Dining Concepts

THIRD QUARTERLY REPORT 2018/19

Dining Concepts Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8056

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*This report, for which the directors (the "**Directors**") of Dining Concepts Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company and the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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The board of Directors (the **"Board"**) presents the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2018, together with the unaudited comparative figures for the corresponding period in 2017 as set out below.

FINANCIAL HIGHLIGHTS

- The Group's revenue for the nine months ended 31 December 2018 was approximately HK$445.7 million, representing an increase of approximately 8.1% when compared with that of the corresponding period in 2017.
- Loss and total comprehensive expense attributable to owners of the Company for the nine months ended 31 December 2018 was approximately HK$20.2 million, while profit and total comprehensive income of approximately HK$0.4 million was recognised for the corresponding period in 2017.
- The Board did not declare any dividend for the nine months ended 31 December 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2018

	Notes	For the three months ended 31 December 2018 HK$'000 (Unaudited)	For the three months ended 31 December 2017 HK$'000 (Unaudited)	For the nine months ended 31 December 2018 HK$'000 (Unaudited)	For the nine months ended 31 December 2017 HK$'000 (Unaudited)
Revenue	2	170,063	154,559	445,674	412,463
Cost of inventories consumed		(38,413)	(35,860)	(102,459)	(98,629)
Staff costs		(50,675)	(43,670)	(138,485)	(126,701)
Depreciation and amortisation		(11,811)	(10,711)	(35,621)	(31,110)
Rental and related expenses		(28,430)	(26,857)	(83,156)	(76,838)
Utilities and consumables		(5,861)	(5,751)	(17,687)	(15,929)
Franchise and licensing fees		(3,505)	(3,590)	(9,024)	(9,139)
Other expenses		(23,939)	(17,064)	(62,436)	(47,374)
Other gains and losses		(9,489)	—	(11,395)	(147)
Finance costs		(113)	(113)	(339)	(340)
(Loss) profit before taxation		(2,173)	10,943	(14,928)	6,256
Taxation	3	(2,302)	(3,062)	(5,235)	(5,871)
(Loss) profit and total comprehensive (expense) income for the periods attributable to owners of the Company		(4,475)	7,881	(20,163)	385
(Loss) earnings per share (HK$)					
– basic	5	(0.006)	0.010	(0.025)	0.0005
– diluted		(0.006)	0.009	(0.025)	0.0005

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

	Attributable to owners of the Company					
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Share option reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
(Unaudited)						
At 1 April 2017	63,037	28,785	27,313	5,860	21,588	146,583
Profit and total comprehensive income recognised for the period	—	—	—	—	385	385
Recognition of equity-settled share-based payment	—	—	—	1,556	—	1,556
At 31 December 2017	63,037	28,785	27,313	7,416	21,973	148,524
(Unaudited)						
At 1 April 2018	63,037	28,785	27,313	7,416	19,322	145,873
Loss and total comprehensive expense recognised for the period	—	—	—	—	(20,163)	(20,163)
At 31 December 2018	63,037	28,785	27,313	7,416	(841)	125,710

1. GENERAL INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in operation of restaurants.

These unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (**"HKFRSs"**) issued by the Hong Kong Institute of Certified Public Accountants (the **"HKICPA"**) and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 are consistent with those adopted in the preparation of audited consolidated financial statements included in the Company's 2017/18 annual report, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the **"New and Revised HKFRSs"**) (which include all HKFRSs, Hong Kong Accounting Standards (**"HKASs"**) and Interpretations) issued by the HKICPA that are adopted for the first time for the current period's financial statements.

Other than as explained below regarding the impacts of HKFRS 9 and HKFRS15, the adoption of the New and Revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the nine months ended 31 December 2018.

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments

The Group has adopted HKFRS 9 on 1 April 2018. HKFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting which have resulted in the following changes in accounting policies.

(a) Classification and measurement

Except for trade receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (**"FVTPL"**), amortised cost, or fair value through other comprehensive income (**"FVTOCI"**). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the **"SPPI criterion"**).

