non-controlling shareholders of subsidiaries, tax recoverable, and bank balances and cash. Our total current liabilities as at 31 March 2016 and 2017, 31 August 2017 and 31 December 2017 amounted to approximately HK\$65.1 million, HK\$27.2 million, HK\$15.5 million and HK\$14.4 million, respectively, with trade and other payables and accrual, amounts due to related parties, amounts due to non-controlling shareholders of subsidiaries, tax payable and bank borrowings being our major components. All amounts due from related parties, amounts due to related parties and amounts due to non-controlling shareholders of subsidiaries as at 31 December 2017 will be fully settled prior to the Listing.

Net current liabilities as at 31 March 2016 and 2017

As at 31 March 2016, our current assets consisted of (i) inventories of approximately HK\$1.2 million; (ii) trade and other receivables, deposits and prepayments of approximately HK\$3.5 million; (iii) amounts due from related parties of approximately HK\$7.2 million; (iv) amounts due from non-controlling shareholders of subsidiaries of approximately HK\$0.4 million; and (v) bank balances and cash of approximately HK\$6.7 million. As at 31 March 2016, our current liabilities amounted to approximately HK\$65.1 million comprising (i) trade and other payables and accruals of approximately HK\$12.7 million; (ii) amounts due to related parties of approximately HK\$27.6 million, being loans from our related parties to, among others, finance the acquisition costs of our office premises of approximately HK\$25.5 million, which was classified as our property, plant and equipment under our non-current assets; (iii) amounts due to non-controlling shareholders of subsidiaries of approximately HK\$8.4 million; (iv) tax payables of approximately HK\$1.9 million; and (v) bank borrowings of approximately HK\$14.5 million, which was classified as our current liabilities due to the repayable on demand clause contained in the bank facilities letters. In view of the foregoing, as at 31 March 2016, we had net current liabilities of approximately HK\$46.2 million.

As at 31 March 2017, our current assets consisted of (i) inventories of approximately HK\$1.2 million; (ii) trade and other receivables, deposits and prepayments of approximately HK\$5.3 million; (iii) tax recoverable of approximately HK\$0.1 million; and (iv) bank balances and cash of approximately HK\$4.3 million. As at 31 March 2017, our current liabilities amounted to approximately HK\$27.2 million comprising (i) trade and other payables and accruals of approximately HK\$9.6 million; (ii) amounts due to related parties of approximately HK\$1.4 million, being loans from our related parties to, among others, finance the acquisition costs of our car park of approximately HK\$1.3 million, which was classified as our property, plant and equipment under our non-current assets; (iii) amounts due to non-controlling shareholders of subsidiaries of approximately HK\$1.3 million; (iv) tax payables of approximately HK\$1.9 million; and (v) bank borrowings of approximately HK\$13.1 million, which was classified as our

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current liabilities due to the repayable on demand clause contained in the bank facilities letters. In view of the foregoing, as at 31 March 2017, we had net current liabilities of approximately HK\$16.2 million.

Our net current liabilities position decreased by approximately HK\$30.0 million, from approximately HK\$46.2 million as at 31 March 2016 to approximately HK\$16.2 million as at 31 March 2017, primarily due to the net decrease in amounts due to related parties of approximately HK\$26.2 million, the net decrease in amounts due to non-controlling shareholders of subsidiaries of approximately HK\$7.1 million, the decrease in trade and other payables and accruals of approximately HK\$3.1 million, the repayment of bank borrowings of approximately HK\$1.5 million and increase in trade and other receivables, deposits and prepayments of approximately HK\$1.8 million, which was partially offset by decrease in amounts due from related parties of approximately HK\$7.2 million, decrease in amounts due from non-controlling shareholders of subsidiaries of approximately HK\$0.4 million and the decrease in bank balances and cash of approximately HK\$2.4 million.

Net current assets as at 31 August 2017

As at 31 August 2017, our current assets consisted of (i) inventories of approximately HK\$0.9 million; (ii) trade and other receivables, deposits and prepayments of approximately HK\$5.5 million; (iii) amounts due from related parties of approximately HK\$1.5 million; (iv) tax recoverable of approximately HK\$0.1 million; and (v) bank balances and cash of approximately HK\$10.8 million. As at 31 August 2017, our current liabilities amounted to approximately HK\$15.5 million comprising (i) trade and other payables and accruals of approximately HK\$11.3 million; (ii) amounts due to non-controlling shareholders of subsidiaries of approximately HK\$1.2 million; (iii) tax payable of approximately HK\$2.7 million; and (iv) provision of approximately HK\$0.2 million. In view of the foregoing, as at 31 August 2017, we had net current assets of approximately HK\$3.4 million.

Our net current liabilities position of approximately HK\$16.2 million as at 31 March 2017 improved to the net current assets position of approximately HK\$3.4 million as at 31 August 2017. The improvement was primarily due to the refinancing of bank borrowings from current liabilities to non-current liabilities and the increase of bank balances and cash of approximately of HK\$6.5 million during the five months ended 31 August 2017.

Taking into account the financial resources available to our Group, including the internally generated funds, available facilities and the estimated net proceeds of the Share Offer, and in the absence of unforeseen circumstances, our Directors are of the opinion that our Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this prospectus.

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DISCUSSION OF SELECTED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly comprised leasehold land and buildings, leasehold improvements, furniture and fixtures, kitchen equipment and other equipment. As at 31 March 2016 and 2017 and 31 August 2017, our property, plant and equipment amounted to approximately HK\$52.1 million, HK\$54.1 million and HK\$51.2 million, respectively. The increase in property, plant and equipment of approximately HK\$2.0 million, or 3.9%, for the year ended 31 March 2016 to 31 March 2017 was primarily due to the acquisition of a private car parking space and the additions of leasehold improvements and kitchen equipment, which was offset by depreciation of approximately HK\$7.7 million and our written off/disposal of leasehold improvements and kitchen equipment with carrying amount of approximately HK\$0.5 million. The decrease in property, plant and equipment of approximately HK\$3.0 million, or 5.4%, for the year ended 31 March 2017 to the five months ended 31 August 2017 was primarily due to depreciation of approximately HK\$3.0 million.

The statement below shows the reconciliation of aggregate amounts of leasehold land and buildings carried at cost on the audited combined statements of financial position as at 31 August 2017 with the valuation of these properties as at 31 December 2017 as set out in the valuation report in Appendix III to this prospectus.

	<i>HK\$'000</i>
Carrying amounts of our property interests in leasehold land and buildings in Hong Kong as at 31 August 2017	35,145
Less: Depreciation for the four months ended 31 December 2017	<u>(537)</u>
Carrying amounts of our property interests in leasehold land and buildings in Hong Kong as at 31 December 2017	34,608
Net revaluation surplus (<i>Note</i>)	<u>15,392</u>
Valuation as at 31 December 2017	<u><u>50,000</u></u>

Note: The net revaluation surplus of leasehold land and buildings under property, plant and equipment was not included in our Group's financial information for the five months ended 31 August 2017 in accordance with our accounting policy to state such property interests at costs less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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Inventories

Our inventories mainly comprised food, and beverage and wine used in our restaurant operations. The table below sets out a breakdown of our inventories and inventory turnover days as at 31 March 2016 and 2017 and 31 August 2017:

	As at 31 March		As at
	2016	2017	31 August
	(HK\$'000)	(HK\$'000)	2017
			(HK\$'000)
Food	1,067	1,004	746
Beverage and wine	<u>100</u>	<u>186</u>	<u>122</u>
Total	<u>1,167</u>	<u>1,190</u>	<u>868</u>
Inventory turnover days (Note)	2.8	2.9	2.6

Note: Inventory turnover days is calculated by dividing average inventories by revenue and multiplied by (i) 366 days for the year ended 31 March 2016; and (ii) 365 days for the year ended 31 March 2017 and (iii) 153 days for the five months ended 31 August 2017. Average inventories is calculated by dividing the sum of inventories at the beginning of the period plus the inventories at the end of the period.

Our inventory turnover days remained constant from 31 March 2016 to 31 March 2017. The decrease in inventory turnover days from 2.9 days as at 31 March 2017 to 2.6 days as at 31 August 2017 was primarily due to decrease in inventories as a result of (i) decreased sale leading to a reduced inventory requirement; and (ii) our management's effort in reducing the inventory level which is beneficial to the Group in the opinion of the Directors. As at the Latest Practicable Date, all of our inventories outstanding as at 31 August 2017 had been fully utilised.

Trade and other receivables, deposits and prepayments

The table below sets out a breakdown of our trade and other receivables, deposits and prepayments as at 31 March 2016 and 2017 and 31 August 2017:

	As at 31 March		As at
Non-current portion	2016	2017	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
Rental deposits	3,301	3,597	3,597
Other deposits	<u>2,267</u>	<u>2,353</u>	<u>2,262</u>
	<u>5,568</u>	<u>5,950</u>	<u>5,859</u>

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	As at 31 March		As at 31 August
Current portion	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Trade receivables from restaurant operations	352	370	153
Rental deposits	1,224	687	687
Other deposits	473	388	438
Prepayment and other receivables	1,408	3,629	1,616
Deferred listing expenses	<u>—</u>	<u>223</u>	<u>2,573</u>
	<u>3,457</u>	<u>5,297</u>	<u>5,467</u>

The non-current portion of our trade and other receivables, deposits and prepayments remained relatively constant at approximately HK\$5.6 million, HK\$6.0 million and HK\$5.9 million as at 31 March 2016 and 2017 and 31 August 2017. The current portion of our trade and other receivables, deposits and prepayments increased from approximately HK\$3.5 million as at 31 March 2016 to approximately HK\$5.3 million as at 31 March 2017 and approximately HK\$5.5 million as at 31 August 2017. Such increase was primarily attributable to the prepayment of listing expenses.

All of our trade receivables from restaurant operations as at 31 August 2017 have been fully received as at the Latest Practicable Date.

The following table sets out an aging analysis of our trade receivables, based on the invoice date, during the Track Record Period:

	As at 31 March		As at 31 August
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	<u>352</u>	<u>370</u>	<u>153</u>
Trade receivables turnover days (<i>Note</i>)	<u>3.4</u>	<u>2.7</u>	<u>1.9</u>

Note: Trade receivables turnover days are calculated by dividing average trade receivables by revenue settled by octopus card and credit card and multiplied by (i) 366 days for the year ended 31 March 2016; (ii) 365 days for the year ended 31 March 2017; and (iii) 153 days for the five months ended 31 August 2017. 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.

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For the two years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, our trade receivable days were approximately 3.4 days, 2.7 days and 1.9 days, respectively, as our trade receivables mainly consisted of cash, octopus card and credit card payments settlement. In general, the settlement terms of octopus card and credit card companies are within 3 days after the transaction.

Trade and other payables and accruals

The table below sets out a breakdown of our trade and other payables and accruals during the Track Record Period:

	As at 31 March		As at 31 August
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Trade payables	3,901	3,339	3,126
Salaries payables	4,636	4,320	3,714
Payable for acquisition of property, plant and equipment	1,100	662	–
Accruals and other payables	3,071	1,267	1,530
Accrued listing expenses	–	–	2,952
Total	12,708	9,588	11,322

All of our trade payables were aged within 30 days at the end of each reporting period, which is in line with the credit period from our suppliers ranging from 0 to 30 days. All of our trade payables as at 31 August 2017 have been fully settled as at the Latest Practicable Date.

Our payable for acquisition of property, plant and equipment decreased from approximately HK\$1.1 million as at 31 March 2016 to approximately HK\$0.7 million as at 31 March 2017 due to the settlement of the renovation costs of our restaurants. Our accruals and other payables decreased from approximately HK\$3.1 million as at 31 March 2016 to approximately HK\$1.3 million as at 31 March 2017 mainly attributable to settlement of repair and maintenance consultancy fee of approximately HK\$1.3 million, and settlement of cleaning fee and contingent rent of approximately HK\$0.2 million.

Our trade and other payables and accruals increased from approximately HK\$9.6 million as at 31 March 2017 to approximately HK\$11.3 million as at 31 August 2017 primarily due to accrual of listing expenses of approximately HK\$3.0 million.

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The following table sets out an aging analysis of our trade payables and our trade payables turnover days of our Group during the Track Record Period:

	As at 31 March		As at
	2016	2017	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
Within 30 days	3,901	3,339	3,126
Trade payables turnover days (<i>Note</i>)	32.0	30.8	30.2

Note: Trade payables turnover days are calculated by dividing average trade payables by cost of raw materials and consumables used and multiplied by (i) 366 days for the year ended 31 March 2016; (ii) 365 days for the year ended 31 March 2017; and (iii) 153 days for the five months ended 31 August 2017. Average trade payables is calculated by dividing by two the sum of trade payables at the beginning of the period and trade payables at the end of the period.

For the two years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, our trade payables days were approximately 32.0 days, 30.8 days and 30.2 days, respectively, which is in line with the credit period granted to us by our suppliers.

INDEBTEDNESS

As at 31 March 2016 and 2017, 31 August 2017 and 31 December 2017, our borrowings consisted of bank borrowings and amounts due to related parties and non-controlling shareholders of subsidiaries.

Bank borrowings

The table below sets out a breakdown of our bank borrowings by scheduled repayment dates set out in the loan agreements as at the dates indicated:

	As at 31 March		As at	As at
	2016	2017	31 August	31 December
	HK\$'000	HK\$'000	2017	2017
			HK\$'000	HK\$'000
				(unaudited)
Secured and guaranteed:				
– Within one year	1,457	977	–	–
– More than one year but not exceeding two years	965	997	–	–
– More than two years but not exceeding five years	3,025	3,109	15,000	15,000
– More than five years	9,073	7,975	–	–
	<u>14,520</u>	<u>13,058</u>	<u>15,000</u>	<u>15,000</u>

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The effective interest rates on our bank borrowings was 2.23%, 1.95%, 1.94% and 2.01% per annum as at 31 March 2016 and 2017, 31 August 2017, and 31 December 2017, respectively. For further details on our indebtedness, please refer to Note 20 of the Accountants' Report set out in Appendix I to this prospectus.

Bank borrowings of HK\$15.0 million as at 31 December 2017 are secured by leasehold land and building owned by the Group and corporate guarantee provided by the group companies.

During the Track Record Period, our business operations were primarily funded by, among others, (i) cash inflows generated from our operating activities; (ii) funds from our Controlling Shareholders and related parties; (iii) funds from non-controlling shareholders of subsidiaries; and (iv) bank borrowings obtained from The Hongkong and Shanghai Banking Corporation Limited (the “**HSBC Loan**”) in the amount of approximately HK\$14.5 million and HK\$13.1 million as at 31 March 2016 and 2017 respectively, which was, among others, Directors' personal guarantee and secured by a pledge over leasehold land and buildings owned by our Group. The HSBC Loan was fully repaid in June 2017 and subsequent to the full repayment of the HSBC Loan, all of the guarantees had been fully discharged and released.

On 19 June 2017, our Group obtained a combination of facilities from Shanghai Commercial Bank Limited (the “**SCBL Facility**”) in the total amount of HK\$25.0 million comprising (a) an overdraft facility of HK\$10.0 million, which is unutilised as at the Latest Practicable Date; (b) a term loan of HK\$6.0 million, which was fully utilised for the repayment of the HSBC Loan and working capital purposes as at the Latest Practicable Date; and (c) a term loan of HK\$9.0 million, which was fully utilised for the repayment of the HSBC Loan and working capital purposes as at the Latest Practicable Date.

The term loans are to be repaid in full within 3 years from the loan drawn down date which was 19 June 2017 and the bank confirmed not to exercise its rights to demand immediate repayment of the term loans of HK\$15.0 million until 19 June 2020. The interest rate of the term loan is 1.5% per annum over HIBOR while the interest rate of the overdraft is 1.0% per annum below prime rate or 2.0% per annum over overnight HIBOR, whichever is higher.

The SCBL Facility was secured and guaranteed by:

- (i) the leasehold land and building and a private car parking space owned by GWHL;
- (ii) the leasehold land and building owned by WDL; and
- (iii) unlimited corporate guarantee provided by certain subsidiaries of our Group and the Company.

Our Directors confirmed that there had been no delay or default in repayment of bank borrowings nor material non-compliance with the covenants contained in our banking facilities throughout the Track Record Period and as at the Latest Practicable Date.

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Amounts due to related parties and non-controlling shareholders of subsidiaries

As at 31 December 2017, we had unsecured and unguaranteed amounts due to related parties and non-controlling shareholders of subsidiaries of approximately HK\$30,000 and HK\$0.8 million respectively. The amounts will be fully settled prior to the Listing.

Save as disclosed above and apart from intra-group liabilities, as at 31 December 2017, we did not have any other borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees.

Our Directors confirmed that there was no material adverse change in our Group's indebtedness since 31 December 2017, being the date for determining our Group's indebtedness.

CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditure primarily included expenditures on (i) leasehold land and buildings, being the acquisition of our office premises of approximately HK\$25.5 million during the year ended 31 March 2016 and the acquisition of our car park of approximately HK\$1.3 million during the year ended 31 March 2017; (ii) leasehold improvements for our new restaurants and for the renovation of our existing restaurants; (iii) acquisition of furniture and fixtures for our restaurants; (iv) acquisition of kitchen equipment for our new restaurants; and (v) acquisition of other equipment for our business operations. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, our total capital expenditure amounted to approximately HK\$35.3 million, HK\$10.2 million and HK\$67,000, respectively.

Save for the planned capital expenditure as set out in the section headed "Future Plans and Use of Proceeds" in this prospectus and the additions of property, plant and equipment such as office equipment and leasehold improvements for our business operations from time to time, currently, we do not have any material capital expenditures planned as at the Latest Practicable Date.

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OPERATING LEASE COMMITMENTS

All of our operating leases relate to our leased properties for our restaurants and our office premises during the Track Record Period. Our lease were negotiated and our terms of leases range from three to five years. The table below sets out our commitments for future minimum lease payments under non-cancellable operating leases with independent third parties as at 31 March 2016 and 2017 and 31 August 2017, which fall due as follows:

	As at 31 March		As at 31 August
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Within one year	13,710	14,272	15,214
In the second to fifth year inclusive	<u>17,514</u>	<u>15,636</u>	<u>9,973</u>
	<u>31,224</u>	<u>29,908</u>	<u>25,187</u>

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

		Year ended/ as at 31 March		Five months ended/ as at 31 August
	Notes	2016	2017	2017
PROFITABILITY RATIOS				
Net profit margin (%)	1	4.3	4.9	N/A
Return on equity (%)	2	52.8	15.2	N/A
Return on total assets (%)	3	7.4	10.1	N/A
LIQUIDITY RATIOS				
Current ratio	4	0.3	0.4	1.2
Quick ratio	5	0.3	0.4	1.2
Inventory turnover days	6	2.8	2.9	2.6
CAPITAL ADEQUACY RATIOS				
Gearing ratio (%)	7	468.6	36.2	35.8
Interest coverage (times)	8	20.9	31.5	N/A

Notes:

1. Net profit margin is calculated by dividing the profit for the year/period by revenue and multiplied by 100%.

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2. Return on equity is calculated by dividing the profit for the year/period attributable to owners of our Company by equity attributable to owners of our Company at the end of the year/period and multiplied by 100%.
3. Return on total assets is calculated by dividing the profit for the year/period by total assets at the end of the year/period and multiplied by 100%.
4. Current ratio is calculated by dividing the total current assets by the total current liabilities as at the end of the year/period.
5. Quick ratio is calculated by dividing the total current assets minus inventories divided by the total current liabilities as at the end of the year/period.
6. Inventory turnover days is calculated by dividing average inventories by revenue and multiplied by (i) 366 days for the year ended 31 March 2016; (ii) 365 days for the year ended 31 March 2017; and (iii) 153 days for the five months ended 31 August 2017. Average inventories is calculated by dividing the sum of inventories at the beginning of the year/period plus the inventories at the end of the year/period.
7. Gearing ratio is calculated based on the borrowings representing the sum of interest-bearing bank borrowings and amounts due to related parties and non-controlling shareholders of subsidiaries which are non-trade nature divided by total equity at the end of the year/period and multiplied by 100%.
8. Interest coverage is calculated by dividing the profit before finance costs and tax by finance costs.

Profitability ratios

Net profit margin

For the years ended 31 March 2016 and 2017, our net profit margin was approximately 4.3% and 4.9%, respectively. The increase is primarily attributable to increase in our net profit from approximately HK\$5.7 million for the year ended 31 March 2016 to approximately HK\$7.4 million for the year ended 31 March 2017. Net profit margin is not applicable for the five months ended 31 August 2017 due to the loss making position.

Return on equity

For the years ended 31 March 2016 and 2017, our return on equity was approximately 52.8% and 15.2%, respectively. The significant decrease is primarily attributable to waivers of the amounts due to related parties from GLIL, Ms. SH Wong, Ms. ST Wong and Ms. SC Wong of approximately HK\$7.5 million, HK\$10.8 million, HK\$2.3 million and HK\$3.0 million, respectively, as a result of which, such amounts were credited as deemed contributions from Shareholders in equity. As at 31 March 2016 and 2017, our other reserves was approximately HK\$1.8 million and HK\$24.8 million, respectively, and our amounts due to related parties was approximately HK\$27.6 million and HK\$1.4 million, respectively. Return on equity is not applicable for the five months ended 31 August 2017 due to the loss making position.

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Return on total assets

For the years ended 31 March 2016 and 2017, our return on total assets was approximately 7.4% and 10.1%, respectively. The increase is primarily attributable to (i) increase in our net profit from approximately HK\$5.7 million for the year ended 31 March 2016 to approximately HK\$7.4 million for the year ended 31 March 2017; and (ii) decrease in the total current assets from approximately HK\$18.9 million for the year ended 31 March 2016 to approximately HK\$11.0 million for the year ended 31 March 2017, which was due to the decrease in amounts due from related parties and non-controlling shareholders of subsidiaries during the year ended 31 March 2017 of approximately HK\$7.6 million. Return on total assets is not applicable for the five months ended 31 August 2017 due to the loss making position.

