
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF THE COMPANY

Immediately following the completion of the Capitalisation Issue and the [REDACTED], Zhao Tian will control more than 30% of the issued share capital of the Company. For the purpose of the GEM Listing Rules, each of Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui, Mr. David Chow and Mr. Anthony Chow are the Controlling Shareholders. Zhao Tian is an investment holding company which is owned as to 62.86%, 12.38%, 12.38% and 12.38% by Hong Cui, Mr. Wong, Sun Foo Sing and Sky Gain respectively, and Hong Cui is wholly-owned by Bright Creator, while Bright Creator is owned as to 50% and 50% by Mr. Chan and Mrs. Chan respectively. As at the Latest Practicable Date, Zhao Tian has not commenced any substantive business activities. Each of Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui, Mr. David Chow and Mr. Anthony Chow confirms that, apart from the business operated by members of the Group, he or she or it and their respective close associates and/or companies controlled by them do not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of the Group, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

Pursuant to the Concert Party Deed, the Controlling Shareholders have been parties acting in concert (having the meaning ascribed to it under the Takeovers Code) during the Track Record Period, that is since 1 January 2013 and in the course of the Reorganisation and will continue to be parties acting in concert (having the meaning ascribed to it under the Takeovers Code) until such arrangement is terminated in writing by them pursuant to the Concert Party Deed. For details, please refer to the paragraph headed "History, Reorganisation and Development – Concert Party Deed" in this document.

As at the Latest Practicable Date, Mr. Chan, one of the Controlling Shareholders, an executive Director, the chairman of the Board and the chief executive officer of the Company, held 100% of the interest in a cha chaan teng named Li Jia Cha Chaan Teng (麗嘉茶餐廳) located at the same building where the Shenzhen Restaurant is located (the "**Cha Chaan Teng**"). The Cha Chaan Teng is a Hong Kong-style cafe that serves Asian and Western foods in a casual environment which commenced business in November 2014. Based on the unaudited management accounts of the Cha Chaan Teng, the Cha Chaan Teng recorded net losses of approximately RMB0.29 million for the period from the date of commencement of operation to 31 December 2014 and RMB1.59 million for the year ended 31 December 2015. In view of the distinct operations and target customers and having considered the business strategies of the Group, the Cha Chaan Teng is not included in the Group.

The Directors are of the view that any competition between the business of the Cha Chaan Teng and the Group's business is remote due to the following:

(a) Different operation

The Shenzhen Restaurant is a full-service restaurant providing Cantonese cuisine and banquet services while the Cha Chaan Teng is a Hong Kong-style cafe that serves Asian and Western foods in a casual environment.

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(b) Different target customers

The Shenzhen Restaurant mainly targets customers from the local offices and business customers desiring more exquisite Cantonese cuisine with the average spending of over HK\$200 per head, while the Cha Chaan Teng targets customers from the local offices who come for quick food and/or drinks with the average spending below HK\$100 per head.

(c) Different management

Mr. Chan is merely an investor in the Cha Chaan Teng. As confirmed by Mr. Chan and the Directors, the Cha Chaan Teng and the Group have separate and independent management teams for their respective daily management and operation.

Taking into account the above and the fact that: (i) the Group's restaurants aim at providing exquisite cuisine to customers with medium to high average spending and has no intention to step in the business of cha chaan teng in near future; and (ii) the Group intends to utilise its funding to expand its current business, the Directors confirm that the Group has no present intention to acquire the Cha Chaan Teng. Mr. Chan [has] undertaken to the Group that (i) in case his disposal of any interest in the Cha Chaan Teng, he shall promptly notify the Group in writing and the Group shall have the first right of refusal to acquire the interest in the Cha Chaan Teng to be disposed of by Mr. Chan within 30 days (or such longer period the Group is required to complete the approval procedures required under the GEM Listing Rules from time to time) after receipt of the notice from Mr. Chan; and (ii) that so long as he holds any beneficially interest in the Cha Chaan Teng, he will procure that the Cha Chaan Teng will not engage in any business that will or will likely compete with the Group's business.

The Group shall only exercise the right of first refusal upon approval of all the independent non-executive Directors (who do not have any interest in such transaction). Mr. Chan and the other conflicting Director (if any) shall abstain from participating in and voting at and shall not be counted as quorum at the meeting of the Directors for considering whether the Group will exercise the first right of refusal.

As at the Latest Practicable Date, Mr. Ho, one of the Controlling Shareholders, held 80% of the interest in the company which operates a Chinese restaurant named "Hong Wo Kok Restaurant" located in Hung Hom, Kowloon, Hong Kong (the "Hung Hom Restaurant"). The Hung Hom Restaurant is a Chinese restaurant that serves Chinese cuisine which commenced business in November 2014. Based on the audited accounts of the company which operates the Hung Hom Restaurant, it recorded net profit of approximately HK 1.14 million for the period from 11 March 2014, its incorporation date, to 31 March 2015. In view of the different geographical locations and target customers and having considered the business strategies of the Group, the Hung Hom Restaurant is not included in the Group.