1. GENERAL INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(a) Classification and measurement (continued)

The new classification and measurement of the Group's financial assets is, as follows:

- Debt instruments at amortised cost for financial assets – that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade receivables and other financial assets at amortised cost.

The assessment of the Group's business model was made as of the date of initial application, i.e., 1 April 2018. The assessment of whether contractual cash flows on debt instruments is solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss (**"ECL"**) approach. HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group has applied the general approach and recorded twelve-month ECLs that are estimated based on the possible default events on its trade receivables and other financial assets at amortised cost within the next twelve months. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 6 months past due. The Group considers a financial asset in default when contractual payments are 12 months past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The Group has not restated comparative information for financial instruments in the scope of HKFRS 9. Therefore, the comparative information for the corresponding period in 2017 would follow the requirements under HKAS 39 Financial Instruments: Recognition and Measurement and is not comparable to the information presented for 2018. Differences arising from the adoption of HKFRS 9 have been recognised directly in relevant items of the condensed consolidated statement of financial position as of 1 April 2018.

1. GENERAL INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Impairment (continued)

The management of the Group considers that the adoption of HKFRS 9 in the current period has had no significant effect on the amounts reported in these condensed consolidated financial statements at the date of initial application (i.e. 1 April 2018) as the debt instruments held by the Group have low credit risk. A debt instrument is determined to have low credit risk if i) the debt instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. As a result, the management of the Group considers that the impairment allowances of trade and other receivables at amortised cost remeasured based on a forward-looking ECL approach under HKFRS 9 is insignificant.

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognizes revenue from operation of restaurants in Hong Kong.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognized in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and related interpretations.

(a) Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognizing revenue:

- 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: Recognize revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognizes 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. A performance obligation represents a promise in a contract with a customer to transfer to the customer a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

1. GENERAL INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(a) Key changes in accounting policies resulting from application of HKFRS 15 (continued)

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(b) Impacts

Upon adoption of HKFRS 15, deposits from customers included in trade and other payables amounting to HK$1,608,000 was reclassified to contract liabilities as at the date of initial application, 1 April 2018.

As a result, other than reclassification of contract liabilities, the adoption of HKFRS 15 does not have material impact on when the Group recongize revenue from sales of goods and services.

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

These unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 have been prepared on the historical cost basis. These unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 are presented in Hong Kong dollars (**"HK$"**), which is the functional currency of the Company and its subsidiaries.

These condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Board (the "**Audit Committee**").

2. REVENUE

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

3. TAXATION

	For the three months ended 31 December		For the nine months ended 31 December	
	2018	2017	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong Profits Tax	2,447	3,089	5,401	5,898
Over provision in respect of prior years	(145)	(27)	(166)	(27)
	2,302	3,062	5,235	5,871

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

4. DIVIDEND

The Board does not declare any dividend for the nine months ended 31 December 2018 (31 December 2017: nil).

5. (LOSS) EARNINGS PER SHARE

The basic and diluted (loss) earnings per share is calculated based on the (loss) profit attributable to the owners of the Company and the weighted average number of ordinary shares for the relevant periods on the assumption that the Group's capitalisation issue of the shares of the Company as explained in the sections headed "History, Development and Reorganisation" and "Share Capital" in the Company's prospectus dated 27 July 2016 (the **"Prospectus"**) had been effective 1 April 2016.

	For the three months ended 31 December		For the nine months ended 31 December	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share (HK$'000)	(4,475)	7,881	(20,163)	385
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share (in thousands)	810,250	810,250	810,250	810,250
Effect of dilutive potential ordinary shares:				
Share options (in thousands)	—	40,750	—	28,837
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share (in thousands)	810,250	851,000	810,250	839,087

MANAGEMENT DISCUSSION AND ANALYSIS

During the nine months ended 31 December 2018 and up to the date of this report, the Group had been principally engaged in operating a variety of cuisines, mainly Asian, Western and Italian, targeting different customer segments with mid to high spending power.

Business Review

During the nine months ended 31 December 2018, the Group maintained its focus in serving a variety of cuisines at varying prices under different brands to a diversified customer base in Hong Kong. The Group has kept its strength in striving to uphold its core value, "Value for Money", through providing the customers with a boutique dining experience of quality dishes, attentive service and a relaxing environment.