Liquidity ratios

Current ratio

As at 31 March 2016 and 2017, our current ratio was approximately 0.3 and 0.4, respectively. The increase is primarily attributable to decrease in amounts due to related parties and non-controlling shareholders of subsidiaries during the year ended 31 March 2017 of approximately HK\$33.3 million. Our current ratio increased from approximately 0.4 as at 31 March 2017 to approximately 1.2 as at 31 August 2017 primarily due to (i) the refinancing of certain bank borrowings of our Group from current liabilities to non-current liabilities; and (ii) the increase in our bank balance as a result of the second tranche of the Pre-IPO Investment in the amount of HK\$5.0 million.

Quick ratio

As we held minimal inventory during the Track Record Period, our quick ratio was substantially the same as our current ratio with similar trend.

Inventory turnover days

Our inventories turnover days, being the average inventory divided by revenue and multiplied by (i) 366 days for the year ended 31 March 2016; (ii) 365 days for the year ended 31 March 2017; and (iii) 153 days for the five months ended 31 August 2017, were 2.8 days, 2.9 days and 2.6 days, respectively as at 31 March 2016, 2017 and 31 August 2017, which was relatively constant from 31 March 2016 to 31 March 2017. The decrease in inventory turnover days from 2.9 days as at 31 March 2017 to 2.6 days as at 31 August 2017 was primarily due to decrease in inventories as a result of (i) decreased sale leading to a reduced inventory requirement; and (ii) our management's effort in reducing the inventory level which is beneficial to the Group in the opinion of the Directors.

FINANCIAL INFORMATION

Capital adequacy ratios

Gearing ratio

As at 31 March 2016 and 2017, our gearing ratio was approximately 468.6% and 36.2%, respectively. The decrease is primarily attributable to decrease in the amounts due to related parties and non-controlling shareholders of subsidiaries for the year ended 31 March 2016 from approximately HK\$27.6 million and HK\$8.4 million, respectively, to approximately HK\$1.4 million and HK\$1.3 million, respectively, for the year ended 31 March 2017. Our gearing ratio remained stable from approximately 36.2% as at 31 March 2017 to approximately 35.8% as at 31 August 2017.

Interest coverage

For the years ended 31 March 2016 and 2017, our interest coverage was approximately 20.9 and 31.5, respectively. The increase is primarily attributable to the combined effects of increase in the profit before taxation from approximately HK\$7.4 million for the year ended 31 March 2016 to approximately HK\$8.7 million for the year ended 31 March 2017 and decrease in finance costs from approximately HK\$0.4 million for the year ended 31 March 2016 to approximately HK\$0.3 million for the year ended 31 March 2017. Interest coverage ratio is not applicable for the five months ended 31 August 2017 due to the loss making position.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions. For further details of such related party transactions, please refer to Note 27 to the Accountants' Report to Appendix I to this prospectus. Our Directors confirmed that each transaction set forth therein was conducted in accordance with terms as agreed between our Group and the respective related parties, were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties, were fair and reasonable and on an arm's length basis, and did not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

MAJOR NON-CASH TRANSACTIONS

We had entered into certain non-cash transactions during the year ended 31 March 2017. For further details of such non-cash transactions, please refer to Note 28 to the Accountants' Report to Appendix I to this prospectus. Our Directors confirmed that each transaction set forth therein was conducted in accordance with terms as agreed between our Group and the respective related parties, was fair and reasonable, and did not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

FINANCIAL INFORMATION

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, save as disclosed herein, we did not enter into any off-balance sheet arrangements.

DIVIDENDS

During the Track Record Period and up to the Latest Practicable Date, our Company did not declare any dividends. During the year ended 31 March 2016, GFCL declared and paid dividends of HK\$1.1 million to its then shareholders. During the year ended 31 March 2017, GFCL and WTCIL declared dividends of approximately HK\$0.7 million and HK\$0.5 million to their respective then shareholders.

Our Company does not currently have a fixed dividend policy or any pre-determined dividend distribution ratio. The declaration of future dividends will be subject to the recommendation(s) by our Board at its discretion in accordance with our Articles of Association and will depend on various factors including our results of operations, cash flows and financial condition, general business conditions and strategies, our operating and capital requirements, the amount of distributable profits based on the generally accepted accounting principles in Hong Kong and other factors as our Board considers relevant.

Cash dividends on Shares, if any, will be paid in Hong Kong dollars.

DISTRIBUTABLE RESERVES

As at 31 August 2017, our Company has no distributable reserves available for distribution to our Shareholders.

MARKET AND OTHER FINANCIAL RISKS

Our Group's financial instruments include trade and other receivables and deposits, bank balances and cash, trade and other payables and accruals, amounts due from/to related parties and non-controlling shareholders of subsidiaries and bank borrowings; while our Company's financial instruments include amount due to a related party. For further details on our financial instruments and the risks associated therewith and our policies to mitigate the associated risks, please refer to Note 26 of the Accountants' Report in Appendix I to this prospectus.

Interest rate risk

We are exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. Currently, we do not have any interest rate hedging policy. Our cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from our bank balances and prime rate arising from our variable-rate bank borrowings.

FINANCIAL INFORMATION

Credit risk

Our credit risk is primarily attributable to trade receivables and deposits, amounts due from related parties and bank balances.

Our Group has significant concentration of credit risk on amounts due from related parties and non-controlling shareholders of subsidiaries as at 31 March 2016. For further details on the amounts due from related parties, please refer to Note 19 of the Accountants' Report in Appendix I to this prospectus and the paragraph headed "Related Party Transactions" in this section. Our Directors considered the risk of default by our related parties is insignificant as our Directors believe that our related parties have good credit worthiness based on their respective past repayment history and subsequent settlement.

Liquidity risk

As at 31 March 2016 and 2017, we had net current liabilities of approximately HK\$46.2 million and HK\$16.2 million, respectively. As at 31 August 2017, we had net current assets of approximately HK\$3.4 million. For further details of our financial position, please refer to the paragraph headed "Working Capital" in this section.

In the management of the liquidity risk, we monitor our current and expected liquidity requirements to ensure our Group maintain sufficient cash and cash equivalents to finance our Group's operations and to mitigate the effects of unexpected fluctuations in cash flows.

As at 31 August 2017, we had bank borrowings with aggregate carrying amounts of approximately HK\$15.0 million which were not repayable on demand as confirmed by the relevant bank. For further details, please refer to the paragraph headed "Indebtedness" in this section.

LISTING EXPENSES

Our estimated listing expenses primarily consist of underwriting commissions in addition to professional fees paid to the Sole Sponsor, legal advisors and the reporting accountant for their services rendered in relation to the Listing and Share Offer. Assuming an Offer Price of HK\$0.30 per Offer Share, being the mid-point of our indicative price range for the Share Offer, the total listing expenses will be approximately HK\$22.8 million, of which approximately HK\$8.6 million is directly attributable to the issue of Shares and is expected to be capitalised after the Listing. The remaining amount of approximately HK\$14.2 million is chargeable to the combined statements of profit or loss and other comprehensive income, of which approximately HK\$0.7 million and HK\$7.4 million were recognised in our Group's combined statements of profit or loss and other comprehensive income for the year ended 31 March 2017 and the five months ended 31 August 2017 respectively, and approximately HK\$6.1 million is expected to be charged for the year ending 31 March 2018. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

FINANCIAL INFORMATION

MATERIAL ADVERSE CHANGE

The impact of the listing expenses may adversely affect our financial or trading position or prospect of our Group since 31 August 2017 (being the date the latest audited combined financial statements were made up to). Prospective investors should be aware of the listing expenses on the financial performance of our Group for the year ending 31 March 2018.

Save as disclosed above, our Directors confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospects of our Group since 31 August 2017 (being the date of which our Group's latest audited combined financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 31 August 2017 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

As far as our Directors are aware, there have not been any material changes in the general market conditions that would affect our business materially and adversely since 31 August 2017 and up to the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

Our unaudited pro forma adjusted combined net tangible assets set out in Appendix II to this prospectus has been prepared in accordance with Rule 7.31 of the GEM Listing Rules for illustrating the effect of the Share Offer on the audited combined net tangible assets of our Group attributable to the owners of our Company as if the Share Offer had taken place on 31 August 2017. Due to its hypothetical nature, it may not give a true picture of our financial position. For further details, please refer to Appendix II to this prospectus.

DISCLOSURE UNDER RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

Our Directors confirmed that as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

FOREIGN EXCHANGE LIABILITIES

Our Directors believe that our Company will have sufficient foreign currency to meet its foreign exchange liabilities as they become due (if any) and anticipated that the necessary foreign exchange may be funded by cash generated from operating activities.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES

As at the Latest Practicable Date, we owned and operated 10 restaurants under 3 different brands, Marsino, La Dolce and Grand Avenue. Our business philosophy is to offer quality and affordable food and attentive services to our customers at our restaurants. The primary objectives of our Group are to maintain our competitiveness in the casual dining industry in Hong Kong and strengthen our positions by capturing a larger market share in Hong Kong.

BUSINESS STRATEGIES

Please refer to the sub-section headed “Business – Business strategies” in this prospectus for our Group’s business strategies.

IMPLEMENTATION PLANS

In pursuance of the business objectives set forth above, the implementation plans of our Group are set forth below for each of the six-months period until 30 September 2019. For details, please refer to the sub-section headed “Business – Business strategies” in this prospectus. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” in this prospectus.

From the Latest Practicable Date to the Listing Date

Business strategies	Use of proceeds	Implementation plan
Opening of new restaurants	Nil	Identifying location for new restaurants
Expanding our central kitchen	Nil	Identifying location for expanding the central kitchen to capture more storage space and identifying a suitable engineering company to provide design plans for expanding the central kitchen. As at the Latest Practicable Date, we are still identifying the suitable premises and we have shortlisted 2 to 3 suitable premises within the same building where our central kitchen is situated.

FUTURE PLANS AND USE OF PROCEEDS

Business strategies	Use of proceeds	Implementation plan
Upgrading computer system	Nil	Identifying a suitable information technology service provider to review our Group's existing information system and to recommend to our Group the necessary hardware and software to enhance the efficiency and effectiveness of our Group's information system
Increasing marketing and promotional initiatives	Nil	Identifying a suitable marketing firm to design an appropriate marketing campaign so as to promote our Group's branding

From the Listing date to 31 March 2018

Business strategies	Use of proceeds	Implementation plan
Opening of one new Japanese ramen restaurant in Ma On Shan within proximity to Ma On Shan Grand Avenue with a view to leverage on the success of our existing restaurant in Ma On Shan and to reduce the logistics time and costs required in delivering food products to our restaurants	HK\$5.0 million	As at the Latest Practicable Date, we have made our offer to the landlord and are awaiting the preliminary lease terms. After the lease had been confirmed we will appoint a design company to renovate the new restaurant and purchasing the necessary kitchen hardware and equipment
Expanding our central kitchen in Kwai Chung within proximity to our existing premises to serve as a backup as well as to enjoy benefits of logistics convenience and management convenience	HK\$4.0 million	Creating additional storage space by appointing an engineering company to install new refrigerators, set up a new food processing line and purchasing the necessary kitchen hardware and equipment
Upgrading computer system	HK\$1.5 million	Integrating our existing POS systems, installing a new human resources management system and purchasing new computer accessories, software and necessary licences

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 30 September 2018

Business strategies	Use of proceeds	Implementation plan
Opening of one new Grand Avenue restaurant in Yuen Long	HK\$5.0 million	Appointing a design company to renovate the new restaurant and purchasing the necessary kitchen hardware and equipment
Opening of one new Japanese ramen restaurant in Mongkok	HK\$5.0 million	Appointing a design company to renovate the new restaurant and purchasing the necessary kitchen hardware and equipment
Increasing marketing and promotional initiatives	HK\$0.6 million	Engaging a marketing firm to promote and advertise the opening of our new Japanese ramen restaurants

For the six months ending 31 March 2019

Business strategies	Use of proceeds	Implementation plan
Opening of one new Marsino restaurant in Tsuen Wan	HK\$5.0 million	Appointing a design company to renovate the new restaurant and purchasing the necessary kitchen hardware and equipment
Opening of one new Japanese ramen restaurant in Shatin	HK\$5.0 million	Appointing a design company to renovate the new restaurant and purchasing the necessary kitchen hardware and equipment
Increasing marketing and promotional initiatives	HK\$0.6 million	For continuous promotional and branding activities

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 30 September 2019

Business strategies	Use of proceeds	Implementation plan
Opening of one new Japanese ramen restaurant in Quarry Bay	HK\$5.0 million	Appointing a design company to renovate the new restaurant and purchasing the necessary kitchen hardware and equipment

The capital expenditure requirement for our Group's implementation plans above is expected to amount to approximately HK\$36.7 million, and is expected to be financed from the net proceeds of the Share Offer.

BASES AND ASSUMPTIONS

The business objectives and strategies set out by our Directors are based on the following general bases and assumptions:

- the net proceeds from Share Offer based on the Offer Price of HK\$0.30 per Share (being the mid-point of the indicative range of the Offer Price), after deducting related expenses, are estimated to be approximately HK\$37.2 million;
- there will be no significant economic change in respect of inflation, interest rate, tax rate and currency exchange rate in Hong Kong which will adversely affect our Group's business;
- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material adverse change in the existing laws and regulations, policies or industry or regulatory treatment relating to our Group, or in the political, economic, fiscal or market conditions in which our Group operates;
- there will be no change in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by our Directors;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group or cause substantial loss, damage or destruction to its properties or facilities;
- there will be no change in the effectiveness of the licences and permits obtained by our Group;
- there will be no material change in the bases or rates of taxation applicable to the activities of our Group;

FUTURE PLANS AND USE OF PROCEEDS

- the Share Offer will be completed in accordance with and as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus;
- our Group will be able to retain key staff in the management and the main operational departments;
- our Group will be able to continue its operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out its development plans without disruption adversely affecting its operations or business objectives in any way; and
- our Group will not be adversely affected by the risk factors as set out under the section headed “Risk Factors” in this prospectus.

REASONS FOR THE LISTING AND THE SHARE OFFER

The business objectives of our Group are to offer quality, affordable food and attentive services at our restaurants, maintaining our competitiveness in the casual dining industry in Hong Kong and strengthen our position by capturing a larger market share in Hong Kong. Our Directors believe the estimated net proceeds from the Share Offer of approximately HK\$37.2 million (after deducting the related expenses payable in relation to the Listing) will help us to pursue our business objectives and implement our business strategies and plans as set out above. The capital expenditure requirement for our Group’s implementation plans is expected to be approximately HK\$36.7 million, and is expected to be financed from the net proceeds of the Share Offer. The remaining portion of the expected net proceeds of Share Offer of approximately HK\$0.5 million is expected to be utilised in our general working capital requirement.

Our Directors believe that the Listing will facilitate the implementation of our business strategies and plans as stated in the sub-section headed “Business – Business strategies” in this prospectus. The net proceeds from the Share Offer will provide financial resources to our Group to achieve our business strategies and plans which will further strengthen our branding, market position and expand our market share in the casual dining industry in Hong Kong. Moreover, a public listing status will also enhance our corporate profile and assist us in reinforcing our brand awareness and market reputation. We believe that with an ever changing and evolving customer taste and preference, we need to be innovative with our dishes, yet consistent with quality and pleasing to the eye. Therefore, the proceeds of the Share Offer will assist us in achieving this goal. We believe that a public listing status on GEM is a complementary advertising for our Group to potential investors and customers and can enhance our corporate profile and our credibility with the public and potential business partners. All of these in turn will strengthen our competitiveness and provide us more leverage in future business negotiations. Furthermore, the Listing will also enable our Group to have access to capital market for raising funds both at the time of Listing and at later stages, which would in turn assist us in our future business development. A public listing status on GEM may offer our Company a broader shareholder base which could potentially lead to a more liquid market in the trading of the Shares. We also believe that our internal control and corporate governance practices could be further enhanced following the Listing.

FUTURE PLANS AND USE OF PROCEEDS

Following the Listing, we will have access to the capital markets, providing us additional avenues for future fundraising through the issuance of equity and debt securities for business development in the long run. Our Directors believe that a listing status will allow us to gain leverage in obtaining bank financing on relatively more favourable terms. Therefore, the Listing will offer us more flexibility to finance our operation. Our Directors also consider that the use of equity financing would be a better alternative than debt financing because banks would normally require personal guarantees from our Shareholders and collateral for securing the bank borrowings. Therefore, sole reliance on bank borrowings to finance our capital requirements will place significant financial burden on our Group. This substantially hinders the development and expansion of our business. Our Directors consider that it is in the interest of our Group to maintain a combination of different financing sources and an appropriate debt-to-equity ratio.

The banking facilities obtained by our Group during the Track Record Period and up to the Latest Practicable Date were bank overdraft and three-years term loans. Our Directors considered such banking facilities are not suitable for providing long-term financial support for our expansion plans. In addition, our Directors understand from the banks that they will only provide long-term banking facilities to our Group for expansion with material assets as collaterals and personal guarantee(s) from our Controlling Shareholder(s) prior to Listing. Since our Group has no further material fixed assets available for collateral, our Directors consider there is a genuine need to pursue the Listing in order to source additional avenues for future fundraising for business development in the long run and to raise funds through the Share Offer to finance our Group's expansion plans.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

Our Directors consider that net proceeds from the Share Offer are crucial for financing our Group's business strategies. Details of our business objectives, strategies and implementation plans are set out in this section. Our Directors estimate that the net proceeds from the Share Offer (after deducting estimated expenses payable by our Group in connection with the Listing) will be approximately HK\$37.2 million based on an Offer Price of HK\$0.30 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$0.27 and HK\$0.33 per Offer Share). We intend that the net proceeds will be applied as follows:

	From the Latest Practicable Date to the Listing Date HK\$'000	From the Listing date to 31 March 2018 HK\$'000	For the six months ending 30 September 2018 HK\$'000	For the six months ending 31 March 2019 HK\$'000	For the six months ending 30 September 2019 HK\$'000	Total HK\$'000
Opening of one new Marsino restaurant	–	–	–	5,000	–	5,000
Opening of one new Grand Avenue restaurant	–	–	5,000	–	–	5,000
Opening of 4 new Japanese ramen restaurants	–	5,000	5,000	5,000	5,000	20,000
Expanding our central kitchen storage facilities	–	4,000	–	–	–	4,000
Upgrading our computer system	–	1,500	–	–	–	1,500
Implementing marketing and promotional initiatives	–	–	600	600	–	1,200
	<u>–</u>	<u>10,500</u>	<u>10,600</u>	<u>10,600</u>	<u>5,000</u>	<u>36,700</u>

If the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds of the Share Offer will increase or decrease by approximately HK\$5.6 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Offer Price is determined at the highest or lowest point of the indicative Offer Price range. If the final Offer Price is set at the lowest end of our Price range, the decrease in net proceeds will not have material impact on our Group's expansion plans as we intend to fund the shortfall of approximately HK\$5.6 million with our internal resources.

We will issue an announcement in accordance with the GEM Listing Rules requirement if there is any material change in the use of proceeds as described above.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes, it is the present intention of our Directors that such net proceeds will be placed as short-term deposits with authorised banks and/or financial institutions in Hong Kong.

Investors should be aware that any part of the business plans of our Group may or may not proceed according to the timeframe as described under the paragraph headed “Implementation Plans” in this section due to various factors such as changes in customers’ demand and changes in market conditions. Under such circumstances, our Directors will evaluate carefully the situations and will hold the funds as short-term deposits in authorised banks and/or financial institutions in Hong Kong until the relevant business plan materialises.

UNDERWRITING

SOLE BOOKRUNNER

Pacific Foundation Securities Limited

JOINT LEAD MANAGERS

Pacific Foundation Securities Limited

Vinco Capital Limited

Oceanwide Securities Company Limited

PUBLIC OFFER UNDERWRITERS

Pacific Foundation Securities Limited

Vinco Capital Limited

Oceanwide Securities Company Limited

Ample Orient Capital Limited

Astrum Capital Management Limited

Nuada Limited

Frontpage Capital Limited

Marketsense Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription by the public in Hong Kong of 20,000,000 Public Offer Shares (subject to reallocation) at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed, severally, but not jointly, on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, without limitation:

- (a) the Listing Division granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and
- (b) the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) may in its absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date if:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any material change or prospective change (whether or not permanent) in the business or in the financial or trading position of our Group; or
 - (b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or likely to result in any material change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, the BVI, Cayman Islands or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “Relevant Jurisdictions”); or
 - (c) any material deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
 - (d) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
 - (e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions materially and adversely affecting an investment in the Shares; or
 - (f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (g) any event, act or omission which gives rise or is likely to give rise to any material liability of any of our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or
- (h) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (i) the imposition of economic or other sanctions, in whatever form, directly in or affecting any of the Relevant Jurisdictions; or
- (j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to the severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (k) any change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus in any material respect; or
- (l) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar or a material devaluation of Hong Kong dollar against any foreign currency; or
- (m) any statutory demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (n) save as disclosed in this prospectus, a contravention by any member of our Group of the GEM Listing Rules or applicable laws; or
- (o) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or
- (p) non-compliance of any of this prospectus or any aspect of the Share Offer with the GEM Listing Rules or any other applicable laws; or

UNDERWRITING

- (q) an order or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or
- (r) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or
- (s) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company; or
- (t) the chairperson of our Company vacating his/her office; or
- (u) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organisation that it intends to take any such action; or
- (v) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof; or
- (w) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus (or any other documents used in connection with the contemplated subscription of the Offer Shares) pursuant to the Companies Ordinance, the Companies (WUMP) Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC,

which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters):

- (a) is or will or may individually or in the aggregate have material adverse effect on the business, financial, trading or other condition of our Group taken as a whole; or

UNDERWRITING

- (b) has or will or may have material adverse effect on the success of the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
 - (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, Placing Underwriting Agreement and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Share Offer on the terms and in the manner contemplated in this prospectus; or
- (ii) the Sole Bookrunner, the Joint Lead Managers or any of the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:
 - (a) any of the warranties given by our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any respect when given or as repeated as determined by the Sole Bookrunner (in its sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect; or
 - (b) any statement contained in this prospectus, the Application Forms, the formal notice or any announcement or advertisement issued by or on behalf of the Company in connection with the Public Offer (including any supplement or amendment thereto) was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if such document was to be issued at that time, constitute an omission therefrom, or that any forecasts, expressions of opinion, intention or expectation expressed in such document are not, in all aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (c) there has been a breach on the part of any of our Company, the Controlling Shareholders and the executive Directors of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or
 - (d) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom; or
 - (e) any adverse change or development involving a prospective change in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of our Group; or

UNDERWRITING

- (f) approval by the Listing Division of the listing of, and permission to deal in, the Offer Shares to be issued under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (g) we withdraw this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer.

Undertakings to the Public Offer Underwriters

Undertaking by our Company

Our Company has undertaken to the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters, and each of our Controlling Shareholders and executive Directors has undertaken to and covenants with the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters that he/she/it will procure our Company that:

- (a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 17.29(1) to 17.29(4) of the GEM Listing Rules, not without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), and subject always to the provisions of the GEM Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of our affiliates (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “First Six-month Period”);

UNDERWRITING

- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or the exercise of the subscription rights attaching to any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 17.29(1) to 17.29(4) of the GEM Listing Rules or under Note (2) to Rule 10.07 of the GEM Listing Rules;
- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the “Second Six-month Period”) do any of the acts set out in (a) and (b) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the GEM Listing Rules); and
- (d) in the event that our Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such Subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that Subsidiary ceasing to be a subsidiary of our Company.

Undertakings by our Controlling Shareholders

- (a) Pursuant to Rule 13.16A of the GEM Listing Rules, each of our Controlling Shareholders jointly and severally agrees and undertakes to our Company, the Sole Sponsor and the Stock Exchange that, except with the prior written consent of the Sole Sponsor and unless in compliance with the requirements of the GEM Listing Rules, none of the Controlling Shareholders will, and they will procure the relevant registered holder(s) and their respective associates and companies controlled by them and any nominee or trustee holding in trust for them shall not:

UNDERWRITING

- (i) during the First Six-month period, among others, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances (as defined below) in respect of, any of the Shares in respect of which he/it is shown in this prospectus to be the beneficial owner(s); and
 - (ii) during the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect (“Encumbrances”) in respect of any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/it would cease to be a Controlling Shareholder.
- (b) Each of our Controlling Shareholders jointly and severally undertakes to and covenants with our Company, the Sole Sponsor and the Stock Exchange that during the 12 months period from the Listing Date:
- (i) in the event that he/it pledges or charges any of his/its direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, he/it must immediately inform our Company and the Sole Sponsor in writing of such pledges or charges immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
 - (ii) having pledged or charged any of his/its interests in the Shares under paragraph (i) above, when our Controlling Shareholders receive indications, either verbal or written, from any pledgee or charged that any of the pledgee or chargee securities or, interests in the securities of our Company will be sold, transferred or disposed of, he/it must immediately inform our Company and the Sole Sponsor in writing of such indications.

Undertaking by our Company

Our Company undertakes to and covenants with each of the Sole Sponsor and the Stock Exchange, and each of our Controlling Shareholders and the executive Directors jointly and severally undertakes to each of the Sole Sponsor to procure our Company that, save with the prior written consent of the Sole Sponsor or save pursuant to the Share Offer or as permitted under the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules) and the applicable laws or pursuant to the issue of Shares under the Share Option Scheme, our Company shall not, within the period of six months from the Listing Date: (i) allot or issue or agree to allot or issue any Shares or any other securities in our Company (including warrants or other convertible securities (and whether or not of a class already listed)); or (ii) grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise

UNDERWRITING

convert into, or exchange for any Shares or any other securities of our Company; or (iii) purchase any securities of our Company; or (iv) offer to or agree to do any of the foregoing or announce any intention to do so.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company, our Controlling Shareholders and executive Directors will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Joint Lead Managers, the Sole Bookrunner, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers to subscribe for, or failing which they shall subscribe for, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings to the Public Offer Underwriters” above in this section.

Commission, fees and expenses

The Public Offer Underwriters will receive a gross underwriting commission of 7.0% of the aggregate Offer Price of the Public Offer Shares initially offered under the Public Offer. For unsubscribed Public Offer Shares reallocated to the Placing and any Placing Shares reallocated from the Placing to the Public Offer, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Placing Underwriters and not the Public Offer Underwriters.

Based on the Offer Price of HK\$0.30 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$22.8 million in total, and are payable by our Company.

UNDERWRITING

SOLE SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sole Sponsor will receive a sponsorship fee to the Share Offer. The Joint Lead Managers and the Underwriters will receive an underwriting commission and/or praecipium. Particulars of these underwriting commission and expenses are set forth under the “Commission, fees and expenses” above.

Save as disclosed above, none of the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters is interested legally or beneficially in any Shares or other securities of our Company or any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase any Shares or other securities of our Company or any members of our Group or has any interest in the Share Offer.

Following the completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement.

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors and the Joint Lead Managers will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23(7) of the GEM Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer.

The Share Offer consists of:

- a. the Public Offer of 20,000,000 new Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the paragraph headed “The Public Offer” below; and
- b. the Placing of an aggregate of 180,000,000 new Shares (subject to reallocation as mentioned below) which will conditionally be placed with selected professional, institutional, and other investors under the Placing.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both.

The number of Offer Shares to be offered under the Public Offer and the Placing may be subject to reallocation as described in the paragraph headed “The Public Offer – Reallocation” below.

References in this prospectus to applications, the Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 20,000,000 Public Offer Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares initially available under the Share Offer. The Public Offer Shares initially offered under the Public Offer, subject to any reallocation of Offer Shares between the Placing and the Public Offer, will represent 2.5% of our Company’s enlarged issued share capital after completion of the Capitalisation Issue and Share Offer.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional and institutional 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.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer” in this section.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Reallocation

A clawback mechanism will be put in place, which would have the effect of increasing the number of Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Joint Lead Managers (for themselves and on behalf of the Underwriters) shall apply a clawback mechanism following the closing of the application lists on the following basis:

- (a) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be increased to 60,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (b) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the number of Offer Shares available for subscription under the Public Offer will be increased to 80,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and
- (c) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the number of Offer Shares available for subscription under the Public Offer will be increased to 100,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

The Share Offer to be offered in the Public Offer and the Placing may be reallocated as between these offerings at the discretion of the Joint Lead Managers (for themselves and on behalf of the Underwriters).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she 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 Placing Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Placing Shares under the Placing.

THE PLACING

Number of Offer Shares offered

Subject to reallocation as described above, the Placing will consist of 180,000,000 new Shares, representing 90% of the total number of Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Offer Shares initially offered under the Placing will represent 22.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and Share Offer.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. The Placing Shares will be selectively placed to certain professional and institutional and other investors who 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 Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in this section 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 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 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 Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Lead Managers so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement described in the paragraph headed “The Public Offer – Reallocation” above, and/or any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

Offer Price range

The Offer Price will not be more than HK\$0.33 per Offer Share and is expected to be not less than HK\$0.27 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus.

Price payable on application

Applicants for Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.33 for each Public Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$3,333.26 per board lot of 10,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.33 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Monday, 12 February 2018 the Share Offer will not proceed and will lapse.

Further details are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

Change to Offer Price range

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during a book-building process in respect of the Placing, and with the consent of our Company, reduce the number of the Offer Shares being offered under the Share Offer and/or change the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such change, and in any event not later than the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

morning of the last day lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.simplicityholding.com notices of reduction in the number of the Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised number of the Offer Shares and/or Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics, and any other financial information in this prospectus which may change as a result of any such change.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of an extension or reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants who have submitted their applications for Public Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any notice being published in relation to a reduction in the number of the Offer Shares and/or change in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Announcement of the Offer Price and the basis of allocations

Announcement of the final Offer Price, together with the level of indication of interests in the Placing, and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be published on Friday, 23 February 2018 on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.simplicityholding.com.

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around Monday, 12 February 2018. These underwriting arrangements and the Underwriting Agreements are summarised in the section headed "Underwriting" in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, amongst other things, the satisfaction of all the following conditions, in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus:

1. Listing

The Listing Division granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer (including the Shares which fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme) and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange.

2. Placing Underwriting Agreement

The execution and delivery of the Placing Underwriting Agreement on or about Monday, 12 February 2018.

3. Obligations under Underwriting Agreements

The obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.simplicityholding.com 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 the section headed "How to Apply for Public Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Share certificates for the Offer Shares are expected to be issued on Friday, 23 February 2018 but will only become valid certificates of title at 8:00 a.m. on Monday, 26 February 2018 provided that (i) the Share Offer has become unconditional in all respects, and (ii) the right of termination as described in the sub-section headed “Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination” in this prospectus has not been exercised.

SHARES WILL BE ELIGIBLE FOR CCASS

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

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 26 February 2018, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 26 February 2018.

The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares is 8367.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Lead Managers and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or 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 United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation chop.

If an application is made by a person under a power of attorney, our Company and the Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a core connected person of our Company or will become a core connection person of our Company immediately upon completion of the Share Offer;
- are a close associate (as defined in the GEM Listing Rules) of any of the above; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, either (i) complete and sign the **YELLOW** Application Form; or (ii) give **electronic application instructions** to HKSCC via CCASS.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Tuesday, 6 February 2018 to 12:00 noon on Friday, 9 February 2018 from the following locations:

- (i) Pacific Foundation Securities Limited, 11/F, New World Tower II, 16-18 Queen's Road Central, Hong Kong;
- (ii) Vinco Capital Limited, Units 4909-4910, 49/F, The Center, 99 Queen's Road Central, Hong Kong;
- (iii) Oceanwide Securities Company Limited, 18/F-19/F, China Building, 29 Queen's Road Central, Hong Kong;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (iv) Ample Orient Capital Limited, Room A, 17/F, Fortune House, 61 Connaught Road Central, Central, Hong Kong;
- (v) Astrum Capital Management Limited, Room 2704, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong;
- (vi) Nuada Limited, Unit 1805-08, 18/F, OfficePlus @Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong;
- (vii) Frontpage Capital Limited, 26/F, Siu On Centre, 188 Lockhart Road, Wan Chai, Hong Kong;
- (viii) Marketsense Securities Limited, Unit 7801-7803, 78/F, The Centre, 99 Queen's Road Central, Central, Hong Kong;
- (ix) any of the following branches of Standard Chartered Bank (Hong Kong) Limited, the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong Island	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
Kowloon	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kowloon Bay
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Tuesday, 6 February 2018 until 12:00 noon on Friday, 9 February 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED – SIMPLICITY PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Tuesday, 6 February 2018 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 7 February 2018 – 9:00 a.m. to 5:00 p.m.
- Thursday, 8 February 2018 – 9:00 a.m. to 5:00 p.m.
- Friday, 9 February 2018 – 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, 9 February 2018, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the application 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, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies (WUMP) Ordinance and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Lead Managers, the Sole Bookrunner, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any of the Placing Shares nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public 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 Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xv) authorise our Company to place your name(s) or the name of HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to deposit any share certificate(s) into CCASS and/or 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;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (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.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

HOW TO APPLY FOR PUBLIC OFFER SHARES

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square 8 Connaught Place
Central Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, the Directors, the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Sponsor, our Hong Kong Branch Share Registrar, receiving bank, the Sole Bookrunner, the Joint Lead Managers, 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;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the 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 (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree with our Company, for themselves and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for themselves and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (WUMP) Ordinance and the Memorandum and Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, 6 February 2018 – 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, 7 February 2018 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Thursday, 8 February 2018 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Friday, 9 February 2018 – 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.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 6 February 2018 until 12:00 noon on Friday, 9 February 2018 (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, 9 February 2018, the last application day or such later time as described in the paragraph headed “9. 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 Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving banker, the Joint Lead Managers, the Sole Bookrunner, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such 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. Our Company, our Directors, the Sole Sponsor, the Joint Lead Managers, the Sole Bookrunner and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 9 February 2018.

HOW TO APPLY FOR PUBLIC OFFER SHARES

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR PUBLIC OFFER SHARES

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

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).

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number eight 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, 9 February 2018. 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, 9 February 2018 or if there is a tropical cyclone warning signal number eight or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

HOW TO APPLY FOR PUBLIC OFFER SHARES

10. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 23 February 2018 on our Company's website at www.simplicityholding.com 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 (where appropriate) of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.simplicityholding.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Friday, 23 February 2018;
- 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 Friday, 23 February 2018 to 12:00 midnight on Thursday, 1 March 2018;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 23 February 2018 to Wednesday, 28 February 2018 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 23 February 2018 to Tuesday, 27 February 2018 at the designated receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

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 PUBLIC OFFER SHARES

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

The Company, the Joint Lead Managers and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division 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 Division of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.33 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the sub-section headed "Structure and Conditions of the Share Offer – Conditions of the Share Offer" 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 Friday, 23 February 2018.

HOW TO APPLY FOR PUBLIC OFFER SHARES

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Public Offer Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, 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 Friday, 23 February 2018. 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 Monday, 26 February 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus 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 PUBLIC OFFER SHARES

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 23 February 2018 or such other date as notified by our Company on the website of the Stock Exchange at www.hkexnews.hk or the website of our Company at www.simplicityholding.com.

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 Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 23 February 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 23 February 2018, 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 Friday, 23 February 2018, 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)*

HOW TO APPLY FOR PUBLIC OFFER SHARES

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "10. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 23 February 2018, or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate (s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 23 February 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "10. Publication of results" above on Friday, 23 February 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 23 February 2018, or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 23 February 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, 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 Friday, 23 February 2018.

14. 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 GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

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

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-68 received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong for the purpose of incorporation in this prospectus.

Deloitte.**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SIMPLICITY HOLDING LIMITED AND VINCO CAPITAL LIMITED****Introduction**

We report on the historical financial information of Simplicity Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-68, which comprises the combined statements of financial position of the Group as at 31 March 2016 and 2017 and 31 August 2017, the statements of financial position of the Company as at 31 March 2017 and 31 August 2017, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the two years ended 31 March 2016 and 2017 and the five months ended 31 August 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-68 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 6 February 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical 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 the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2016 and 2017 and 31 August 2017, of the Company's financial position as at 31 March 2017 and 31 August 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the five months ended 31 August 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page I-4 as were considered necessary.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the entities now comprising the Group and states that no dividends have been declared by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

6 February 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of Foodies Group Limited ("FGL") and its subsidiaries for the Track Record Period and the management accounts of the Company for the period from its date of incorporation to 31 March 2017 and the five months ended 31 August 2017 (collectively known as "Underlying Financial Statements"). The consolidated financial statements of FGL and its subsidiaries, which are prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollar ("HK\$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March		Five months ended 31 August	
		2016	2017	2016	2017
	NOTES	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	5	132,603	149,715	67,857	60,467
Other income	7	642	678	244	295
Other losses	7	–	(467)	(460)	–
Raw materials and consumables used		(39,910)	(42,906)	(19,366)	(16,386)
Staff costs		(46,743)	(52,829)	(22,153)	(20,215)
Depreciation		(6,206)	(7,652)	(2,904)	(3,011)
Rental and related expenses		(20,919)	(23,724)	(10,631)	(9,565)
Utilities expenses		(6,377)	(7,068)	(3,220)	(3,190)
Listing expenses		–	(669)	–	(7,422)
Other expenses		(5,365)	(6,081)	(2,618)	(2,897)
Finance costs	8	<u>(369)</u>	<u>(286)</u>	<u>(132)</u>	<u>(131)</u>
Profit (loss) before taxation	9	7,356	8,711	6,617	(2,055)
Income tax expense	10	<u>(1,632)</u>	<u>(1,359)</u>	<u>(892)</u>	<u>(1,119)</u>
Profit (loss) and total comprehensive income (expense) for the year/period		<u>5,724</u>	<u>7,352</u>	<u>5,725</u>	<u>(3,174)</u>
Profit (loss) and total comprehensive income (expense) for the year/period attributable to:					
– owners of the Company		5,299	6,292	4,830	(3,832)
– non-controlling interests		<u>425</u>	<u>1,060</u>	<u>895</u>	<u>658</u>
		<u>5,724</u>	<u>7,352</u>	<u>5,725</u>	<u>(3,174)</u>

STATEMENTS OF FINANCIAL POSITION

		The Group		The Company	
		As at 31 March 2016	As at 31 August 2017	As at 31 March 2017	As at 31 August 2017
NOTES		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment	13	52,081	54,137	51,193	–
Deposits	16	5,568	5,950	5,859	–
Deferred tax assets	14	1,042	1,518	1,642	–
		<u>58,691</u>	<u>61,605</u>	<u>58,694</u>	<u>–</u>
Current assets					
Inventories	15	1,167	1,190	868	–
Trade and other receivables, deposits and prepayments	16	3,457	5,297	5,467	2,374
Amounts due from related parties	19	7,202	–	1,536	–
Amounts due from non-controlling shareholders of subsidiaries	19	385	–	–	–
Tax recoverable		–	149	128	–
Bank balances and cash	17	6,702	4,347	10,828	–
		<u>18,913</u>	<u>10,983</u>	<u>18,827</u>	<u>2,374</u>
Current liabilities					
Trade and other payables and accruals	18	12,708	9,588	11,322	–
Amounts due to related parties	19	27,581	1,383	30	43
Amounts due to non-controlling shareholders of subsidiaries	19	8,388	1,319	1,219	–
Tax payable		1,927	1,879	2,718	–
Bank borrowings	20	14,520	13,058	–	–
Provision	21	–	–	180	–
		<u>65,124</u>	<u>27,227</u>	<u>15,469</u>	<u>43</u>
Net current (liabilities) assets		<u>(46,211)</u>	<u>(16,244)</u>	<u>3,358</u>	<u>2,331</u>
Total assets less current liabilities		<u>12,480</u>	<u>45,361</u>	<u>62,052</u>	<u>(91)</u>

APPENDIX I**ACCOUNTANTS' REPORT**

	<i>NOTES</i>	The Group		The Company	
		As at		As at	
		31 March	31 August	31 March	31 August
		2016	2017	2017	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities					
Provision	21	1,480	1,660	1,480	–
Deferred tax liabilities	14	226	108	153	–
Bank borrowings	20	–	–	15,000	–
		<u>1,706</u>	<u>1,768</u>	<u>16,633</u>	<u>–</u>
Net assets		<u>10,774</u>	<u>43,593</u>	<u>2,331</u>	<u>(91)</u>
Capital and reserves					
Share capital	22	74	8	8	–
Reserves		<u>9,959</u>	<u>41,424</u>	<u>2,331</u>	<u>(91)</u>
Equity attributable to owners of the Company		10,033	41,432	2,331	(91)
Non-controlling interests		<u>741</u>	<u>2,161</u>	<u>–</u>	<u>–</u>
Total equity		<u>10,774</u>	<u>43,593</u>	<u>2,331</u>	<u>(91)</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000 (note (a))	Accumulated profits HK\$'000	Total HK\$'000		
At 1 April 2015	69	–	1,832	3,396	5,297	843	6,140
Profit and total comprehensive income for the year	–	–	–	5,299	5,299	425	5,724
Issue of shares of Vast Dragon Asia Limited (“VDAL”)	5	–	–	–	5	5	10
Dividends paid (note 11)	–	–	–	(568)	(568)	(532)	(1,100)
At 31 March 2016	74	–	1,832	8,127	10,033	741	10,774
Profit and total comprehensive income for the year	–	–	–	6,292	6,292	1,060	7,352
Issue of shares of Jumbo Spirit Group Limited (“JSGL”)	16	–	–	–	16	–	16
Issue of shares of the Company (note 22)	–	3,000	–	–	3,000	–	3,000
Dividends paid (note 11)	–	–	–	(814)	(814)	(336)	(1,150)
Acquisition of additional interests in subsidiaries (note (b))	–	–	309	–	309	(319)	(10)
Transfer upon group reorganisation (note 1(iv), 1(v) and 1(vi))	(82)	–	82	–	–	–	–
Waiver of amounts due to shareholders (note 28)	–	–	22,596	–	22,596	1,015	23,611
At 31 March 2017	8	3,000	24,819	13,605	41,432	2,161	43,593
(Loss) profit and total comprehensive (expense) income for the period	–	–	–	(3,832)	(3,832)	658	(3,174)
Issue of shares of the Company (note 22)	–	5,000	–	–	5,000	–	5,000
At 31 August 2017	<u>8</u>	<u>8,000</u>	<u>24,819</u>	<u>9,773</u>	<u>42,600</u>	<u>2,819</u>	<u>45,419</u>
At 1 April 2016	74	–	1,832	8,127	10,033	741	10,774
Profit and total comprehensive income for the period (unaudited)	–	–	–	4,830	4,830	895	5,725
At 31 August 2016 (unaudited)	<u>74</u>	<u>–</u>	<u>1,832</u>	<u>12,957</u>	<u>14,863</u>	<u>1,636</u>	<u>16,499</u>

Notes:

- (a) Other reserves at 1 April 2015 represent the shareholders' contribution arising from the acquisition of additional interests in subsidiaries before the Track Record Period.
- (b) On 16 August 2016, GLIL (as defined in note 1) acquired 40% equity interest of Wealth Step Enterprise Limited (“WSEL”) from an independent non-controlling shareholder of WSEL for approximately HK\$357,000. Upon the completion of transaction, WSEL became the wholly-owned subsidiary of GLIL.