Financial Review

Revenue

During the relevant periods, the Group's revenue was generated from the operation of restaurants in Hong Kong. As at 31 December 2018, the Group was operating 27 restaurants (31 December 2017: 27), of which 2 restaurants (31 December 2017: 3) were newly established and 3 restaurants (31 December 2017: nil) were closed for the nine months ended 31 December 2018.

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

	For the three months ended 31 December				For the nine months ended 31 December			
	2018		2017		2018		2017	
	Revenue (HK$'000) (Unaudited)	% of total Revenue (%)	Revenue (HK$'000) (Unaudited)	% of total Revenue (%)	Revenue (HK$'000) (Unaudited)	% of total Revenue (%)	Revenue (HK$'000) (Unaudited)	% of total Revenue (%)
Western style	103,660	61.0	92,197	59.7	262,201	58.8	243,786	59.1
Italian style	41,245	24.3	36,660	23.7	113,206	25.4	96,104	23.3
Asian style	25,158	14.7	25,702	16.6	70,267	15.8	72,573	17.6
Total	170,063	100.0	154,559	100.0	445,674	100.0	412,463	100.0

Western style restaurants

The revenue generated from operation of Western style restaurants increased by approximately HK$18.4 million, or approximately 7.6%, from approximately HK$243.8 million for the nine months ended 31 December 2017 to approximately HK$262.2 million for the nine months ended 31 December 2018. Such increase was mainly due to (i) the full period operations of Yojimbo and Le Pain Quotidien (Elements); (ii) the better performance of western restaurants in general during the the nine months ended 31 December 2018, and (iii) the revenue derived from the two new restaurants newly opened in August 2018 and September 2018, respectively.

Italian style restaurants

The revenue generated from operation of Italian style restaurants increased by approximately HK$17.1 million, or approximately 17.8%, from approximately HK$96.1 million for the nine months ended 31 December 2017 to approximately HK$113.2 million for the nine months ended 31 December 2018. Such increase was mainly resulted from the commencement of operation of Dear Lilly in February 2018.

Asian style restaurants

The revenue generated from operation of Asian style restaurants slight decreased by approximately HK$2.3 million, or approximately 3.2%, from approximately HK$72.6 million for the nine months ended 31 December 2017 to approximately HK$70.3 million for the nine months ended 31 December 2018. The decrease in revenue was primarily attributable to decline in revenue generated from certain restaurants due to the declining economic conditions.

Cost of inventories consumed

The cost of inventories consumed mainly represents the costs of food ingredients and beverages for the operation of the Group's restaurants. The major food ingredients purchased by the Group includes, but not limited to, vegetable, meat, seafood and frozen food. The cost of inventories consumed is one of the major components of the Group's operating expenses which amounted to approximately HK$98.6 million and HK$102.5 million for each of nine months ended 31 December 2017 and 2018, respectively, representing approximately 23.9% and 23.0% of the Group's total revenue generated from operation of restaurants for the corresponding period.

Staff costs

Staff costs represented one of the major components of the Group's operating expenses, which primarily consisted of Directors' emoluments, salaries, retirement benefit scheme contributions, equity-settled share-based payments and other benefits. The staff costs increased by approximately HK$11.8 million from approximately HK$126.7 million for the nine months ended 31 December 2017 to approximately HK$138.5 million for the nine months ended 31 December 2018. The increase in staff costs was mainly due to the increase in staff salaries from approximately HK$115.8 million for the nine months ended 31 December 2017 to approximately HK$127.6 million for the nine months ended 31 December 2018 as a result of the increase in number of staff and the respective salary level due to the expansion of business.

Rental and related expenses

The Group's rental and related expenses increased by approximately HK$6.3 million from approximately HK$76.8 million for the nine months ended 31 December 2017 to approximately HK$83.1 million for the nine months ended 31 December 2018. The increase was mainly due to additional rental expenses for new restaurants upon signing of tenancy agreements.

Other expenses

Other expenses mainly include advertising, cleaning and laundry expenses, credit card commission, packing and printing materials, music performance show and repair and maintenance. During the nine months ended 31 December 2017 and the nine months ended 31 December 2018, the Group recognised other expenses of approximately HK$47.4 million and HK$62.4 million, respectively, representing approximately 11.5% and 14.0% of the Group's total revenue for the corresponding period. The increase was mainly due to (i) the increase in advertisement and design expenses of approximately HK$1.8 million recognised during the reporting period due to the opening of new restaurants; (ii) the increase in repair and maintenance, printing materials, cleaning and travelling expenses of approximately HK$4.5 million during the reporting period as a result of the expansion of the operation; (iii) the increase in credit card commission expenses of approximately HK$0.9 million due to the increase in revenue; and (iv) the increase in legal and professional fees of approximately HK$4.7 million during the reporting period as a result of the change in the Company's controlling shareholder (as explained in the section headed "Mandatory Unconditional Cash Offers" below), as well as the set-up cost and startup costs of new restaurants opened during the reporting period and to be re-opened in the first quarter of 2019.

Finance costs

Finance costs represents interest expenses in respect of loans from the Then Shareholders (as defined below) granted in March 2017. On 30 March 2017, the Company has entered into loan agreements with Dining Concepts (International) Limited, Indo Gold Limited, Minrish Limited and Mr. Jugdish Johnny Uttamchandani (collectively referred to as the **"Then Shareholders"**), to borrow an aggregate amount of HK$15 million for working capital purpose. The loans are unsecured, carry a fixed interest rate of 3% per annum and have a maturity term of 3 years.

(Loss) profit attributable to owners of the Company

Loss attributable to owners of the Company for the nine months ended 31 December 2018 was approximately HK$20.2 million, while the profit attributable to owners of the Company for the nine months ended 31 December 2017 was approximately HK$0.4 million.

The major reason for the increase in loss attributable to owners of the Company was mainly due to two non-profitable restaurants, one of them is a Western Restaurant and another one is an Asian restaurant, were closed down during the reporting period. During the reporting period, the operating loss generated from these two restaurants (excluding impairment loss on property, plant and equipment upon cease of their operations) was approximately HK$6.0 million. Since the two restaurants were closed down during the reporting period, increases in impairment loss on property, plant and equipment of approximately HK$6.3 million and HK$3.2 million, respectively, for the Western restaurant and the Asian restaurant were recorded. The increase in loss attributable to owners of the Companywas mainly derived from the shutting down of the two restaurants as stated above. The mangement believes that the shutting down of the non-profitable restaurants and expansion of our existing profitable restaurants will lead to optimisation of the operation.

In addition to the above major reason, the increase in loss attributable to owners of the Company was due to (i) an increase in loss on disposal of property, plant and equipment of approximately HK$1.9 million as one Western restaurant was closed during the reporting period and planned to be relocated; (ii) an increase in depreciation and amortisation expenses of approximately HK$4.5 million mainly derived from the property, plant and equipment acquired for new restaurants newly opened during second half of 2017 and 2018; (iii) an increase in one-off legal and professional fees of approximately HK$4.7 million mainly derived from the change in the Company's controlling shareholder, as well as the set-up cost and startup costs of new restaurants opened during the reporting period and to be re-opened in the first quarter of 2019; and (iv) the increase in variable operating costs, such as staff costs, repair and maintenance expenses and other expenses, the effect of which was partially offset by the increase in revenue derived from new restaurants opened in the second half of 2017 and the first half of 2018.

Outlook

Despite the keen competition and challenging operating environment in food and beverage industry in Hong Kong, the Group has emerged as one of the well-known restaurant chains in Hong Kong. During the nine months ended 31 December 2018, the Group continued to maintain its focus in serving a variety of cuisines at varying prices under different brands to a diversified customer base in Hong Kong. At present, the Group is operating 27 restaurants, with 24 full-service restaurants and 3 bakery restaurants.