In January 2017, JSGL acquired entire equity interests of VDAL from GLIL and an independent non-controlling shareholder of VDAL at a cash consideration of HK\$10,000. Upon completion of transaction, VDAL became a wholly-owned subsidiary of JSGL. In February 2017, VDAL acquired 17% equity interest of Grace Wealth Holdings Limited ("GWHL") from two independent non-controlling shareholders and Ms. SY Wong (as defined in note 1) at an aggregate cash consideration of HK\$17. Upon the completion of transaction, GWHL is wholly-owned by VDAL.

In February 2017, the Controlling Shareholders acquired 32.2% equity interest of Access Gear Investment Limited ("AGIL") from independent non-controlling shareholders of AGIL at par. Upon completion of transaction, the Controlling Shareholders have 95.7% equity interest in AGIL.

An amount of HK\$309,000, being the difference between the aggregated carrying amount of non-controlling interests of WSEL, AGIL, VDAL and GWHL amounting to HK\$319,000 and cash consideration paid by the Group, is transferred to other reserves.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March		Five months ended 31 August	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
OPERATING ACTIVITIES				
Profit (loss) before taxation	7,356	8,711	6,617	(2,055)
Adjustments for:				
Depreciation	6,206	7,652	2,904	3,011
Loss on written-off/disposal of property, plant and equipment	–	467	460	–
Finance costs	369	286	132	131
	<u>13,931</u>	<u>17,116</u>	<u>10,113</u>	<u>1,087</u>
Operating cash flows before movements in working capital	13,931	17,116	10,113	1,087
(Increase) decrease in inventories	(318)	(23)	327	322
Increase in trade and other receivables, deposits and prepayments	(2,452)	(2,222)	(21)	(79)
Increase (decrease) in trade and other payables and accruals	<u>2,624</u>	<u>(2,682)</u>	<u>(3,013)</u>	<u>1,734</u>
	<u>13,785</u>	<u>12,189</u>	<u>7,406</u>	<u>3,064</u>
Cash generated from operations	13,785	12,189	7,406	3,064
Hong Kong Profits Tax paid	(226)	(2,150)	(595)	(338)
Interest paid	<u>(369)</u>	<u>(286)</u>	<u>(132)</u>	<u>(131)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>13,190</u>	<u>9,753</u>	<u>6,679</u>	<u>2,595</u>
INVESTING ACTIVITIES				
Advances to related parties	(5,853)	(3,840)	(1,095)	(1,536)
Repayments from related parties	2,635	11,042	355	–
Advances to non-controlling shareholders of subsidiaries	(106)	(100)	(100)	–
Repayments from non-controlling shareholders of subsidiaries	1	485	–	–
Purchases of property, plant and equipment	<u>(29,605)</u>	<u>(10,433)</u>	<u>(3,351)</u>	<u>(67)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(32,928)</u>	<u>(2,846)</u>	<u>(4,191)</u>	<u>(1,603)</u>

APPENDIX I**ACCOUNTANTS' REPORT**

	Year ended		Five months ended	
	31 March		31 August	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
FINANCING ACTIVITIES				
Issue of shares of JSGL	–	16	–	–
Issue of shares of the Company	–	3,000	–	5,000
Acquisition of additional interest of a subsidiary	–	(10)	–	–
Advances from related parties	10,758	7,252	2,486	16
Repayments to related parties	(3,938)	(16,540)	(3,598)	(1,369)
Advances from non-controlling shareholders of subsidiaries	5,013	5	3	–
Repayments to non-controlling shareholders of subsidiaries	(394)	(373)	(150)	(100)
Repayments of bank borrowings	(3,355)	(1,462)	(902)	(13,058)
New bank borrowings raised	11,379	–	–	15,000
Dividends paid	<u>(1,100)</u>	<u>(1,150)</u>	<u>(250)</u>	<u>–</u>
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<u>18,363</u>	<u>(9,262)</u>	<u>(2,411)</u>	<u>5,489</u>
NET (DECREASE) INCREASE IN CASH AND				
CASH EQUIVALENTS	(1,375)	(2,355)	77	6,481
CASH AND CASH EQUIVALENTS AT BEGINNING OF				
THE YEAR/PERIOD	<u>8,077</u>	<u>6,702</u>	<u>6,702</u>	<u>4,347</u>
CASH AND CASH EQUIVALENTS				
AT END OF THE YEAR/PERIOD,				
represented by bank balances and cash	<u>6,702</u>	<u>4,347</u>	<u>6,779</u>	<u>10,828</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 27 January 2017. The address of the Company's registered office and the principal place of business is disclosed in the paragraph headed "Corporate Information" to the Prospectus.

The Historical Financial Information has been prepared based on the accounting policies set out in note 3 which conform with HKFRSs issued by the HKICPA and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG5") issued by the HKICPA.

Before the reorganisation as described below, all the companies comprising the Group were controlled by FGL, AGIL, JSGL and Golden Legend Investment Limited ("GLIL"). GLIL is a company incorporated in the British Virgin Islands ("BVI") and not forming part of the Group. FGL, AGIL, JSGL and GLIL were 95.7% owned by (i) Ms. Wong Suet Hing ("Ms. SH Wong"); (ii) Ms. Wong Sau Ting Peony ("Ms. ST Wong"), daughter of Ms. SH Wong; (iii) Ms. Wong Suet Ching ("Ms. SC Wong"), sister of Ms. SH Wong; and (iv) Ms. Chow Lai Fan ("Ms. LF Chow"), sister-in-law of Ms. SH Wong, (collectively known as "Controlling Shareholders"). They are acting in concert and owned the family business through their interests held in the companies now comprising the Group.

Remaining 4.3% interests of FGL, AGIL, JSGL and GLIL is owned by Ms. Wong Shuet Ying ("Ms. SY Wong"), sister of Ms. SH Wong. From December 2016 to February 2017, Ms. SY Wong transferred her equity interest of these entities to Mr. Ma Sui Hong ("Mr. SH Ma"), the son of Ms. SY Wong. Both Ms. SY Wong and Mr. SH Ma are considered as non-controlling shareholders of the companies now comprising the Group before the completion of reorganisation.

The immediate holding company of the Company is Marvel Jumbo Limited ("MJL"), a limited company incorporated in the BVI, which is 31% owned by Mr. SH Wong, 31% owned by Ms. LF Chow, 18.7% owned by Ms. ST Wong, 15% owned by Ms. SC Wong and 4.3% owned by Mr. SH Ma.

In preparation of the listing of the Company's shares on the GEM of the Stock Exchange (the "Listing"), the companies comprising the Group underwent the reorganisation as described below.

- (i) The Company was incorporated in the Cayman Islands on 27 January 2017. The Company at the time of incorporation had an authorised share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each, of which one share was allotted and issued to an independent first subscriber at par and was subsequently transferred to Ms. SH Wong at par on 27 January 2017.

- (ii) On 15 March 2017, the Company has allotted and issued 2,789, 2,790, 1,683, 1,350 and 387 new shares of the Company at par to Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma respectively. Upon the completion of the transfer, Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma have 31.0%, 31.0%, 18.7%, 15.0% and 4.3% respectively of the then issued share capital of the Company.
- (iii) Pursuant to the subscription agreement dated 16 March 2017, the Company has allotted and issued 750 shares of the Company to Charm Dragon Investments Limited (“Pre-IPO Investor”), an independent third party, on 21 March 2017 at a cash consideration of HK\$3,000,000 and 1,250 shares of the Company to Pre-IPO Investor on 21 April 2017 at a cash consideration of HK\$5,000,000. Upon completion of these transactions, the Pre-IPO Investor has 18.2% equity interest in the Company.
- (iv) Prior to 28 March 2017, 100% equity interest of Art Capital Limited (“ACL”), 54% equity interest of Glory Fine Corporation Limited (“GFCL”), 100% equity interest of Sweetie Deli Garden Limited (“SDGL”), 100% equity interest of WSEL and 100% equity interest of Wealth Treasure Capital Investment Limited (“WTCIL”) were owned by GLIL. On 28 March 2017, FGL acquired 54% equity interest of GFCL and entire equity interest of ACL, SDGL, WSEL and WTCIL from GLIL by allotting and issuing 310, 310, 187, 150 and 43 new shares of FGL to Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma, respectively.
- (v) On 31 March 2017, FGL acquired 310, 310, 187, 150 and 43 shares in JSGL, representing the entire issued share capital in JSGL, from Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma, respectively, in consideration of allotment and issuance of 1,550, 1,550, 935, 750 and 215 new shares of FGL to Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma, respectively.
- (vi) On 31 March 2017, FGL acquired 3,100, 3,100, 1,870, 1,500 and 430 shares in AGIL, representing the entire issued share capital in AGIL, from Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma, respectively, in consideration of allotment and issuance of 3,100, 3,100, 1,870, 1,500 and 430 new shares of FGL to Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma, respectively.

- (vii) On 21 June 2017, Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma transferred their interests in the Company to MJL at par value.
- (viii) On 13 July 2017, each issued and unissued share of the Company of HK\$0.01 each was subdivided into 100 shares of HK\$0.0001 each.
- (ix) On 25 July 2017, every 100 issued and unissued shares of the Company of HK\$0.0001 each were consolidated into one share of HK\$0.01 each.
- (x) On 29 August 2017, FGL acquired 1 share in Pacific Best Enterprises Limited (“PBEL”), representing the entire issued share capital in PBEL, from Acota Services Limited at nominal consideration of HK\$1.
- (xi) On 29 January 2018, the Company acquired the entire equity interests in FGL from Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma in consideration of allotment and issuance of 9,000 new shares of the Company to MJL (at the direction of Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma). Upon the completion of transfer, FGL becomes a wholly-owned subsidiary of the Company.

Upon the completion of the above reorganisation, the Company is 90% owned by MJL and 10% owned by Pre-IPO Investor.

Pursuant to the reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 29 January 2018. The Group comprising the Company and its subsidiaries resulting from the reorganisation is regarded as a continuing entity, accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The Historical Financial Information has been prepared under the principles of merger accounting in accordance with AG5 issued by the HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where there is a shorter period. The combined statements of financial position of the Group as at 31 March 2016 and 2017 and 31 August 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation, where applicable.

2. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on 1 April 2017 throughout the Track Record Period.

The Group has not early applied the following new and amendments to HKFRSs and interpretations ("new and revised HKFRSs") which are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ³
HKFRS 17	Insurance contracts ⁴
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ¹
Amendments to HKFRS 9	Prepayment features with negative compensation ³
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ²
Amendments to HKAS 28	Long-term interests in associates and joint venture ³
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014-2016 cycle ¹
Amendments to HKAS 40	Transfers of investment property ¹
HK(IFRIC)-Interpretation 22	Foreign currency transactions and advance consideration ¹
HK(IFRIC)-Interpretation 23	Uncertainty over income tax treatments ³

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after 1 January 2021.

HKFRS 9 “Financial instruments”

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group is related to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company have reviewed the Group's financial assets as at 31 August 2017 and anticipate that the application of HKFRS 9 in the future may result in early recognition of credit losses based on expected loss model in relation to the Group's financial assets measured at amortised cost and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group's existing business model.

HKFRS 15 “Revenue from contracts with customers”

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported and disclosures made to the financial statements of the Group in the future based on the existing business model of the Group as at 31 August 2017.

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 August 2017, the Group has non-cancellable operating lease commitments of HK\$25,187,000 as disclosed in note 23. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. However, the directors of the Company do not expect the adoption of HKFRS 16, as compared to the current accounting policy of the Group, would result in significant impact on the results and the net assets of the Group. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

Except for the above, the management of the Group anticipates that the application of the other new and revised HKFRSs will have no material impact on the financial statements of the Group in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis and in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of combination

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interest even if this results in non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under control of the controlling entity.

The net assets of the combining entities or businesses are combined using the existing carrying values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business and net of discount.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Sales of goods are recognised when the goods are delivered and titles have passed.

Service income is recognised when the services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment loss on assets other than financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and deposits, amounts due from related parties and non-controlling shareholders of subsidiaries and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables and accruals and amounts due to related parties and non-controlling shareholders of subsidiaries and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution plan are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the term.

Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from “profit (loss) before taxation” as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimation of useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management of the Group will accelerate the depreciation charge where the economic useful lives are shorter than previously estimated due to removal or closure of restaurants. The management of the Group will also write-off or write-down the carrying value of the items which are technically obsolete or non-strategic assets that have been abandoned. Actual economic useful lives may differ from estimated economic useful lives.

In addition, management of the Group assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. When the recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognised in the period in which such event takes place. As at 31 March 2016 and 2017 and 31 August 2017, the carrying amounts of property, plant and equipment are approximately HK\$52,081,000, HK\$54,137,000 and HK\$51,193,000, respectively.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for services provided and goods sold and net of discount, during Track Record Period.

The Historical Financial Information reported to the management of the Group, being the chief operating decision makers, for the purpose of assessment of segment performance and resources allocation focuses on different style of cuisine serving by the Group's restaurants to the customers. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

The Group's operating and reporting segments are (i) Chinese cuisine under the brand of "Marsino"; (ii) Western cuisine under the brand of "La Dolce"; and (iii) Thai cuisine under the brand of "Grand Avenue".

Segment revenue and results

	Chinese cuisine <i>HK\$'000</i>	Western cuisine <i>HK\$'000</i>	Thai cuisine <i>HK\$'000</i>	Combined <i>HK\$'000</i>
Year ended 31 March 2016				
Segment revenue	<u>64,264</u>	<u>47,892</u>	<u>20,447</u>	<u>132,603</u>
Segment results	<u>13,275</u>	<u>5,540</u>	<u>822</u>	19,637
Other income				642
Finance costs				(369)
Other corporate costs				<u>(12,554)</u>
Profit before taxation				<u>7,356</u>
	Chinese cuisine <i>HK\$'000</i>	Western cuisine <i>HK\$'000</i>	Thai cuisine <i>HK\$'000</i>	Combined <i>HK\$'000</i>
Year ended 31 March 2017				
Segment revenue	<u>61,571</u>	<u>44,782</u>	<u>43,362</u>	<u>149,715</u>
Segment results	<u>11,653</u>	<u>4,499</u>	<u>4,814</u>	20,966
Other income				678
Listing expenses				(669)
Finance costs				(286)
Other corporate costs				<u>(11,978)</u>
Profit before taxation				<u>8,711</u>

APPENDIX I**ACCOUNTANTS' REPORT**

	Chinese cuisine HK\$'000	Western cuisine HK\$'000	Thai cuisine HK\$'000	Combined HK\$'000
Five months ended 31 August 2016 (unaudited)				
Segment revenue	<u>28,201</u>	<u>23,106</u>	<u>16,550</u>	<u>67,857</u>
Segment results	<u>5,544</u>	<u>3,389</u>	<u>2,841</u>	11,774
Other income				244
Finance costs				(132)
Other corporate costs				<u>(5,269)</u>
Profit before taxation				<u>6,617</u>
	Chinese cuisine HK\$'000	Western cuisine HK\$'000	Thai cuisine HK\$'000	Combined HK\$'000
Five months ended 31 August 2017				
Segment revenue	<u>25,572</u>	<u>15,343</u>	<u>19,552</u>	<u>60,467</u>
Segment results	<u>4,678</u>	<u>2,345</u>	<u>3,003</u>	10,026
Other income				295
Listing expenses				(7,422)
Finance costs				(131)
Other corporate costs				<u>(4,823)</u>
Loss before taxation				<u>(2,055)</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of other income, listing expenses, finance costs and other operating costs (including head office staff costs, rental and other corporate expenses) and taxation.

Segment assets and liabilities

	Chinese cuisine <i>HK\$'000</i>	Western cuisine <i>HK\$'000</i>	Thai cuisine <i>HK\$'000</i>	Combined <i>HK\$'000</i>
As at 31 March 2016				
ASSETS				
Segment assets	<u>5,456</u>	<u>7,179</u>	<u>7,589</u>	20,224
Unallocated property, plant and equipment				40,880
Deferred tax assets				1,042
Unallocated inventories				722
Unallocated other receivables and prepayments				447
Amounts due from related parties				7,202
Amounts due from non-controlling shareholders of subsidiaries				385
Bank balances and cash				<u>6,702</u>
Combined total assets				<u>77,604</u>
LIABILITIES				
Segment liabilities	<u>4,132</u>	<u>4,239</u>	<u>2,549</u>	10,920
Unallocated trade and other payables and accruals				3,268
Amounts due to related parties				27,581
Amounts due to non-controlling shareholders of subsidiaries				8,388
Bank borrowings				14,520
Tax payable				1,927
Deferred tax liabilities				<u>226</u>
Combined total liabilities				<u>66,830</u>

APPENDIX I**ACCOUNTANTS' REPORT**

	Chinese cuisine <i>HK\$'000</i>	Western cuisine <i>HK\$'000</i>	Thai cuisine <i>HK\$'000</i>	Combined <i>HK\$'000</i>
As at 31 March 2017				
ASSETS				
Segment assets	<u>9,226</u>	<u>4,889</u>	<u>9,973</u>	24,088
Unallocated property, plant and equipment				39,062
Deferred tax assets				1,518
Unallocated inventories				833
Unallocated other receivables and prepayments				2,591
Tax recoverable				149
Bank balances and cash				<u>4,347</u>
Combined total assets				<u>72,588</u>
LIABILITIES				
Segment liabilities	<u>3,833</u>	<u>2,220</u>	<u>2,553</u>	8,606
Unallocated trade and other payables and accruals				2,642
Amounts due to related parties				1,383
Amounts due to non-controlling shareholders of subsidiaries				1,319
Bank borrowings				13,058
Tax payable				1,879
Deferred tax liabilities				<u>108</u>
Combined total liabilities				<u>28,995</u>

APPENDIX I**ACCOUNTANTS' REPORT**

	Chinese cuisine HK\$'000	Western cuisine HK\$'000	Thai cuisine HK\$'000	Combined HK\$'000
As at 31 August 2017				
ASSETS				
Segment assets	<u>8,539</u>	<u>4,312</u>	<u>8,865</u>	21,716
Unallocated property, plant and equipment				38,028
Deferred tax assets				1,642
Unallocated inventories				597
Unallocated other receivables and prepayments				3,046
Amount due from a related party				1,536
Tax recoverable				128
Bank balances and cash				<u>10,828</u>
Combined total assets				<u>77,521</u>
LIABILITIES				
Segment liabilities	<u>3,201</u>	<u>2,067</u>	<u>2,373</u>	7,641
Unallocated trade and other payables and accruals				5,341
Amounts due to related parties				30
Amounts due to non-controlling shareholders of subsidiaries				1,219
Bank borrowings				15,000
Tax payable				2,718
Deferred tax liabilities				<u>153</u>
Combined total liabilities				<u>32,102</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments, other than certain property, plant and equipment for corporate use, certain inventories, deferred tax assets, certain other receivables and prepayments, amounts due from related parties and non-controlling shareholders of subsidiaries, tax recoverable and bank balances and cash.

- all liabilities are allocated to operating and reportable segments, other than tax payable, bank borrowings, certain trade and other payables and accruals, amounts due to related parties and non-controlling shareholders of subsidiaries and deferred tax liabilities.

Other segment information

	Chinese cuisine HK\$'000	Western cuisine HK\$'000	Thai cuisine HK\$'000	Total segment HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the year ended						
31 March 2016						
Amounts included in the measure of segment profit or segment assets:						
Additions of property, plant and equipment	41	2,412	3,127	5,580	29,684	35,264
Depreciation of property, plant and equipment	<u>1,230</u>	<u>1,295</u>	<u>890</u>	<u>3,415</u>	<u>2,791</u>	<u>6,206</u>
	Chinese cuisine HK\$'000	Western cuisine HK\$'000	Thai cuisine HK\$'000	Total segment HK\$'000	Unallocated HK\$'000	Total HK\$'000

For the year ended**31 March 2017**

Amounts included in the measure
of segment profit or segment
assets:

Additions of property, plant and equipment	5,538	181	2,862	8,581	1,594	10,175
Loss on written-off/disposal of property, plant and equipment	229	238	–	467	–	467
Depreciation of property, plant and equipment	<u>1,292</u>	<u>1,276</u>	<u>1,672</u>	<u>4,240</u>	<u>3,412</u>	<u>7,652</u>

	Chinese cuisine HK\$'000	Western cuisine HK\$'000	Thai cuisine HK\$'000	Total segment HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the five months ended						
31 August 2016 (unaudited)						
Amounts included in the measure of segment profit or segment assets:						
Additions of property, plant and equipment	2,322	2,297	68	4,687	1,364	6,051
Loss on written-off/disposal of property, plant and equipment	229	231	–	460	–	460
Depreciation of property, plant and equipment	388	562	560	1,510	1,394	2,904

	Chinese cuisine HK\$'000	Western cuisine HK\$'000	Thai cuisine HK\$'000	Total segment HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the five months ended						
31 August 2017						
Amounts included in the measure of segment profit or segment assets:						
Additions of property, plant and equipment	38	13	–	51	16	67
Depreciation of property, plant and equipment	670	499	792	1,961	1,050	3,011

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of goods delivered and services provided and all of the Group's non-current assets are located in Hong Kong by physical location of assets.

Information about major customers

No individual customer accounted for over 10% of the Group's total revenue during the Track Record Period.

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Ms. SH Wong was appointed as executive director of the Company on 27 January 2017 and Ms. ST Wong, Mr. Wong Muk Fai, Woody ("Mr. MF Wong"), the spouse of Ms. LF Chow and the brother of Ms. SH Wong, Mr. SH Ma and Mr. Wong Chi Chiu Henry ("Mr. CC Wong") were appointed as executive directors of the Company on 5 July 2017. The emoluments paid or payable to the executive directors and chief executive of the Company (including the emoluments for services as directors/employees of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period are as follows:

	Ms. SH Wong HK\$'000	Ms. ST Wong HK\$'000 (Note a)	Mr. MF Wong HK\$'000	Mr. SH Ma HK\$'000	Mr. CC Wong HK\$'000 (Note b)	Total HK\$'000
Year ended 31 March 2016						
Fees	–	–	–	–	–	–
Other emoluments						
Salaries and other benefits	559	559	466	318	–	1,902
Bonus (note c)	15	15	15	15	–	60
Retirement benefit scheme contributions	<u>18</u>	<u>18</u>	<u>15</u>	<u>16</u>	<u>–</u>	<u>67</u>
Total emoluments	<u>592</u>	<u>592</u>	<u>496</u>	<u>349</u>	<u>–</u>	<u>2,029</u>
	Ms. SH Wong HK\$'000	Ms. ST Wong HK\$'000 (Note a)	Mr. MF Wong HK\$'000	Mr. SH Ma HK\$'000	Mr. CC Wong HK\$'000	Total HK\$'000
Year ended 31 March 2017						
Fees	–	–	–	–	–	–
Other emoluments						
Salaries and other benefits	408	559	559	336	210	2,072
Bonus (note c)	11	11	11	11	–	44
Retirement benefit scheme contributions	<u>17</u>	<u>23</u>	<u>23</u>	<u>17</u>	<u>11</u>	<u>91</u>
Total emoluments	<u>436</u>	<u>593</u>	<u>593</u>	<u>364</u>	<u>221</u>	<u>2,207</u>

	Ms. SH Wong HK\$'000	Ms. ST Wong HK\$'000	Mr. MF Wong HK\$'000	Mr. SH Ma HK\$'000	Mr. CC Wong HK\$'000	Total HK\$'000
	(Note a)					

**Five months ended 31 August
2016 (unaudited)**

Fees	–	–	–	–	–	–
Other emoluments						
Salaries and other benefits	233	233	233	140	–	839
Retirement benefit scheme contributions	<u>8</u>	<u>8</u>	<u>8</u>	<u>7</u>	<u>–</u>	<u>31</u>
Total emoluments	<u>241</u>	<u>241</u>	<u>241</u>	<u>147</u>	<u>–</u>	<u>870</u>

	Ms. SH Wong HK\$'000	Ms. ST Wong HK\$'000	Mr. MF Wong HK\$'000	Mr. SH Ma HK\$'000	Mr. CC Wong HK\$'000	Total HK\$'000
	(Note a)					

**Five months ended 31 August
2017**

Fees	–	–	–	–	–	–
Other emoluments						
Salaries and other benefits	183	183	188	144	155	853
Retirement benefit scheme contributions	<u>6</u>	<u>8</u>	<u>8</u>	<u>7</u>	<u>8</u>	<u>37</u>
Total emoluments	<u>189</u>	<u>191</u>	<u>196</u>	<u>151</u>	<u>163</u>	<u>890</u>

Notes:

- (a) Ms. ST Wong also acts as chief executive officer of the Group.
- (b) Mr. CC Wong were employed by the Group on 1 September 2016.
- (c) The discretionary bonus is determined by reference to their duties and responsibilities within the Group and the Group's performance.

The executive directors' emoluments are for their services in connection to the management of the affairs of the Company and the Group.

During the Track Record Period, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during the Track Record Period.

(b) Employees' emoluments

The five highest paid individuals including four directors of the Company for the years ended 31 March 2016 and 2017, three directors of the Company for the five months ended 31 August 2016 (unaudited) and five directors of the Company for the five months ended 31 August 2017 whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining one individual for the years ended 31 March 2016 and 2017 and two individuals for the five months ended 31 August 2016 (unaudited) are as follows:

	Year ended 31 March		Five months ended 31 August	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Salaries and other benefits	305	308	313	—
Bonus	12	5	2	—
Retirement benefit scheme contributions	15	16	12	—
	<u>332</u>	<u>329</u>	<u>327</u>	<u>—</u>

Their emoluments are within the following bands:

	Year ended 31 March		Five months ended 31 August	
	2016	2017	2016	2017
	<i>Number of employees</i>	<i>Number of employees</i>	<i>Number of employees (unaudited)</i>	<i>Number of employees</i>
Nil to HK\$1,000,000	<u>1</u>	<u>1</u>	<u>2</u>	<u>–</u>

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

7. OTHER INCOME/OTHER LOSSES

	Year ended 31 March		Five months ended 31 August	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000 (unaudited)</i>	<i>HK\$'000</i>
Other income				
Service management income				
<i>(note)</i>	253	491	190	190
Rental income	370	–	–	–
Promotion income	13	130	2	69
Other income	<u>6</u>	<u>57</u>	<u>52</u>	<u>36</u>
	<u>642</u>	<u>678</u>	<u>244</u>	<u>295</u>
Other losses				
Loss on written-off/disposal of property, plant and equipment	<u>–</u>	<u>467</u>	<u>460</u>	<u>–</u>

Note: Service management income rendered by the Group represented office management services provided to entities owned by Mr. Benson Hung (as defined in note 19).

8. FINANCE COSTS

	Year ended 31 March		Five months ended 31 August	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Interests on bank borrowings	<u>369</u>	<u>286</u>	<u>132</u>	<u>131</u>

9. PROFIT (LOSS) BEFORE TAXATION

	Year ended 31 March		Five months ended 31 August	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Profit (loss) before taxation has been arrived at after charging:				
Auditor's remuneration	163	283	70	245
Staff costs (including directors' emoluments):				
Salaries and other benefits	44,832	50,589	21,246	19,344
Retirement benefits scheme contributions	1,911	2,240	907	871
	46,743	52,829	22,153	20,215
Lease payments under operating leases in respect of land and buildings:				
– minimum lease payments	14,891	17,102	7,229	7,111
– contingent rents (<i>note</i>)	2,373	2,709	1,545	878
	<u>17,264</u>	<u>19,811</u>	<u>8,774</u>	<u>7,989</u>

Note: The operating lease rentals for certain restaurants are determined as the higher of a fixed rental or a predetermined percentage on revenue of respective restaurants pursuant to the terms and conditions that are set out in the respective rental agreements.

10. INCOME TAX EXPENSE

	Year ended 31 March		Five months ended 31 August	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Hong Kong Profits Tax:				
Current tax	1,902	2,044	1,098	1,198
Overprovision in prior years	<u>(101)</u>	<u>(91)</u>	<u>–</u>	<u>–</u>
	1,801	1,953	1,098	1,198
Deferred taxation credit (note 14)	<u>(169)</u>	<u>(594)</u>	<u>(206)</u>	<u>(79)</u>
	<u><u>1,632</u></u>	<u><u>1,359</u></u>	<u><u>892</u></u>	<u><u>1,119</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit (loss) before taxation as follows:

	Year ended 31 March		Five months ended 31 August	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Profit (loss) before taxation	<u>7,356</u>	<u>8,711</u>	<u>6,617</u>	<u>(2,055)</u>
Tax at the domestic income tax rate	1,214	1,437	1,092	(339)
Tax effect of expense not deductible for tax purpose	52	168	9	1,235
Overprovision in prior years	(101)	(91)	–	–
Utilisation of tax losses previously not recognised	(41)	(245)	(234)	(20)
Tax effect of tax losses not recognised	330	90	25	200
Others	<u>178</u>	<u>–</u>	<u>–</u>	<u>43</u>
Income tax expense	<u>1,632</u>	<u>1,359</u>	<u>892</u>	<u>1,119</u>

Details of deferred tax are set out in note 14.

11. DIVIDENDS

During the years ended 31 March 2016 and 2017, GFCL declared and paid dividends of HK\$1,100,000 and HK\$650,000 respectively to the then shareholders.

During the year ended 31 March 2017, WTCIL declared and paid dividends of HK\$500,000 to the then shareholders.

The rate of dividend and number of shares ranking for dividend are not presented as such information is not considered meaningful having regard to the purpose of this report.

No dividends have been paid or declared by the Company since its incorporation.

12. EARNINGS (LOSS) PER SHARE

No earnings (loss) per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the reorganisation of the Group and the results of the Group for the Track Record Period that is prepared on a combined basis as set out in note 1.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Kitchen equipment <i>HK\$'000</i>	Other equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST						
At 1 April 2015	13,485	15,206	2,463	3,302	1,295	35,751
Additions	25,496	7,225	494	1,124	925	35,264
Written-off	—	—	—	(3)	—	(3)
At 31 March 2016	38,981	22,431	2,957	4,423	2,220	71,012
Additions	1,305	7,753	597	385	135	10,175
Written-off/disposals	—	(824)	(385)	(265)	—	(1,474)
At 31 March 2017	40,286	29,360	3,169	4,543	2,355	79,713
Additions	—	18	24	13	12	67
At 31 August 2017	40,286	29,378	3,193	4,556	2,367	79,780
DEPRECIATION						
At 1 April 2015	1,394	7,408	1,146	1,909	871	12,728
Provided for the year	1,474	3,420	487	554	271	6,206
Eliminated on written-off	—	—	—	(3)	—	(3)
At 31 March 2016	2,868	10,828	1,633	2,460	1,142	18,931
Provided for the year	1,602	4,548	476	637	389	7,652
Eliminated on written-off/disposals	—	(549)	(246)	(212)	—	(1,007)
At 31 March 2017	4,470	14,827	1,863	2,885	1,531	25,576
Provided for the period	671	1,797	193	250	100	3,011
At 31 August 2017	5,141	16,624	2,056	3,135	1,631	28,587
CARRYING AMOUNTS						
At 31 March 2016	36,113	11,603	1,324	1,963	1,078	52,081
At 31 March 2017	35,816	14,533	1,306	1,658	824	54,137
At 31 August 2017	35,145	12,754	1,137	1,421	736	51,193

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the terms of the lease or 50 years
Leasehold improvements	Over the lease terms
Furniture and fixtures	20%
Kitchen equipment	20%
Other equipment	20%

14. DEFERRED TAXATION

The following is the deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period.

	Accelerated accounting depreciation <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2015	733	(86)	647
Credit (charge) to profit or loss	<u>309</u>	<u>(140)</u>	<u>169</u>
At 31 March 2016	1,042	(226)	816
Credit to profit or loss	<u>476</u>	<u>118</u>	<u>594</u>
At 31 March 2017	1,518	(108)	1,410
Credit (charge) to profit or loss	<u>124</u>	<u>(45)</u>	<u>79</u>
At 31 August 2017	<u><u>1,642</u></u>	<u><u>(153)</u></u>	<u><u>1,489</u></u>

For the purpose of presentation in the Historical Financial Information, the following is the analysis of the deferred taxation:

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 August 2017 <i>HK\$'000</i>	As at 31 August 2017 <i>HK\$'000</i>
Deferred tax assets	1,042	1,518	1,642
Deferred tax liabilities	<u>(226)</u>	<u>(108)</u>	<u>(153)</u>
	<u><u>816</u></u>	<u><u>1,410</u></u>	<u><u>1,489</u></u>

The Group has unused estimated tax losses of approximately HK\$3,497,000, HK\$2,562,000 and HK\$3,653,000 available for offset against future profits as at 31 March 2016 and 2017 and 31 August 2017, respectively. No deferred tax asset has been recognised in respect of such unused tax losses as at 31 March 2016 and 2017 and 31 August 2017 due to the unpredictability of future profit. Unused tax losses may be carried forward indefinitely.

15. INVENTORIES

	As at 31 March		As at
	2016	2017	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
Food and beverage for restaurant operations	<u>1,167</u>	<u>1,190</u>	<u>868</u>

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company		
			As at	As at	As at
	As at 31 March	31 August	31 March	31 August	
	2016	2017	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables from restaurant operations	352	370	153	–	–
Rental deposits	4,525	4,284	4,284	–	–
Other deposits	2,740	2,741	2,700	–	–
Prepayments and other receivables	1,408	3,629	1,616	2,151	181
Deferred listing expenses	<u>–</u>	<u>223</u>	<u>2,573</u>	<u>223</u>	<u>2,573</u>
Total	<u>9,025</u>	<u>11,247</u>	<u>11,326</u>	<u>2,374</u>	<u>2,754</u>
Analysed for reporting purposes as:					
Non-current assets	5,568	5,950	5,859	–	–
Current assets	<u>3,457</u>	<u>5,297</u>	<u>5,467</u>	<u>2,374</u>	<u>2,754</u>
	<u>9,025</u>	<u>11,247</u>	<u>11,326</u>	<u>2,374</u>	<u>2,754</u>

There was no credit period granted to individual customers for the restaurant operations. The Group's trading terms with its customers are mainly by cash, octopus card and credit card settlement. The settlement terms of octopus card and credit card companies are usually within 7 days after the service rendered date. All trade receivables from restaurant operations are aged within 7 days.

17. BANK BALANCES AND CASH

As at 31 March 2016 and 2017 and 31 August 2017, bank balances and cash comprise of cash held and short term bank deposits with an original maturity of three months or less which carry interest at prevailing market rate of 0.01% per annum.

18. TRADE AND OTHER PAYABLES AND ACCRUALS

	The Group		The Company		
			As at	As at	As at
	As at 31 March		31 August	31 March	31 August
	2016	2017	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	3,901	3,339	3,126	–	–
Salaries payables	4,636	4,320	3,714	–	–
Payable for acquisition of property, plant and equipment	1,100	662	–	–	–
Accruals and other payables	3,071	1,267	1,530	–	–
Accrued listing expenses	–	–	2,952	–	2,952
	<u>12,708</u>	<u>9,588</u>	<u>11,322</u>	<u>–</u>	<u>2,952</u>

The credit period grants to the Group by suppliers normally ranges from 0 to 30 days. All trade payables are aged within 30 days at the end of each reporting period.

19. AMOUNTS DUE FROM/TO RELATED PARTIES AND NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

Amounts due from related parties

The Group

The amounts due from related parties are non-trade, unsecured, interest-free and repayable on demand. As represented by the directors of the Company, the amounts due from a related party at 31 August 2017 will be settled in full before Listing.

Details of amounts due from related parties are as follows:

Name of related parties	Maximum amount outstanding during the five months ended						
	Balance at	Balance at			year ended 31 March		31 August
	1 April	31 March			31 August		ended
	2015	2016	2017	2017	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ms. SH Wong	209	404	–	–	404	404	–
GLIL	2,890	5,927	–	1,536	5,927	5,927	1,536
Ms. ST Wong	12	12	–	–	12	12	–
Wealthy Corporation Limited (note)	377	377	–	–	377	377	–
Pasina Limited (note)	475	460	–	–	500	460	–
Ms. LF Chow	9	10	–	–	10	10	–
Ms. SC Wong	<u>12</u>	<u>12</u>	<u>–</u>	<u>–</u>	<u>12</u>	<u>12</u>	<u>–</u>
	<u>3,984</u>	<u>7,202</u>	<u>–</u>	<u>1,536</u>			

Note: These entities are owned by Ms. SH Wong and Ms. ST Wong.

The Company

The amount due from FGL is non-trade, unsecured, interest-free and repayable on demand.

Amounts due from non-controlling shareholders of subsidiaries

The amounts due from non-controlling shareholders of subsidiaries are non-trade, unsecured, interest-free and repayable on demand.

Details of amounts due from non-controlling shareholders of subsidiaries are as follow:

Name of related parties	Maximum amount outstanding during the five months ended						
	Balance at 1 April	Balance at 31 March			Balance at 31 August		
	2015	2016	2017	2017	year ended 31 March		31 August
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2016	2017	2017
Mr. Chan Sau Kit (<i>note i</i>)	4	4	–	–	4	4	–
Mr. Benson Hung (<i>note i</i>)	16	16	–	–	16	16	–
Mr. Lau Wai Hung (<i>note ii</i>)	252	357	–	–	357	457	–
Mr. Sze Ching Yan (<i>note i</i>)	<u>8</u>	<u>8</u>	<u>–</u>	<u>–</u>	<u>8</u>	<u>8</u>	<u>–</u>
	<u>280</u>	<u>385</u>	<u>–</u>	<u>–</u>			

Notes:

- (i) Mr. Benson Hung, Mr. Chan Sau Kit and Mr. Sze Ching Yan are non-controlling shareholders of AGIL before 9 February 2017, 11 February 2017 and 25 February 2017 respectively, the dates of the acquisition of the remaining equity interest of AGIL by the Group. Mr. Chan Sau Kit is also the non-controlling shareholder of GWHL before acquisition of his interests in GWHL by VDAL in February 2017.
- (ii) Mr. Lau Wai Hung is a non-controlling shareholder of WSEL before 23 August 2016, the date of the acquisition of remaining equity interest of WSEL by the Group.

Amounts due to related parties**The Group**

The amounts due to related parties are non-trade, unsecured, interest-free and repayable on demand. As represented by the directors of the Company, the amounts outstanding at 31 August 2017 will be settled in full before Listing.

Details of amounts due to related parties are stated as follows:

Name of related parties	As at 31 March		As at
	2016	2017	31 August
	HK\$'000	HK\$'000	2017 HK\$'000
GLIL	17,220	–	16
Ms. SH Wong	4,980	1,280	–
Ms. ST Wong	2,298	103	14
Ms. SC Wong	2,970	–	–
Wealthy Corporation Limited	<u>113</u>	<u>–</u>	<u>–</u>
	<u>27,581</u>	<u>1,383</u>	<u>30</u>

The Company

The amount due to Foodies Management Limited (“FML”) is non-trade, unsecured, interest-free and repayable on demand.

Amounts due to non-controlling shareholders of subsidiaries

The amounts due to non-controlling shareholders of subsidiaries are non-trade, unsecured, interest-free and repayable on demand. As represented by the directors of the Company, the amounts outstanding at 31 August 2017 will be settled in full before Listing.

Details of amounts due to non-controlling shareholders of subsidiaries are stated as follows:

	As at 31 March		As at
	2016	2017	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
			<i>HK\$'000</i>
Faith Great Limited (<i>note i</i>)	868	700	700
Mr. Yau Wai Leung (<i>note i</i>)	399	300	200
Mr. Luk Chi Shing (<i>note i</i>)	399	300	300
Ms. Yeung Oi Kiu (<i>note ii</i>)	351	–	–
Mr. Chan Sau Kit	1,509	–	–
Mr. Sze Ching Yan	1,614	–	–
Mr. Benson Hung	3,229	–	–
Ms. SY Wong	<u>19</u>	<u>19</u>	<u>19</u>
	<u>8,388</u>	<u>1,319</u>	<u>1,219</u>

Notes:

- (i) Faith Great Limited, Mr. Yau Wai Leung and Mr. Luk Chi Sing are the non-controlling shareholders of All Happiness Limited (“AHL”).
- (ii) Ms. Yeung Oi Kiu is the non-controlling shareholder of GWHL before acquisition of her interests in GWHL by VDAL in February 2017 and GFCL.

20. BANK BORROWINGS

	As at 31 March		As at 31 August
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Carrying amount that does not contain repayment on demand clause repayable based on scheduled repayment terms:			
– More than two years but not exceeding five years	–	–	15,000
Carrying amount (shown under current liabilities) that contains a repayment on demand clause repayable based on scheduled repayment terms:			
– Within one year	1,457	977	–
– More than one year but not exceeding two years	965	997	–
– More than two years but not exceeding five years	3,025	3,109	–
– More than five years	<u>9,073</u>	<u>7,975</u>	<u>–</u>
	<u>14,520</u>	<u>13,058</u>	<u>15,000</u>

The bank borrowings are at floating rate which carry interest at HK\$ Best Lending Rate minus a spread. The effective interest rate on the Group's bank borrowings was 2.23%, 1.95% and 1.94% per annum as at 31 March 2016 and 2017 and 31 August 2017, respectively.

Bank borrowings of HK\$8,888,000 and HK\$8,339,000 as at 31 March 2016 and 2017 are secured by the leasehold land and building owned by the Group with the carrying amount of HK\$24,561,000 and HK\$23,541,000, respectively, personal guarantee provided by Ms. SH Wong, Ms. SC Wong and Ms. LF Chow and corporate guarantee provided by certain group entities, GLIL and Pasina Limited. The borrowings were subsequently repaid in June 2017.

Bank borrowings of HK\$5,120,000 and HK\$4,719,000 as at 31 March 2016 and 2017 are secured by leasehold land and building owned by the Group with the carrying amount of HK\$11,552,000 and HK\$12,275,000, respectively, and a property owned by Pasina Limited and personal guarantee provided by Ms. SH Wong and Ms. SC Wong and corporate guarantee provided by certain group entities, GLIL, Wealthy Corporation Limited and Pasina Limited. The borrowings were subsequently repaid in June 2017.

The pledge of property owned by Pasina Limited, personal guarantee provided by Ms. SH Wong, Ms. SC Wong and Ms. LF Chow and corporate guarantee by GLIL, Wealthy Corporation Limited and Pasina Limited were released in June 2017.

The remaining bank borrowings of HK\$512,000 as at 31 March 2016 is unsecured and unguaranteed.

Bank borrowings of HK\$15,000,000 as at 31 August 2017 are secured by leasehold land and building owned by the Group with the carrying amount of HK\$35,145,000 and corporate guarantee provided by the group companies.