The Group's strategy in the coming period is to optimise its existing restaurant portfolios by upgrading existing restaurants and promoting the newly opened "casual style" restaurants and bars of popularity such as Le Pain Quotidien, Ophelia, Iron Fairies & J.Boroski, Dear Lilly and Dragonfly that have brought different dining experiences to the customers. The current restaurant portfolios could upkeep freshness to the customers and increase the cuisine diversification to broaden the Group's customer bases. The Group will also develop its own brand to enlarge its share in the market of casual dining restaurants and bars by providing great environment for dining, variety of entertainment such as live band shows, international DJ's performance, broadcast major sporting events and host of costume parties.

The Group is also re-considering the operation strategy and we are relocating one of our renowned restaurants to the Peak. Our management is considering to upgrade our restaurant image and expand our operation in exciting locations in Hong Kong.

On the other hand, the Group will continue to control its operating costs by centralising the purchase bargain with its suppliers to leverage its extensive restaurant network for reduced costs and negotiating with the lessors for leases of longer terms and favourable conditions.

After the reporting period, the Group had established two wholly-owned foreign enterprises in the People's Republic of China (the "**PRC**"). The management continues looking into possible expansion of business in the PRC in order to develop a strong, growing and diversified business sector.

DISCLOSURE OF ADDITIONAL INFORMATION

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

As at the 31 December 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the **"SFO"**)), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions

(a) Shares in the Comapny:

Name of Directors	Capacity/Nature of Interest	No. of shares and underlying shares	Approximate percentage of shareholding
Mr. James Fu Bin Lu ("**Mr. Lu**")[Note]	Interest of spouse/Family interest	692,875,000	85.51%

Note:

These shares are held by Strong Day Holdings Limited ("**Strong Day**"). Strong Day is 25% owned by Ms. Li, Qing Ni, the spouse of Mr. Lu. By virtue of the SFO, Mr. Lu is deemed to be interested in the shares held by Strong Day. Mr. Lu is also a director of Strong Day.

(b) Shares in associated corporation of the Comapny:

Name of Director	Name of associated corporation	Capacity/ Nature of Interest	Number of issued shares held	Approximate percentage of shareholding
Mr. Lu	Strong Day Holdings Limited	Interest of spouse/ Family interest	250	25%

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 December 2018, the interests and short positions of substantial shareholders and other persons (not being a Director or the chief executive of the Company) in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions of the shares:

Name	Capacity/Nature of interest	No. of shares held	Approximate percentage of shareholdering (%)
Strong Day Note	Beneficial owner/Personal interest	692,875,000	85.51%
Excel Precise International Limited ("**Excel Precise**") Note	Person having a security interest in shares/Others	692,875,000	85.51%
True Promise Investment Limited ("**True Promise**") Note	Interest in controlled corporation/ Corporate interest	692,875,000	85.51%
Law Fei Shing ("**Mr. Law**") Note	Interest in controlled corporations/ Corporate interest	692,875,000	85.51%

Note:

These shares are held by Strong Day. Excel Precise is the lender of record which has direct interest on the shares pledged by Strong Day. Excel Precise is owned as to 73.50% by True Promise and 25% by Mr. Law. True Promise is wholly owned by Mr. Law. By virtue of the SFO, True Promise and Mr. Law are deemed to be interested in the shares pledged to Excel Precise.

Save as disclosed above, as at 31 December 2018, so far as it was known by or otherwise notified to the Directors or the chief executive of the Company, no other corporations or persons (other than a Director or the chief executive of the Company) had interest or short positions in the Shares and the underlying Shares, which would notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTIONS

(a) Pre-IPO Share Option Scheme

Pursuant to a written resolution passed by the shareholders of the Company on 14 July 2016, the Company adopted the Pre-IPO Share Option Scheme, the principal terms of which were set out in the Prospectus. Upon the completion of mandatory unconditional cash offer as disclosed in the announcement dated 12 December 2018, the remaining 40,750,000 share options under the Pre-IPO Share Option Scheme were cancelled. Details of the movement of the share option during the nine months ended 31 December 2018 are as follows:

				Number or share options					
Grantees	Date of grant	Exercise price per share	Exercisable period	Outstanding as at 1 April 2018	Grant during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 31 December 2018
Sandip Gutpa (resigned as an executive Director on 31 December 2018)	15 July 2016	HK$0.45	5 August 2016 to 14 July 2019	4,000,000	—	—	(4,000,000)	—	—
	15 July 2016	HK$0.45	5 August 2017 to 14 July 2019	4,000,000	—	—	(4,000,000)	—	—
Employees and financial advisers	15 July 2016	HK$0.45	5 August 2016 to 14 July 2019	10,750,000	—	—	(10,750,000)	—	—
	15 July 2016	HK$0.45	5 August 2017 to 14 July 2019	22,000,000	—	—	(22,000,000)	—	—
Total				40,750,000	—	—	(40,750,000)	—	—

(b) Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was approved by the shareholders of the Company on 14 July 2016 for attracting and retaining the best available personnel of our Group, and providing incentives or rewards to eligible persons of the Group for their contribution to the success of the Group's business.

During the nine months ended 31 December 2018, no share options were granted, exercised or cancelled or lapsed under the Post-IPO Share Option Scheme.

MANDATORY UNCONDITIONAL CASH OFFERS

During the nine months ended 31 December 2018, the Company has undergone a change in its controlling shareholder upon completion of the share purchase agreement dated 11 October 2018 entered into among the Then Shareholders and Prometheus Capital (International) Co, Ltd. ("**Prometheus Capital**") as vendors, Strong Day as purchaser and Sandeep Sekhri and Prometheus Capital as the guarantors for the respective corresponding vendors for acquiring 600,000,000 ordinary shares of the Company, representing approximately 74.05% of the entire issued share capital of the Company. The transaction contemplated under the aforesaid share purchase agreement was completed on 12 December 2018.

Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, Strong Day was required to make a mandatory unconditional cash offer for all the issued shares of the Company (other than those already owned or to be acquired by Strong Day and parties acting in concert with it). For further details, please refer to the announcements of the Company dated 11 October, 1 November, 21 November and 12 December 2018 respectively, the circular of the Company dated 21 November 2018 and the composite offer and response document dated 21 November 2018 jointly issued by the Company and Strong Day.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The Company did not redeem any of its shares listed on GEM nor did the Company or any of its subsidiaries purchase, sell any Company's such shares during the nine months ended 31 December 2018.

DIRECTORS' INTERESTS IN CONTRACTS

During the nine months ended 31 December 2018, no director of the Company had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or its holding company or any of its subsidiaries or fellow subsidiaries was a party.

DIRECTORS' INTEREST IN COMPETING INTERESTS

During the nine months ended 31 December 2018, none of the directors or substantial shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules) has engaged in any business that competed or might compete with the business of the Group, or have any other conflict of interests with the Group.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

During the nine months ended 31 December 2018, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Lu is our chairman and chief executive officer of the Company. The Board believes that vesting the roles of both the chairman and the chief executive officer in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Company's compliance adviser, China Tonghai Capital Limited (previously known as "Oceanwide Capital Limited") (the "**Compliance Adviser**"), save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 22 September 2015, none of the Compliance Adviser or its directors, employees or close associates (as defined in the GEM Listing Rules) had any interest in relation to the Company or any member of the Group (including interest in the securities of the Company or any member of the Group, and options or rights to subscribe for such securities) during the nine months ended 31 December 2018, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Board has established an Audit Committee with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this report, the Audit Committee comprises Mr. Shi Kangping (chairman of the Audit Committee), Mr. Fei Dingan and Mr. Lu Cheng, all of whom are independent non-executive Directors.

The unaudited third quarterly results of the Group for the nine months ended 31 December 2018 and this report of the Company have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results and report complied with the applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures have been made.

DIVIDEND

The Board did not declare any dividend to shareholders of the Company for the nine months ended 31 December 2018.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries or associates during the nine months ended 31 December 2018.

By order of the Board

Dining Concepts Holdings Limited

James Fu Bin Lu

Chief executive officer and executive Director

Hong Kong, 12 February 2019

As at the date of this report, the executive Directors are Mr. James Fu Bin Lu, Mr. Sandeep Sekhri, and Mr. Long Hai; the non-executive Director is Mr. Li Lun; and the independent non-executive Directors are Mr. Lu Cheng, Mr. Fei Dingan, and Mr. Shi Kangping.