21. PROVISION

	Reinstatement provision HK\$'000		
As at 1 April 2015			1,260
Provision recognised			<u>220</u>
As at 31 March 2016			1,480
Provision recognised			<u>180</u>
As at 31 March 2017 and 31 August 2017			<u><u>1,660</u></u>
	As at		
	As at 31 March		31 August
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysed for reporting purpose as:			
Non-current liabilities	1,480	1,660	1,480
Current liabilities	<u>–</u>	<u>–</u>	<u>180</u>
	<u><u>1,480</u></u>	<u><u>1,660</u></u>	<u><u>1,660</u></u>

The provision for reinstatement works related to the estimated cost of reinstating the rented premises to be carried out at the end of respective lease periods (i.e. 36 months to 60 months). These amounts have not been discounted for the purpose of measuring the provision for reinstatement works as the effect is not significant.

22. SHARE CAPITAL

The share capital as at 1 April 2015 represented the combined share capital of FGL, GFCL, WSEL, ACL, SDGL, WTCIL, AGIL, and GWHL.

The share capital as at 31 March 2016 represented the combined share capital of FGL, GFCL, WSEL, ACL, SDGL, WTCIL, AGIL, GWHL and VDAL.

The share capital as at 31 March 2017 and 31 August 2017 represented the combined share capital of the Company and FGL.

Details of the Company's shares are disclosed as follows:

	Number of shares	Amount HK\$	HK\$'000
Authorised:			
At 27 January 2017 (date of incorporation), 31 March 2017	38,000,000	380,000	380
Share subdivision	3,762,000,000	–	–
Share consolidation	<u>(3,762,000,000)</u>	<u>–</u>	<u>–</u>
At 31 August 2017	<u>38,000,000</u>	<u>380,000</u>	<u>380</u>
Issued and fully paid:			
At 27 January 2017 (date of incorporation)	1	–	–
Issue of shares	<u>9,749</u>	<u>98</u>	<u>–</u>
At 31 March 2017	9,750	98	–
Issue of shares	1,250	12	–
Share subdivision	1,089,000	–	–
Share consolidation	<u>(1,089,000)</u>	<u>–</u>	<u>–</u>
At 31 August 2017	<u>11,000</u>	<u>110</u>	<u>–</u>

The Company was incorporated on 27 January 2017 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.

8,613 and 387 shares of the Company were allotted and issued to the Controlling Shareholders and Mr. SH Ma, respectively, as disclosed in note 1(ii).

On 21 March 2017 and 21 April 2017, 750 shares and 1,250 shares of the Company were allotted and issued at cash consideration of HK\$3,000,000 and HK\$5,000,000 to the Pre-IPO Investor as disclosed in note 1(iii).

Pursuant to the written resolutions of shareholders of the Company passed on 13 July 2017, each issued and unissued share of HK\$0.01 each was subdivided into 100 shares of HK\$0.0001 each such that the authorised share capital as at 13 July 2017 was HK\$380,000 divided into 3,800,000,000 shares of HK\$0.0001 each, in which 1,100,000 shares of HK\$0.0001 each were in issue.

Pursuant to the written resolutions of shareholders of the Company passed on 25 July 2017, every 100 issued and unissued shares of the Company of HK\$0.0001 each were consolidated into one share of HK\$0.01 each such that the authorised share capital as at 25 July 2017 was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, in which 11,000 shares of HK\$0.01 each were in issue.

All ordinary shares issued rank *pari passu* with the existing issued shares in all aspects.

23. OPERATING LEASE COMMITMENTS

At the end of each reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases with independent third parties, which fall due as follows:

	As at 31 March		As at
	2016	2017	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	13,710	14,272	15,214
In the second to fifth year inclusive	<u>17,514</u>	<u>15,636</u>	<u>9,973</u>
	<u>31,224</u>	<u>29,908</u>	<u>25,187</u>

The above operating lease payments represent rental payable by the Group for restaurants for the Track Record Period.

Leases are negotiated and rentals are for term of three to five years. Certain leases include contingent rentals calculated with reference to turnover of the restaurants plus monthly fixed rental. Other leases are fixed for terms of three to five years.

24. RETIREMENT BENEFITS SCHEMES

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are both required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount was HK\$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the combined statements of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in note 9.

25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes amounts due to related parties and bank borrowings as disclosed in respective notes, and equity of the Group, comprising issued share capital, other reserves and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings or the repayment of the existing borrowings.

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group		The Company	
	As at		As at	
	As at 31 March	31 August	31 March	31 August
	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	<u>17,502</u>	<u>7,790</u>	<u>15,222</u>	<u>–</u>
				<u>2,167</u>
Financial liabilities				
Amortised cost	<u>58,561</u>	<u>21,028</u>	<u>23,857</u>	<u>43</u>
				<u>5,012</u>

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables and deposits, bank balances and cash, trade and other payables and accruals, amounts due from/to related parties and non-controlling shareholders of subsidiaries and bank borrowings. The Company's financial instruments include amounts due from/to related parties and accruals. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 17) and bank borrowings (see note 20). The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group's bank balances and prime rate arising from the Group's variable-rate bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of each reporting period were outstanding for the whole year/period and 50 basis points increase or decrease are used. The bank balances are excluded from the sensitivity analysis as the management of the Group considers that the interest rate fluctuation is not significant.

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's profit for the year ended 31 March 2016 and 2017 and the five months ended 31 August 2016 (unaudited) would decrease/increase by HK\$61,000, HK\$55,000 and HK\$24,000, respectively the Group's loss for the five months ended 31 August 2017 would increase/decrease by HK\$26,000.

Credit risk

The Group's credit risk is primarily attributable to trade receivables and deposits, amounts due from related parties and non-controlling shareholders of subsidiaries and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position at the end of each reporting period.

The credit risk for bank balances is considered as not material as such amounts are placed in banks with good reputations.

The Group has significant concentration of credit risk on amounts due from related parties and non-controlling shareholders of subsidiaries as at 31 March 2016 and amount due from a related party as at 31 August 2017. Details of amounts due from related parties and non-controlling shareholders of subsidiaries as at 31 March 2016 and 31 August 2017 are disclosed in note 19. The management of the Group considers the counterparties with good credit worthiness based on their past repayment history and subsequent settlement.

Liquidity risk

In the management of the 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 unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specially, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

The Group

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2016					
Non-derivative financial liabilities					
Trade and other payables and accruals	N/A	–	8,072	8,072	8,072
Amounts due to related parties	N/A	27,581	–	27,581	27,581
Amounts due to non-controlling shareholders of subsidiaries	N/A	8,388	–	8,388	8,388
Bank borrowings	2.23	14,520	–	14,520	14,520
		<u>50,489</u>	<u>8,072</u>	<u>58,561</u>	<u>58,561</u>

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2017					
Non-derivative financial liabilities					
Trade and other payables and accruals	N/A	–	5,268	5,268	5,268
Amounts due to related parties	N/A	1,383	–	1,383	1,383
Amounts due to non-controlling shareholders of subsidiaries	N/A	1,319	–	1,319	1,319
Bank borrowings	1.95	13,058	–	13,058	13,058
		<u>15,760</u>	<u>5,268</u>	<u>21,028</u>	<u>21,028</u>

APPENDIX I

ACCOUNTANTS' REPORT

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 3 months HK\$'000	4 months to 12 months HK\$'000	1 year to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 August 2017							
Non-derivative financial liabilities							
Trade and other payables and accruals	N/A	–	7,608	–	–	7,608	7,608
Amounts due to related parties	N/A	30	–	–	–	30	30
Amounts due to non-controlling shareholders of subsidiaries	N/A	1,219	–	–	–	1,219	1,219
Bank borrowings	1.94	–	73	218	15,524	15,815	15,000
		<u>1,249</u>	<u>7,681</u>	<u>218</u>	<u>15,524</u>	<u>24,672</u>	<u>23,857</u>

The Company

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2017					
Non-derivative financial liability					
Amount due to a related party	N/A	<u>43</u>	<u>–</u>	<u>43</u>	<u>43</u>

As at 31 August 2017					
Non-derivative financial liability					
Accruals	N/A	2,952	–	2,952	2,952
Amount due to a related party	N/A	<u>2,060</u>	<u>–</u>	<u>2,060</u>	<u>2,060</u>
		<u>5,012</u>	<u>–</u>	<u>5,012</u>	<u>5,012</u>

Bank borrowings with a repayment on demand clause are included in the “Repayment on demand” time band in the above maturity analysis. As at 31 March 2016 and 2017, the aggregate carrying amount of these bank borrowings were approximately HK\$14,520,000 and HK\$13,058,000, respectively.

For the purpose of managing liquidity risk, management of the Group reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowing agreements as set out in the table below:

	Weighted average effective interest rate	1-3 months	4-12 months	1 year to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings:							
As at 31 March 2016	2.23	<u>828</u>	<u>931</u>	<u>4,964</u>	<u>9,915</u>	<u>16,638</u>	<u>14,520</u>
As at 31 March 2017	1.95	<u>306</u>	<u>918</u>	<u>4,893</u>	<u>8,557</u>	<u>14,674</u>	<u>13,058</u>

Fair value

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

27. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with its related parties during the Track Record Period:

	Year ended 31 March		Five months ended 31 August	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Staff costs recharged from GLIL (<i>note</i>)	<u>1,087</u>	<u>799</u>	<u>481</u>	<u>–</u>
Purchase of kitchen equipment from Wealthy Corporation Limited (<i>note</i>)	<u>23</u>	<u>36</u>	<u>20</u>	<u>–</u>

Note: In the opinion of the directors of the Company, the transaction will be discontinued after Listing.

Details of the balances with related parties at the end of each reporting period are disclosed in the statements of financial position, combined statements of cash flows and note 19 to the Historical Financial Information.

Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended 31 March 2016 and 2017 and the five months ended 31 August 2016 (unaudited) and 2017 were as follows:

	Year ended 31 March		Five months ended 31 August	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Short-term benefits	2,105	2,277	907	1,038
Post-employment benefits	<u>74</u>	<u>98</u>	<u>33</u>	<u>45</u>
	<u>2,179</u>	<u>2,375</u>	<u>940</u>	<u>1,083</u>

28. MAJOR NON-CASH TRANSACTIONS

During the period from 9 February 2017 to 25 February 2017, Mr. Sze Ching Yan, Mr. Benson Hung, Mr. Chan Sau Kit, Ms. Yeung Oi Kiu and Ms. SY Wong (the “Assignors”) entered into deeds of agreements with Ms. SH Wong (the “Assignee”) and the Company as debtor in respect of the Assignors agreeing to assign to the Assignee and the Assignee agreeing to acquire from the Assignors, all the Assignors’ benefits and interests of loans due by the Company of approximately HK\$6,701,000 to the Assignor as at the date of agreements.

Amounts due to related parties of approximately HK\$7,490,000, HK\$10,856,000, HK\$2,296,000 and HK\$2,969,000 were waived by GLIL, Ms. SH Wong, Ms. ST Wong and Ms. SC Wong respectively, on 31 March 2017 and credited as deemed contributions from shareholders in equity.

29. RESERVES OF THE COMPANY

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 27 January 2017 (date of incorporation)	–	–	–
Loss and total comprehensive expenses for the period	–	(669)	(669)
Issue of shares of the Company	<u>3,000</u>	<u>–</u>	<u>3,000</u>
At 31 March 2017	3,000	(669)	2,331
Loss and total comprehensive expenses for the period	–	(7,422)	(7,422)
Issue of shares of the Company	<u>5,000</u>	<u>–</u>	<u>5,000</u>
At 31 August 2017	<u><u>8,000</u></u>	<u><u>(8,091)</u></u>	<u><u>(91)</u></u>

30. MOVEMENT ON THE GROUP'S LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's combined statements of cash flows as cash flows from financing activities.

	Amounts due to related parties	Amounts due to non- controlling shareholders of subsidiaries	Bank borrowings	Total
At 1 April 2015	20,761	3,769	6,496	31,026
Financing cash flows (<i>note</i>)	<u>6,820</u>	<u>4,619</u>	<u>8,024</u>	<u>19,463</u>
At 31 March 2016	27,581	8,388	14,520	50,489
Financing cash flow (<i>note</i>)	(9,288)	(368)	(1,462)	(11,118)
Transfer (<i>note</i> 28)	6,701	(6,701)	–	–
Waiver of amounts due to shareholders (<i>note</i> 28)	<u>(23,611)</u>	<u>–</u>	<u>–</u>	<u>(23,611)</u>
At 31 March 2017	1,383	1,319	13,058	15,760
Financing cash flow (<i>note</i>)	<u>(1,353)</u>	<u>(100)</u>	<u>1,942</u>	<u>489</u>
At 31 August 2017	<u>30</u>	<u>1,219</u>	<u>15,000</u>	<u>16,249</u>
At 1 April 2016	27,581	8,388	14,520	50,489
Financing cash flow (<i>note</i>)	<u>(1,112)</u>	<u>(147)</u>	<u>(902)</u>	<u>(2,161)</u>
At 31 August 2016 (unaudited)	<u>26,469</u>	<u>8,241</u>	<u>13,618</u>	<u>48,328</u>

Note: The financing cash flows represented the net amount of new bank borrowings raised, advances from related parties and non-controlling shareholders of subsidiaries, repayments of bank borrowings, related parties and non-controlling shareholders of subsidiaries.

31. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid share capital	Attributable equity interest of the Group as at			date of this report	Principal activities	Notes
				31 March 2016	31 August 2017	31 August 2017			
AGIL	BVI 5 November 2014	Hong Kong	United States Dollar ("USD") 10,000	63.5%	95.7%	95.7%	100%	Investment holding	(a)
Access Smart Corporation Limited ("ASCL") (note g)	Hong Kong 5 February 2014	Hong Kong	HK\$10,000	86.1%	86.1%	86.1%	90%	Restaurant operations	(b)
AHL (note g)	Hong Kong 18 June 2015	Hong Kong	HK\$10,000	67.0%	67.0%	67.0%	70%	Restaurant operations	(b)
ACL (note d)	Hong Kong 21 September 2012	Hong Kong	HK\$100	95.7%	95.7%	95.7%	100%	Restaurant operations	(b)
C M of (Hong Kong) LCC Limited ("CM") (note e)	Hong Kong 4 October 2006	Hong Kong	HK\$10,000	63.5%	95.7%	95.7%	100%	Investment holding	(b)
Foodies Branding Limited ("FBL") (note g)	Hong Kong 18 March 2014	Hong Kong	HK\$1	95.7%	95.7%	95.7%	100%	Trademarks holding	(b)
FGL	BVI 14 February 2014	Hong Kong	USD1,000	95.7%	95.7%	95.7%	100%	Investment holding	(a)
FML (note g)	Hong Kong 31 March 2014	Hong Kong	HK\$1	95.7%	95.7%	95.7%	100%	Provision of management services to group companies	(b)
GFCL (note d)	Hong Kong 22 June 2012	Hong Kong	HK\$100	51.7%	51.7%	51.7%	54%	Restaurant operations	(b)
Gold Pavilion Limited ("GPL") (note g)	Hong Kong 19 March 2014	Hong Kong	HK\$1	95.7%	95.7%	95.7%	100%	Restaurant operations	(b)
GWHL (note f)	Hong Kong 3 August 2009	Hong Kong	HK\$100	83.0%	95.7%	95.7%	100%	Property investment in Hong Kong	(b)
JSGL (note f)	BVI 5 October 2016	Hong Kong	USD1,000	–	95.7%	95.7%	100%	Investment holding	(a)
PBEL (note g)	Hong Kong 29 March 2017	Hong Kong	HK\$1	–	–	95.7%	100%	Restaurant operations	(h)
SDGL (note d)	Hong Kong 8 July 2010	Hong Kong	HK\$10,000	95.7%	95.7%	95.7%	100%	Restaurant operations	(b)
Union Choice Limited ("UCL") (note g)	Hong Kong 20 May 2005	Hong Kong	HK\$101	95.7%	95.7%	95.7%	100%	Provision of food processing services to group companies	(b)
VDAL (note f)	Hong Kong 9 October 2015	Hong Kong	HK\$10,000	51.0%	95.7%	95.7%	100%	Investment holding	(c)

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid share capital	Attributable equity interest of the Group as at			date of this report	Principal activities	Notes
				31 March 2016	31 March 2017	31 August 2017			
Wealthy Development (Hong Kong) Limited ("WDL") (note e)	Hong Kong 27 October 2004	Hong Kong	HK\$10,000	63.5%	95.7%	95.7%	100%	Property investment in Hong Kong	(b)
WSEL (note d)	Hong Kong 3 June 2008	Hong Kong	HK\$10	57.4%	95.7%	95.7%	100%	Restaurant operations	(b)
WTCIL (note d)	Hong Kong 30 October 2009	Hong Kong	HK\$100	95.7%	95.7%	95.7%	100%	Restaurant operations	(b)

All the companies comprising the Group have adopted 31 March as their financial year end date.

FGL is directly held by the Company and all other subsidiaries are indirectly held by the Company.

Notes:

- (a) No statutory audited financial statements have been prepared since its date of incorporation as they are incorporated in a jurisdiction where there is no statutory audit requirements.
- (b) The statutory financial statements of these entities for the year ended 31 March 2016, which are prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by HKICPA, were audited by Michael M.C. Chan & Co. Certified Public Accountants, a firm of certified public accountants registered in Hong Kong. The statutory financial statements of these entities for the year ended 31 March 2017, which are prepared in accordance with the HKFRSs issued by HKICPA, were audited by us.
- (c) The statutory financial statements for the period from its date of incorporation (9 October 2015) to 31 March 2017, which are prepared in accordance with HKFRSs issued by HKICPA, were audited by us.
- (d) These entities are owned by GLIL before 28 March 2017. Upon the reorganisation on 28 March 2017, these entities are owned by FGL.
- (e) CM and WDL are wholly-owned subsidiaries of AGIL during the Track Record Period.
- (f) In January 2017, Jumbo Spirt, which is 95.7% owned by the Controlling Shareholders, acquired 51% and 49% equity interest in VDAL from GLIL and an independent third party at a cash consideration of HK\$10,000. In February 2017, VDAL acquired 83%, 10%, 5% and 2% equity interest of GWHL from the Controlling Shareholders, Mr. Chau Sau Kit, Ms. Yeung Oi Kiu and Ms. SY Wong at an aggregation cash consideration of HK\$1. Upon completion of these transactions, VDAL and GWHL become wholly-owned subsidiaries of Jumbo Spirt. Upon the completion of step (v) of reorganisation as stated in note 1 on 31 March 2017, Jumbo Spirt is wholly-owned by FGL.
- (g) AHL, ASCL, FBL, FML, GPL, PBEL and UCL are subsidiaries of FGL during the Track Record Period.
- (h) No statutory audited financial statements have been prepared for the year ended 31 March 2017 since it was incorporated on 29 March 2017.

32. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Historical Financial Information, subsequent events of the Group and detailed as below.

On 29 January 2018, written resolutions of the shareholders of the Company was passed to approve the matters set out in the paragraph headed “Written resolutions of our Shareholders passed on 29 January 2018” in Appendix V of the Prospectus. It was resolved, among other things:

- (i) the authorised share capital of the Company increased to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares of the Company.
- (ii) The Company has conditionally adopted a share option scheme, the principal terms of which are set out in the section headed “Statutory and general information – D. Other information – 1. Share Option Scheme” in Appendix V to the Prospectus. There is no share option granted by the Company up to the date of this report.
- (iii) conditional upon the share premium account of the Company being credited as a result of the offer of the Company’s shares, the directors of the Company were authorised to capitalise the amount of HK\$5,999,800 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 599,980,000 shares of the Company for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 29 January 2018.

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 31 August 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the two years ended 31 March 2017 and the five months ended 31 August 2017 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's reporting accountants, as set out in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in connection with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Share Offer on the audited combined net tangible assets of the Group attributable to the owners of the Company as if the Share Offer had taken place on 31 August 2017.

The statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to the owners of the Company as at 31 August 2017 or any future dates following the Share Offer.

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 August 2017 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 August 2017 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 August 2017 HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 August 2017 per Share HK\$ (Note 3)
Based on Offer Price of HK\$0.33 per Offer Share	<u>42,600</u>	<u>50,917</u>	<u>93,517</u>	<u>0.12</u>
Based on Offer Price of HK\$0.27 per Offer Share	<u>42,600</u>	<u>39,757</u>	<u>82,357</u>	<u>0.11</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 August 2017 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 200,000,000 Offer Shares at the Offer Price of lower limit and upper limit of HK\$0.27 and HK\$0.33 per Offer Share, respectively, after taking into account the estimated underwriting fees and other related expenses incurred or to be incurred by the Group, other than those expenses which had been recognised in profit or loss prior to 31 August 2017.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchase Shares referred to in the section headed "General Mandate to Allot and Issue New Shares" or the section headed "General Mandate to Repurchase Shares" in this prospectus.

- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 August 2017 per Share is calculated based on 776,780,000 Shares, taking into account of (i) 10,613 Shares in issue attributable to owners of the Company as at 31 August 2017; (ii) issuance of 8,613 Shares to Controlling Shareholders for acquisition of FGL as part of the Reorganisation; (iii) related Capitalisation Issue in respect of (i) and (ii) as aforementioned; and (iv) 200,000,000 Shares to be issued pursuant to Share Offer. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Allot and Issue New Shares" or the section headed "General Mandate to Repurchase Shares" in this prospectus.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 August 2017.
- (5) Based on the property valuation report as of 31 December 2017 as set forth in "Appendix III – Property Valuation Report", the property interests of the Group attributable to the owners of the Company had a revaluation surplus up to 31 December 2017 of approximately HK\$15.4 million, representing the excess of the market value of these properties (including leasehold land and buildings) over their carrying amounts to the extent attributable to owners of the Company. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company has not taken into account the revaluation surplus of properties held for own use (including leasehold land and buildings), nor will the Group incorporate the revaluation surplus in its future financial statements. If the revaluation surplus up to 31 December 2017 is to be incorporated in the Group's future financial statements, additional annual depreciation of approximately HK\$0.7 million (excluding tax impact) would be charged as expenses.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Simplicity Holding Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Simplicity Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 August 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 6 February 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offer of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Offer") on the Group's financial position as at 31 August 2017 as if the Offer had taken place at 31 August 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for each of the two years ended 31 March 2017 and the five months ended 31 August 2017, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 August 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Opinion

In our opinion:

- (a) the unaudited 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 purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

6 February 2018

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from International Valuation Limited, an independent valuer, in connection with its valuation as at 31 December 2017 of the property interests of the Group.



International Valuation Limited
國際評估有限公司

Room 1213, 12/F.
Houston Centre
63 Mody Road, Tsim Sha Tsui
Hong Kong
Tel: (852) 2348 1777
Email: team@ivl.hk

Date: 6 February 2018

The Board of Directors
Simplicity Holding Limited
Room 13, 8/F, Vanta Industrial Centre
21-33 Tai Lin Pai Road, Kwai Chung
New Territories, Hong Kong

Dear Sirs,

INSTRUCTIONS

In accordance with your instructions for us to value various properties in which Simplicity Holding Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) have interests in Hong Kong, we confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 December 2017 (referred to as the “**Valuation Date**”).

This letter which forms part of our valuation explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigation and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of the property interests represents the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s – length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

PROPERTY INTERESTS CATEGORISATION

The property interests are categorised as follows:

- Group I – Property interests held and occupied by the Group in Hong Kong
- Group II – Property interests held by the Group for investment in Hong Kong

VALUATION METHODOLOGY

We have valued the property interests of the property on market basis and the direct comparison method is adopted where comparison based on prices realised on actual sales of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards published by The Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the seller sells the property interests on the open market in their existing states without the benefit of a deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which could serve to affect the values of the property interests.

In undertaking our valuation, we have assumed that, unless otherwise stated, transferable land use rights in respect of the property interests for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have also assumed that the owners of the properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

No allowance has been made in our valuation for any outstanding or additional land premium, charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Other special assumptions of the property interests, if any, have been stated out in the footnotes of the valuation certificates attached herewith.

TITLE INVESTIGATION

We have been, in some instances, shown copies of various title documents and other documents relating to the property interests and have made relevant enquiries. We also caused searches to be made at the Land Registry in respect of the property interests located in Hong Kong and have made relevant enquiries. We have not examined the original documents to verify the existing title to the property interests and any material encumbrances that might be attached to the property interests or any lease amendments.

All legal documents provided by the Group have been used for reference only. No responsibility regarding legal title to the property interests is assumed in this valuation certificate.

LIMITING CONDITIONS

We have inspected the exterior, and wherever possible, the interior of the properties but no structural survey had been made. In the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. Further, no test has been carried out on any of the building services. All dimensions, measurements and areas are only approximates. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

The site inspection of the property was carried out on 5 January 2018 by Mr Ian Ng, who is a registered professional surveyor.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us on such matters, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, site and floor areas and all other relevant matters in the identification of the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Liability in connection with this valuation is limited to the client to whom this valuation is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

This valuation is to be used only for the purpose stated herein, any use or reliance for any other purpose, by you or third parties, is invalid. No reference to our name or our valuation in whole or in part, in any document you prepare and/or distribute to third parties may be made without written consent.

EXCHANGE RATE

Unless otherwise stated, all monetary amounts stated in this valuation are in Hong Kong Dollar (HKD).

Our summary of values and valuation certificates are herewith attached.

Yours faithfully,
For and on behalf of

International Valuation Limited

Ian Ng

MHKIS RPS(GP)

General Manager – Real Estate

Mr. Ian Ng is a Registered Professional Surveyor with over 10 years' experience in valuation of properties in HKSAR, Macau SAR and mainland China. Mr. Ng is a Professional Member of The Hong Kong Institute of Surveyors.

SUMMARY OF VALUES

Property	Market Value in Existing State as at 31 December 2017 <i>HKD</i>

Group I – Property interests held and occupied by the Group in Hong Kong

1	Factory Unit No.13 on 8/F, Vanta Industrial Centre, Nos.21-33 Tai Lin Pai Road, Kwai Chung, New Territories	25,100,000
2	Factory Unit No.19 on 8/F, Vanta Industrial Centre, Nos.21-33 Tai Lin Pai Road, Kwai Chung, New Territories	23,600,000
Sub-total:		48,700,000

Group II – Property interests held by the Group for investment in Hong Kong

3	Private Car Parking Space No.P26 on 1/F of Vanta Industrial Centre, Nos.21-33 Tai Lin Pai Road, Kwai Chung, New Territories	1,300,000
Total:		50,000,000

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group in Hong Kong

			Market Value in Existing State as at 31 December 2017
Property	Description and Tenure	Particular of Occupancy	
1 Factory Unit No.13 on 8/F, Vanta Industrial Centre, Nos.21-33 Tai Lin Pai Road, Kwai Chung, New Territories	The property comprises a factory unit on 8th floor of an 18-storey industrial building completed in 1988.	The property is currently occupied by the Group for food processing, storage and ancillary office uses.	HKD25,100,000 (Hong Kong Dollars Twenty Five Million One Hundred Thousand)
65/11816 shares of and in The Remaining Portion of Lot No. 696 in D.D. 445	The total saleable area of the property is approximately 6,125 sq.ft.		
	The property is situated on Tai Lin Pai Road at its junction with Kwai Sau Road in Kwai Chung District in the New Territories. Developments in the vicinity are mainly industrial and residential developments.		
	The property is held under New Grant No. TW3821 for a term of 99 years commencing on 1 July 1898. The term has been statutorily extended to 30 June 2047. The government rent payable for the property is at 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is Wealthy Development (Hong Kong) Limited (駿源發展(香港)有限公司), which is a wholly-owned subsidiary of the Company, vide an Assignment by memorial no.15042700990063 dated 13 April 2015 at a consideration of HKD23,448,000.
- (2) The property is subject to encumbrances as follows:
 - (i) a Deed of Mutual Covenant and Management Agreement re R.P. in favour of Citybase Property Management Limited “The Manager” vide memorial no. TW498185 dated 8 March 1988; and
 - (ii) a Mortgage in favour of The Hong Kong and Shanghai Banking Corporation Limited vide memorial no. 15042700990078 dated 13 April 2015.
- (3) The property is designated as “Other Specified Uses (Business)” under a Draft Kwai Chung Outline Zoning Plan No.S/KC/28 dated 13 June 2014.
- (4) We have collected and considered various sales comparable evidences in the locality which have similar characteristic as the property and noted that the unit transacted price of factory units is in the range between HKD3,740 and HKD4,650 per sq.ft. on saleable area basis. The unit rate adopted to arrive at the value of the property is in line with the comparables collected.

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group in Hong Kong

			Market Value in Existing State as at 31 December 2017
Property	Description and Tenure	Particular of Occupancy	
2 Factory Unit No.19 on 8/F, Vanta Industrial Centre, Nos.21-33 Tai Lin Pai Road, Kwai Chung, New Territories	The property comprises a factory unit on 8th floor of an 18-storey industrial building completed in 1988.	The property is currently occupied by the Group for food processing, storage and ancillary office uses.	HKD23,600,000 (Hong Kong Dollars Twenty Three Million Six Hundred Thousand)
60/11816 shares of and in The Remaining Portion of Lot No. 696 in D.D. 445	The total saleable area of the property is approximately 5,748 sq.ft.		
	The property is situated on Tai Lin Pai Road at its junction with Kwai Sau Road in Kwai Chung District in the New Territories. Developments in the vicinity are mainly industrial and residential developments.		
	The property is held under New Grant No. TW3821 for a term of 99 years commencing on 1 July 1898. The term has been statutorily extended to 30 June 2047. The government rent payable for the property is at 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is Grace Wealth Holdings Limited (寶欣集團有限公司), which is a wholly-owned subsidiary of the Company, vide an Assignment by memorial no.12082700930106 dated 16 August 2012 at a consideration of HKD12,950,000.
- (2) The property is subject to encumbrances as follows:
 - (i) a Deed of Mutual Covenant and Management Agreement re R.P. in favour of Citybase Property Management Limited “The Manager” vide memorial no. TW498185 dated 8 March 1988;
 - (ii) a Mortgage in favour of The Hong Kong and Shanghai Banking Corporation Limited vide memorial no. 12082700930119 dated 16 August 2012; and
 - (iii) Deed of Variation and Further Charge in favour of The Hong Kong and Shanghai Banking Corporation Limited vide memorial no. 13010401110028 dated 21 December 2012.
- (3) The property is designated as “Other Specified Uses (Business)” under a Draft Kwai Chung Outline Zoning Plan No.S/KC/28 dated 13 June 2014.
- (4) We have collected and considered various sales comparable evidences in the locality which have similar characteristic as the property and noted that the unit transacted price of factory units is in the range between HKD3,740 and HKD4,650 per sq.ft. on saleable area basis. The unit rate adopted to arrive at the value of the property is in line with the comparables collected.

VALUATION CERTIFICATE

Group II – Property interests held by the Group for investment in Hong Kong

			Market Value in Existing State as at 31 December 2017
Property	Description and Tenure	Particular of Occupancy	
3 Private Car Parking Space No.P26 on 1/F of Vanta Industrial Centre, Nos.21-33 Tai Lin Pai Road, Kwai Chung, New Territories	The property comprises a carparking space on 1st floor of an 18-storey industrial building completed in 1988.	The property is currently leased to an independent third party for a term commencing on 1 May 2017 and expiring on 30 April 2018 at a monthly rental of HKD3,500 inclusive of rates, government rent and management fee for carparking use.	HKD1,300,000 (Hong Kong Dollars One Million Three Hundred Thousand)
2/11816 shares of and in The Remaining Portion of Lot No. 696 in D.D. 445	The property is situated on Tai Lin Pai Road at its junction with Kwai Sau Road in Kwai Chung District in the New Territories. Developments in the vicinity are mainly industrial and residential developments. The property is held under New Grant No. TW3821 for a term of 99 years commencing from 1 July 1898. The term has been statutorily extended to 30 June 2047. The government rent payable for the property is at 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is Grace Wealth Holdings Limited vide an Assignment by memorial no.16051800730033 dated 6 May 2016 at a consideration of HKD1,280,000.
- (2) The property is subject to encumbrances as follows:

a Deed of Mutual Covenant and Management Agreement re R.P. in favour of Citybase Property Management Limited “The Manager” vide memorial no. TW498185 dated 8 March 1988;
- (3) The property is designated as “Other Specified Uses (Business)” under a Draft Kwai Chung Outline Zoning Plan No.S/KC/28 dated 13 June 2014.
- (4) We have collected and considered various sales comparable evidences in the locality which have similar characteristic as the property and noted that the unit transacted price of carparking spaces is in the range between HKD1,000,000 per carparking space and HKD1,400,000 per carparking space. The unit rate adopted to arrive at the value of the property is in line with the comparables collected.

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 27 January, 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

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 on 29 January 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to 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.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares 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; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) 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 Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) 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. 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 of that share.

The board may, in its absolute discretion, at any 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.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it 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 any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of 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 the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls 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.

(b) Directors

(i) Appointment, retirement 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) shall 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 by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall 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.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power 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.

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 members of the Company 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 if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) 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 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 must, 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.

(ii) 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 (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is 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 determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange 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 are 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 is 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.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

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.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets 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.

(v) Remuneration

The ordinary remuneration of the Directors is to 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 are also 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 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 and such other benefits 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.

(vi) 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.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) 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 upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the 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. 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.

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 must 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 is materially interested, but this prohibition does 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.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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.

(d) Alterations to constitutional documents and the Company's name

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.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, 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 has been duly given in accordance with the Articles.

Under the Companies Law, 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 of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, 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 Stock Exchange, 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.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and, particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members 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, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an 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.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is 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 is 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.

(f) *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 must 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 must 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 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 of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, 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.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. 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 which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

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.

(h) Inspection of corporate records

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 office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of 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 Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution 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 is 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 is 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.

(k) 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 Islands 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) Company 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 of 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.

(c) Financial assistance to purchase shares of a company or its holding company

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

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 is to 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 is not be treated as a member for any purpose and must 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 must not be voted, directly or indirectly, at any meeting of the company and must 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.

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

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. With the exception of the foregoing, there are 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.

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.

(f) Protection of minorities and shareholders' suits

The 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) Disposal of assets

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 must 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.

An exempted company must 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 of the Cayman Islands.

(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 28 February, 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is 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 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.

(n) Register of members

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 must 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 of the Cayman Islands.

(o) Register of Directors and Officers

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 sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) 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 therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how 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. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) 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.

(s) Take-overs

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.

(t) 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, 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 VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 27 January 2017 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 12 April 2017. Our Company's registered office is at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. We have established a place of business in Hong Kong at Unit 13, 8/F, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. Ms. SH Wong of Flat H, 5/F, Block 10, Lakeside Garden, Sai Kung, New Territories, Hong Kong and Ms. ST Wong of Flat H, 5/F, Block 10, Lakeside Garden, Sai Kung, New Territories, Hong Kong have been appointed as the authorised representatives of our Company for the acceptance of service of processes and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, our Company is subject to the laws of the Cayman Islands and its constitutional documents comprising the Memorandum and the Articles. A summary of certain provisions of its constitutional documents and relevant aspects of the company law of the Cayman Islands is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

Our authorised share capital as at 27 January 2017, being the date of our incorporation, was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued at par to the initial subscriber on the date of incorporation and was transferred to Ms. SH Wong on the same day.

On 15 March 2017, our Company allotted and issued for cash at par (i) 2,789 fully paid Shares of HK\$0.01 each to Ms. SH Wong; (ii) 2,790 fully paid Shares of HK\$0.01 each to Ms. LF Chow; (iii) 1,683 fully paid Shares of HK\$0.01 each to Ms. ST Wong; (iv) 1,350 fully paid Shares of HK\$0.01 each to Ms. SC Wong; and (v) 387 fully paid Shares of HK\$0.01 each to Mr. SH Ma.

Pursuant to the Subscription Agreement dated 16 March 2017, our Company allotted and issued 750 Shares of HK\$0.01 each and 1,250 Shares of HK\$0.01 each to CDIL on 21 March 2017 and 21 April 2017 respectively, for an aggregate cash consideration of HK\$8,000,000.

Pursuant to the written resolutions of our Shareholders passed on 13 July 2017, each issued and unissued Share was subdivided into 100 shares of HK\$0.0001 each such that our authorised share capital as at 13 July 2017 was HK\$380,000 divided into 3,800,000,000 shares of HK\$0.0001 each, of which 1,100,000 shares of HK\$0.0001 each were in issue.

Pursuant to the written resolutions of our Shareholders passed on 25 July 2017, every 100 issued and unissued shares of HK\$0.0001 each in our Company were consolidated into one Share of HK\$0.01 such that our authorised share capital as at 25 July 2017 was HK\$380,000 divided into 38,000,000 Shares of which 11,000 Shares were in issue.

Pursuant to a sale and purchase agreement dated 29 January 2018, our Company acquired from Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Mr. SH Ma and Ms. SC Wong in aggregate 12,000 shares of FGL, being the entire issued share capital thereof, in consideration of which, our Company allotted and issued an aggregate of 9,000 Shares to MJL at the respective directions of Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma, credited as fully paid on 29 January 2018.

Save as aforesaid and as mentioned in the paragraph headed “A. Further information about our Group – 3. Written resolutions of our Shareholders passed on 29 January 2018” in this appendix, there has been no alteration in the share capital of our Company since incorporation.

Save as disclosed in this prospectus, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

3. Written resolutions of our Shareholders passed on 29 January 2018

On 29 January 2018, written resolutions of our Shareholders were passed, pursuant to which among others:

- (a) our Company approved the increase of the authorised share capital of the Company from HK\$380,000 divided into 38,000,000 Shares in the share capital of our Company to HK\$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,962,000,000 Shares ranking *pari passu* with each other in all respects;
- (b) our Company approved and adopted the Memorandum with immediate effect and, with effect from the Listing Date, the Articles;
- (c) conditional on the same conditions as stated in the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer; and

- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “1. Share Option Scheme” in the section headed “D. Other information” in this appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares upon the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
- (d) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$5,999,800 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,980,000 Shares for allotment and issue to our Shareholders whose names appeared on the register of members of our Company at the close of business on 29 January 2018;
- (e) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than by way of a rights issue or any scrip dividend scheme or similar arrangement providing for allotment of the Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association or the Share Offer or the Capitalisation Issue, or the exercise of any of the subscription rights attaching to any options which may be granted under the Share Option Scheme) unissued Shares not exceeding the sum of (i) 20% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue; and (ii) (if the Directors are so authorised by a separate resolution of our Shareholders) the total number of Shares repurchased by our Company pursuant to the authority granted to our Directors as referred in paragraph (f) below, until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any laws applicable to our Company to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority given to our Directors, whichever occurs first;
- (f) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares not exceeding 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue, until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any laws applicable to our Company to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first; and

- (g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the total number of Shares which may be allotted, issued or dealt with by our Directors pursuant to or in accordance with such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to or in accordance with the mandate to repurchase Shares referred to in paragraph (f) above.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganisation, please refer to the section headed “History, Reorganisation and Group Structure” in this prospectus.

5. Changes in share capital of subsidiaries of our Company

Our subsidiaries are referred to in the Accountants’ Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants’ Report and in the section headed “History, Reorganisation and Group Structure” in this prospectus, our Company has no other subsidiaries.

Save for the alterations disclosed in the section headed “History, Reorganisation and Group Structure” in this prospectus, there were no other alteration in the authorised or issued share capital of our subsidiaries which took place within two years immediately preceding the date of this prospectus.

6. Repurchases by our Company of our own securities

This paragraph contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on the GEM to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders’ approval

All proposed repurchases of securities (which must be fully paid-up in the case of shares) by a company listed on GEM must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the resolutions passed by our Shareholders on 29 January 2018, a general unconditional mandate was given to our Directors authorising any repurchase by our Company of Shares on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10.0% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with a company's constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established. A listed company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time. Under the Cayman Islands law, any repurchase by our Company may be made out of profits of our Company, out of the share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of either or both of the profits or the share premium account of our Company. Subject to the Companies Law, a repurchase of Shares may also be made out of our share capital.

(iii) Trading restrictions

Our Company may repurchase up to 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed issue of the shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing the Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by our Company to effect a repurchase of the Shares is required to disclose to the Stock Exchange any information with respect to a share repurchase as the Stock Exchange may require.

In addition, a listed company is prohibited from repurchasing its shares on GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on GEM.

(iv) Status of repurchased shares

All repurchased shares (whether on the Stock Exchange or otherwise) will be cancelled and the certificates for those shares must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares may be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the shares repurchased accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

Repurchase of Shares are prohibited after inside information has come to the knowledge of our Company, or development which may constitute inside information has occurred or has been the subject of a decision until such time as the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the results of our Company for any year, half-year or quarter-year period or any other interim period (whether or not reported under the GEM Listing Rules); and (bb) the deadline for our Company to announce its results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, our Company may not repurchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit repurchase of Shares on the Stock Exchange if our Company has breached the GEM Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchase of securities on GEM or otherwise must be reported to the Stock Exchange no 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, our Company's annual report and accounts are required to disclose details regarding repurchases of Shares made during the financial year under review, including the number of Shares repurchased each month (whether on the Stock Exchange or otherwise) and the purchase price per Share or the highest and lowest prices paid for all such repurchases, where relevant, and the aggregate prices paid. The Directors' report is also required to contain reference to the repurchases made during the year and the Directors' reasons for making such repurchases.

(vii) Core connected persons

According to the GEM Listing Rules, a 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 our Company or any of its subsidiaries or any of their close associates and a core connected person shall not knowingly sell his/her/its securities to our Company on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate is to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group 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 the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(d) General

None of our Directors nor, to the best of their knowledge and belief, having made all reasonable enquiries, any of their respective close associates, has any present intention 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 GEM Listing Rules and the applicable laws of the Cayman Islands.

No core connected person of our Company has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of any securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

If the Repurchase Mandate is fully exercised immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Repurchase Mandate shall be 80,000,000 Shares, being 10% of the issued share capital of our Company based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholders will be increased to approximately 75% of the issued share capital of our Company immediately following the full exercise of the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the GEM Listing Rules requirements regarding the public float under Rule 11.23 of the GEM Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the GEM Listing Rules.

B. INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by our Company or any of our subsidiaries within the two years immediately preceding the date of this prospectus and are or may be material to our business:

- (a) the sale and purchase agreement dated 29 January 2018 and entered into among our Company as purchaser, Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Mr. SH Ma and Ms. SC Wong as vendors for the sale and purchase of the entire issued share capital of FGL;
- (b) the Subscription Agreement;
- (c) the Deed of Indemnity;
- (d) the Deed of Non-Competition; and
- (e) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks in Hong Kong which, in the opinion of our Directors, are material to our business:

Trademark	Trademark No.	Class	Registered owner	Date of Registration	Expiry date
	300675496	43	Foodies Branding Limited	7 July 2006	6 July 2026
	302193606	43	Foodies Branding Limited	16 March 2012	15 March 2022
	300134711	43	Foodies Branding Limited	30 December 2003	29 December 2023
	303506111AA	43	Foodies Branding Limited	14 August 2015	13 August 2025
	303506111AB	43	Foodies Branding Limited	14 August 2015	13 August 2025
A  B 	302974140	43	Foodies Branding Limited	24 April 2014	23 April 2024

As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks in Hong Kong which, in the opinion of our Directors, are material to our business:

Trademark	Application Number	Class	Applicant	Date of Application
倩碧	304255687	16, 43	Foodies Branding Limited	29 August 2017
FOODIES	304255696	16, 43	Foodies Branding Limited	29 August 2017

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names which, in the opinion of our Directors, are material to our business:

Domain name	Date of Registration	Expiry Date
marsino.com.hk	22 May 2009	22 May 2019
foodiesltd.com	20 August 2016	8 January 2019
ladolce.com.hk	24 July 2016	24 July 2018
simplicityholding.com	4 January 2017	4 January 2019
grandavenue thai.com	6 April 2017	6 April 2019

Save as aforesaid, there are no other trade or service marks, patents, copyright, other intellectual or industrial property rights which our Directors consider to be material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of Interests – interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), the interests or short positions of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed, will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notify our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

Interests in associated corporations of our Company

Name of Director	Name of associated corporation	Nature of interest	Number of shares held	Percentage of shareholding in the associated corporation
Ms. SH Wong	MJL	Beneficial interest	620	31.0%
Ms. ST Wong	MJL	Beneficial interest	374	18.7%
Mr. SH Ma	MJL	Beneficial interest	86	4.3%
Mr. MF Wong (Note)	MJL	Interest of spouse	620	31.0%

Note: By virtue of being the spouse of Ms. LF Chow, Mr. MF Wong is deemed to be interested in Ms. LF Chow's shareholding in MJL.

(b) Particulars of service contracts and letters of appointment

Each of our executive Directors and independent non-executive Directors has entered into a service contract and letter of appointment respectively with our Company for a term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three month's notice in writing served by either party on the other.

None of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) Directors' remuneration

The Company's policies concerning remuneration of executive Directors are as follows:

- (i) the amount of remuneration payable to the executive Directors is determined by our Company on a case-by-case basis with reference to duties and level of responsibilities of each executive Director and the remuneration policy of our Company and the prevailing market conditions;
- (ii) non-cash benefits may be provided at the discretion of the Board to the Directors under their remuneration package; and
- (iii) the executive Directors may be granted, at the discretion of the board of Directors, share options under the Share Option Scheme as part of their remuneration package.

During the year ended 31 March 2016 and 2017 and the five months ended 31 August 2017, the aggregate emoluments of our Directors were approximately HK\$2.0 million, HK\$2.2 million and HK\$0.9 million, respectively. Details of the Directors' remuneration are set out in the Accountants' Report of Appendix I to this prospectus.

Under the arrangements currently in force, the aggregate emoluments excluding payment pursuant to any discretionary benefits on bonus, other fringe benefits or emoluments tied to our Group's future earnings payable to our Directors by our Group for the year ending 31 March 2018 are estimated to be approximately HK\$2.3 million.

Under the current proposed arrangements, with effect from the Listing Date, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

HK\$

Executive Directors

Ms. SH Wong	439,200
Ms. ST Wong	439,200
Mr. MF Wong	451,200
Mr. SH Ma	346,080
Mr. Wong Chi Chiu Henry	370,800

Independent non-executive Directors

Mrs. Cheung Lau Lai Yin Becky	150,000
Ms. Ng Yau Kuen Carmen	150,000
Mr. Yu Ronald Patrick Lup Man	150,000

None of our Directors or any past directors of any member of our Group has been paid any sum of money for the year ended 31 March 2016 and 2017 and the five months ended 31 August 2017 (i) as an inducement to join or upon joining the Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017.

2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares that may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons (our other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Division 2 and 3 of Part XV of the SFO or which would be recorded in the register of our Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the issued voting shares of any other member of our Group:

(a) Interests or short positions in our Company

Name of Shareholder	Nature of interest	Number of Shares ^(Note 1)	Approximate percentage of shareholding in our Company immediately following the completion of the Capitalisation Issue and the Share Offer
MJL	Beneficial interest ^(Note 2)	540,000,000 (L)	67.5%
CDIL	Beneficial interest	60,000,000 (L)	7.5%
Mr. Cheung Wai Yin Wilson	Interest in controlled corporation ^(Note 3)	60,000,000 (L)	7.5%
Ms. Lam Ka Wai	Interest of spouse ^(Note 3)	60,000,000 (L)	7.5%

Note:

- (1) The letter “L” denotes a long position in our Shares.
- (2) MJL is owned as to (i) 31.0% by Ms. SH Wong; (ii) 31.0% by Ms. LF Chow; (iii) 18.7% by Ms. ST Wong; (iv) 15.0% by Ms. SC Wong; and (v) 4.3% by Mr. SH Ma.
- (3) CDIL is 100% owned by Mr. Cheung Wai Yin Wilson, as such, he is deemed under the SFO to be interested in all the Shares in which CDIL is interested. By virtue of being the spouse of Mr. Cheung Wai Yin Wilson, Ms. Lam Ka Wai is deemed to be interested in all the Shares in which Mr. Cheung Wai Yin Wilson is interested pursuant to the SFO.

(b) Interests or short positions in other members of our Group

Name of Shareholder	Name of member of our Group	Nature of interest	Number of shares ^(Note 1)	Percentage of shareholding in member of our Group
Mr. Luk Chi Sing	AHL	Beneficial interest	1,000 (L)	10%
Mr. Yau Wai Leung	AHL	Beneficial interest	1,000 (L)	10%
Faith Great Limited ^(note 2)	AHL	Beneficial interest	1,000 (L)	10%
Faith Great Limited ^(note 2)	ASCL	Beneficial interest	1,000 (L)	10%
Ms. Yim Wan Ying	GFCL	Beneficial interest	20 (L)	20%
Ms. Ng Siu Ying Christina	GFCL	Beneficial interest	20 (L)	20%

1. The letter “L” denotes the long position in the shares in the member of our Group.
2. Faith Great Limited is owned as to 55% by Tam Chak Keung and 45% by Lau Suk Yee Carmen.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executives of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO 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 our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors once our Shares are listed;

- (b) none of our Directors or experts referred to under the paragraph headed “Consents of experts” in this appendix has any direct or indirect interest in the promotion of our Company, 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 our Directors 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) save as disclosed in this prospectus, none of our Directors has any existing or proposed service contracts with any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);
- (e) save as disclosed in this prospectus, and taking no account of Shares which may be taken up under the Share Offer, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer and the Capitalisation Issue, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal issued voting shares of any other member of our Group;
- (f) none of the experts referred to under the paragraph headed “Consents of experts” in the section headed “D. Other information” 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 our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION**1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted in compliance with Chapter 23 of the GEM Listing Rules by the written resolutions of our Shareholders passed on 29 January 2018. The following summary does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme. In this paragraph “Options” means the options to be granted by our Company pursuant to the terms and conditions of the Share Option Scheme.

(a) Purpose

The purpose of the Share Option Scheme is for our Group to attract, retain and motivate talented Participants (as defined in paragraph (c) below) to strive for future developments and expansion of our Group. The Share Option Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of our Group and allow the Participants to enjoy the results of our Company attained through their efforts and contributions.

(b) Conditions

The Share Option Scheme is conditional upon, among others:

- (i) the Listing Department of the Stock Exchange granting the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the Options in accordance with the terms and conditions of the Share Option Scheme; and
- (ii) the commencement of trading of Shares on the Stock Exchange.

(c) Scope of Participants and eligibility of Participants

The Board may, at its discretion, invite:

- (i) any executive or non-executive Director including any independent non-executive Director or any employee (whether full-time or part-time) of any member of our Group;
- (ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of our Group;
- (iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to our Group;

- (iv) any provider of goods and/or services to our Group; or
- (v) any other person who the Board considers, in its sole discretion, has contributed to our Group to take up Options (together, the “Participants”).

(d) Acceptance of an offer of Options

Offer of an Option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the Option duly signed by the grantee together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company within 28 days from the date of the offer.

(e) Subscription price

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Participant and shall be no less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date on which an Option is granted; (ii) the average closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the 5 business days immediately preceding the date on which an Option is granted; and (iii) the nominal value of a Share on the date of the offer.

(f) Maximum number of Shares available for subscription

- (i) Subject to (iv) below, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 10% of the total number of the Shares in issue as at the Listing Date, unless our Company obtains an approval from its shareholders pursuant to (ii) below.
- (ii) Subject to (iv) below, our Company may seek approval from its shareholders in general meeting for refreshing the 10% limit set out in (i) above such that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed shall not exceed 10% of the total number of the Shares in issue as at the date of approval to refresh such limit.

- (iii) Subject to (iv) below, our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the 10% limit provided that the Options granted in excess of such limit are granted only to the Participants are specially approved by the Shareholders in general meeting and the Participants are specifically identified by our Company before such approval is sought. In such case, our Company shall send a circular to our Shareholders containing the information required under the GEM Listing Rules.
- (iv) Notwithstanding any other provisions of the Share Option Scheme, the maximum number of Shares in respect of which Options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of Shares in issue from time to time. No Options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such limit being exceeded.

(g) Conditions, restrictions or limitations on offers of Options

Unless otherwise determined by the Board and specified in the offer letter at the time of the offer of the Option, there are neither any performance targets that need to be achieved by the grantee before an Option could be exercised nor any minimum period for which an Option must be held before the Option can be exercised. Subject to the provisions of the Share Option Scheme and the GEM Listing Rules, the Board may when making the offer of Options impose any conditions, restrictions or limitations in relation to the Option as it may at its absolute discretion think fit.

(h) Maximum entitlement of Shares of each Participant

- (i) Subject to paragraph (ii) below, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- (ii) Notwithstanding (i) above, any further grant of Options to a Participant in excess of the 1% limit shall be subject to approval by our Shareholders in general meeting with such Participant and his or her close associates (or his or her associates if such Participant is a connected person) abstaining from voting. The number and the terms of the Options to be granted to such Participant shall be fixed before our Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date for grant for the purpose of calculating the subscription price.

(i) Grant of Options to connected persons

- (i) Any grant of Options to a Participant who is a Director, chief executive or substantial shareholder of our Company or their respective associates must be approved by our independent non-executive Directors (excluding independent non-executive Director who is the Participant).
- (ii) Where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, and such Option which if exercised in full, would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted (including Options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the date of such grant:
 - (1) representing in aggregate more than 0.1% of the relevant class of securities of our Company in issue on the date of such grant; and
 - (2) having an aggregate value, based on the closing price of the Shares as at the date of such grant, in excess of HK\$5 million, such proposed grant of Options must be approved by our Shareholders in general meeting. In such a case, our Company shall send a circular to our Shareholders containing all those terms as required under the GEM Listing Rules. The Participant concerned, his or her associates and all core connected persons of our Company must abstain from voting at such general meeting (except where any core connected person intends to vote against the relevant resolution provided that such intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

(j) Exercise of Options

An Option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which an Option was granted, at any time during the option period after the Option has been granted by the Board but in any event, not longer than 10 years from the date of grant. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

(k) Transferability of Options

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any Option.

(l) If a grantee ceased to be a Participant by reason other than death or misconduct

If the grantee ceases to be a Participant for any reason other than on the grantee's death or the termination of the grantee's employment or directorship on one or more of the grounds specified in paragraph (n) below, the grantee may exercise the Option up to his entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of 9 months (or such longer period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with the relevant company in our Group whether salary is paid in lieu of notice or not, or the last date of appointment as director of the relevant company in our Group, as the case may be, failing which it will lapse.

(m) On the death of a grantee

If the grantee dies before exercising the Option in full and none of the events which would be a ground for termination of the grantee's employment or directorship under paragraph (n) below arises, the personal representative(s) of the grantee shall be entitled to exercise the Option up to the entitlement of such grantee at the date of death (to the extent which has become exercisable and not already exercised) within a period of 12 months or such longer period as the Board may determine from the date of death, failing which it will lapse.

(n) Termination of employment of a grantee by reason of misconduct

An Option shall lapse automatically (to the extent not already exercised) on the date on which the grantee ceased to be a Participant by reason of the termination of his or her employment or directorship on the grounds that he or she has been guilty of misconduct, or appears either to be unable to pay or have no reasonable prospect to pay debts, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or our Company and any member of our Group into disrepute).

(o) Voluntary winding-up of our Company

In the event a notice is given by our Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall, on the same date as it despatches such notice to each member of our Company, give notice thereof to all grantees. Each grantee (or his or her legal representative(s)) may by notice in writing to our Company (such notice to be received by our Company not later than 4 business days prior to the proposed general meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, and our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(p) General offer by way of take-over

If a general or partial offer, whether by way of take-over offer, share repurchase 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 (as defined in the Takeovers Code) with the offeror, our Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to Shareholders, the grantee shall, notwithstanding any other terms on which his or her Option were granted, be entitled to exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under the scheme of arrangement, as the case may be.

(q) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the grantee on the same date as it despatches the notice which is sent to each Shareholder or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court provided that the relevant Options are not subject to a term or condition precedent to them being exercisable which has not been fulfilled, exercise any of his or her Options whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme.

(r) Rank pari passu

The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date on which the Option is duly exercised and in particular will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercising the Option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof is before the date of allotment.

(s) Alteration in capital structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, sub-division, or reduction of share capital of our Company, such corresponding alterations (if any) shall be made to:

- (i) the number of nominal amount of Shares subject to the Options so far as unexercised; and/or
- (ii) the subscription price; and/or
- (iii) the maximum number of Shares which may be issued upon exercise of all Option; and/or
- (iv) the method of the exercise of the Options.

or any combination thereof, as an independent financial adviser or the auditors of our Company shall certify in writing, either generally or as regards any particular grantee, to have, in their opinion, fairly and reasonably satisfied the requirement that any such adjustment shall be in compliance with the relevant provisions of the GEM Listing Rules or such other guidelines or the supplemental guidance as may be issued by the Stock Exchange from time to time, but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value.

(t) Duration of the Share Option Scheme

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which period no further Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(u) Cancellation of Options granted

Any Option granted but not exercised may not be cancelled except with the written consent of the relevant grantee and the prior approval of our Directors. Where our Company cancels Options and offers Options to the same grantee, the offer of the grant of such new Options may only be made with available Options to the extent not yet granted (excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph (f) above. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date on which the Option is cancelled by our Company as provided above.

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Alteration of provisions of the Share Option Scheme

The provisions of the Share Option Scheme may be altered in any respect by resolution of the Board except that provisions relating to matters set out in Rule 23.03 of the GEM Listing Rules cannot be altered to extend the class of person eligible for the grant of Options or to the advantage of the Participants without the prior approval of the Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Options granted must be approved by the Stock Exchange and the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms and conditions of the Share Option Scheme must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules. Any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(x) Restrictions on the time of grant of Options

Our Company shall not grant any Options after inside information has come to its knowledge until it has announced the information. In particular, it shall not grant any Option during the period commencing one month immediately before the earlier of:

- (i) the date of the board meeting (as such date is first notified to the Stock Exchange under the GEM Listing Rules) for approving our Company's results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for our Company to announce its results for any year, half year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement.

Where the grantee is a Director, no Option shall be granted:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(y) Present status of the Share Option Scheme

As at the date of this prospectus, no Option has been granted or agreed to be granted under the Share Option Scheme. On the assumption that 800,000,000 Shares are in issue on the date of commencement of dealings in the Shares on the Stock Exchange, the application to the Listing Department of the Stock Exchange for the listing of, and permission to deal in the Shares on the Stock Exchange includes the 80,000,000 Shares which may be issued upon the exercise of the Options which may be granted under the Share Option Scheme.

(z) *Value of Options*

Our Directors consider it inappropriate to value the Options that can be granted under the Share Option Scheme on the assumption that they had been granted at the Latest Practicable Date, as various determining factors for the calculation of such value cannot be reasonably fixed at this stage. It would not be meaningful and to a certain extent would be misleading to the Shareholders if the value of the Options is calculated based on a set of speculative assumptions. However, the information on value of the Options granted in any financial period will be provided to the Shareholders based on Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology as at the end of relevant financial period for any annual or interim reports of our Company.

2. Tax and other indemnities

Each of our Controlling Shareholders (collectively, the “**Indemnifiers**”) and our Company entered into the Deed of Indemnity under which the Indemnifiers have given joint and several indemnities in favour of our Group against (i) any liability for estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the laws of Hong Kong) or the equivalent or similar thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the Listing Date; and (ii) any and all taxation falling on any member of our Group resulting from or by reference to any income, profits, gains earned, accrued or received on or before the Listing Date or any event or transaction entered into or occurring on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The indemnity contained above shall not apply:

- (i) to the extent that full provision or reserve has been made for such taxation in the audited accounts of our Group or the audited accounts of the relevant member of our Group for each of the two financial years ended 31 March 2017 and the five months ended 31 August 2017; or
- (ii) to the extent that such taxation or liability would not have arisen but for some act or omission of, or transaction entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the course of normal day to day operations of that company or carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date; or

- (iii) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group for each of the two financial years ended 31 March 2017 and the five months ended 31 August 2017 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant to the Deed of Indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or
- (iv) to the extent that such taxation liability or claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws, rules or regulations or the interpretation or practice thereof by the Inland Revenue Department in Hong Kong or any other relevant authority (whether in Hong Kong or any part of the world) coming into force after the Listing Date or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities in favour of our Group whereby they would jointly and severally undertake to indemnify and at all times keep each member of our Group fully indemnified on demand from and against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group (i) as a result of directly or indirectly or in connection with, or in consequence of any non-compliance with or breach of any applicable laws, rules or regulations of any jurisdiction by any member of our Group on or before the Listing Date; (ii) as a result of directly or indirectly or in connection with any litigation, proceeding, claim, investigation, inquiry, enforcement proceeding or process by any governmental, administrative or regulatory body which (a) any member of our Group and/or their respective directors or any of them is/are involved; and/or (b) arises due to some act or omission of, or transaction voluntarily effected by, our Group or any member of our Group (whether alone or in conjunction with some other act, omission or transaction) on or before the Listing Date, including but not limited to, the Hong Kong District Court Action No. DCEC794/2017 and DCEC 1452/2017.

The indemnity contained above shall not apply to the extent that provision has been made for such claim in the audited accounts of our Group or the audited accounts of any member of our Group for each of the two financial years ended 31 March 2017 and the five months ended 31 August 2017.

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, Hong Kong and other jurisdictions in which the companies comprising our Group are incorporated.

3. Litigation

As at the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Department of the Stock Exchange for the listing of, and permission to deal in, all our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

Pursuant to the engagement letters entered into between our Company and the Sole Sponsor, we have agreed to pay the Sole Sponsor a fee of HK\$4.6 million to act as the Sole Sponsor of our Company in connection with the proposed listing on GEM.

5. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company will appoint Vinco Capital Limited as our compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

6. Preliminary expenses

The estimated preliminary expenses incurred and paid by our Company were approximately HK\$46,800.

7. Promoter

Our Company has no promoter for the purposes of the GEM Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

8. Taxation of holders of Shares

(a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group.

(b) *Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares provided that the Company does not hold any interest in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

9. Qualification of experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this prospectus:

Name	Qualifications
Vinco Capital Limited	Licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Deloitte Touche Tohmatsu	Certified Public Accountants
International Valuation Limited	Independent property valuer

10. Consents of experts

Each of the experts named in paragraph 9 of this section has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or statement and/or the references to its name included herein in the form and context in which they are respectively included.

11. Interests of experts in our Company

None of the experts named in paragraph 9 of this section is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

13. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

- (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 August 2017 (being the date to which the latest audited combined financial statements of our Group were made up);
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted to CCASS;
- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (g) our Directors have been advised that under the Cayman Companies Law the use of a Chinese name by our Company in conjunction with our English name does not contravene the Cayman Companies Law;
- (h) our Company has no outstanding convertible debt securities or debentures; and
- (i) there is no arrangement under which future dividends have been waived.

14. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong).

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

1. a copy of each of the **WHITE** and **YELLOW** Application Forms;
2. the written consents referred to in the paragraph headed “Consents of experts” in the section headed “D. Other information” in Appendix V to this prospectus;
3. a copy of each of the material contracts referred to in the paragraph headed “Summary of material contracts” in the section headed “B. Information about our business” in Appendix V to this prospectus; and
4. the statement of adjustments in arriving at the figures set forth in the Accountants’ Report of our Group prepared by Deloitte Touche Tohmatsu.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Michael Li & Co. at 19/F., Prosperity Tower, 39 Queen’s Road Central, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles;
2. the Accountants’ Report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
3. the assurance report prepared by Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
4. the audited consolidated financial statements of FGL and its subsidiaries for the two years ended 31 March 2017 and the five months ended 31 August 2017;
5. the statement of adjustments in arriving at the figures set forth in the Accountants’ Report of our Group prepared by Deloitte Touche Tohmatsu;
6. the letter, summary of valuation and valuation certificates relating to the property interests held by our Group prepared by International Valuation Limited, the text of which is set out in Appendix III to this prospectus;

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

7. the letter of advice prepared by Conyers Dill & Pearman, our Cayman Islands legal advisers, summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;
8. the Cayman Companies Law;
9. the material contracts referred to in the paragraph headed “Summary of material contracts” in the section headed “B. Information about our business” in Appendix V to this prospectus;
10. the service contracts and letters of appointment with each of our Directors referred to in the paragraph headed “Particulars of service contracts and letters of appointment” in the section headed “C. Further information about Directors and substantial shareholders” in Appendix V to this prospectus;
11. the written consents referred to in the paragraph headed “Consents of experts” in the section headed “D. Other information” in Appendix V to this prospectus; and
12. the rules of the Share Option Scheme.