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The Directors are of the view that any competition between the business of the Hung Hom Restaurant and the Group's business is remote due to the following:

(a) Different geographical locations

The Hung Hom Restaurant and the Group's restaurants are not located in the same area of Hong Kong. The Hung Hom Restaurant is located in Hung Hom, Kowloon, whereas the Group's four restaurants are located in Tsim Sha Tsui, Causeway Bay and West Kowloon.

(b) Different operation

The Group has four full-service restaurants in Hong Kong, all located in shopping malls offering both Chinese Cuisine and banquet services. The Hung Hom Restaurant has single operation in a residential area of Hung Hom and does not have any branch or associated restaurant in Hong Kong.

(c) Different target customers

The Group targets customers from the local neighborhood, office and tourists with the average spending of over HK\$200 per head while the Hung Hom Restaurant targets residents from the local neighborhood with the average spending of HK\$100 to HK\$200 per head.

(d) Different management

Mr. Ho is merely an investor in the Hung Hom Restaurant and apart from his interest in the Group, Mr. Ho is not a Director and does not assume any position in any member of the Group. As confirmed by Mr. Ho and the Directors, the Hung Hom Restaurant and the Group have separate and independent management teams for their respective daily management and operation.

Mr. Ho [has] undertaken to the Group that as long as he retains any equity interest in the Hung Hom Restaurant, he will not agree to be appointed as any director or management of any member of the Group.

Save as disclosed above, none of the Controlling Shareholders, substantial shareholders of the Company and Directors is interested in any business that competes, or is likely to compete, directly or indirectly, with the business of the Group.

Both Mr. Chan and Mr. Ho (amongst others) [have] executed the Deed of Non-competition in favour of the Group, details of which are set out in paragraph headed "Non-competition Undertakings" below.

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INDEPENDENCE OF THE GROUP

Having considered the following factors, the Directors believe that the Group is capable of carrying on the Group's business independently from the Controlling Shareholders and their close associates after the [REDACTED]:

Management and administrative independence

The Board consists of seven Directors, of whom four are executive Directors and the remaining three are independent non-executive Directors. Save as Mr. Chan, none of the Directors or senior management serves any executive or management role in Zhao Tian.

Each of the Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of the Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and the Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meetings of the Board in respect of such transactions and shall not be counted in the quorum. In addition, the senior management team of the Group is independent from the Controlling Shareholders. The three independent non-executive Directors will also bring independent judgment to the decision-making process of the Board.

Most members of the senior management of the Group have, for all or substantially all of the Track Record Period, undertaken senior management supervisory responsibilities in the business of the Group. The responsibilities of the senior management team of the Group include dealing with operational and financial matters and the daily implementation of the business strategy of the Group. This ensures the independence of the daily management and operations of the Group. Further details of the senior management are set out in the section "Directors and Senior Management" in this document.

Financial independence

The Company has an independent financial system and makes financial decisions according to the Group's own business needs. The Group has sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations. As at 31 December 2015, the Group had bank borrowings of approximately HK\$24.3 million, all of which was guaranteed by Mr. Chan and/or related parties. Such personal guarantee will be released and replaced by pledged bank deposits of HK\$17 million and a corporate guarantee of the Company upon [REDACTED]. For details, please refer to the section headed "Financial Information – Analysis of various items from the combined statement of financial position – Bank borrowings" in this document. As at 31 December 2015, the Group had certain amounts due to/from related parties including certain Controlling Shareholders. For details, please refer to note 34 (Related party transactions) to the Accountants' Report set out in Appendix I to this document. On 2 March 2016, such respective amounts due to related parties were either settled or waived.

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The Directors are of the view that there has been sufficient cash flow to support the operation of the Group's business. For the three years ended 31 December 2013, 2014 and 2015, the Group has relied principally on cash generated from operations to carry on its businesses and this is expected to continue after the [REDACTED]. The Directors also believe that the Group is capable of obtaining financing from independent third parties, if necessary, without reliance on the Controlling Shareholders after the [REDACTED]. Therefore, the Group will be financially independent from the Controlling Shareholders after the [REDACTED].

Operational independence

On the basis of the following reasons, the Directors consider that the Group will continue to be operationally independent from its Controlling Shareholders or other companies controlled by its Controlling Shareholders:

- (i) the Group has established its own organizational structure made of individual departments, each with specific areas of responsibilities;
- (ii) the Group did not share its operational resources, such as contractors, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their close associates during the Track Record Period;
- (iii) the Group has also established a set of internal control measures to facilitate the effective operation of its business;
- (iv) the Group's customers and suppliers are all independent from the Controlling Shareholders;
- (v) the Group does not rely on the Controlling Shareholders or their close associates and has its independent access to customers and suppliers; and
- (vi) the Group is the holder of all relevant licenses material to the operation of the restaurant business and has sufficient capital, equipment and employees to operate the business independently.

Management Independence

On the basis of the following reasons, the Directors consider that the Directors and members of the senior management of the Group are able to manage the business independently from the Controlling Shareholders:

- (i) with three independent non-executive Directors out of a total seven Directors in the Board, which complies with the requirements under the GEM Listing Rules, there will be a sufficiently robust and independent voice within the Board to counter-balance any situation involving a conflict of interest and protect the interests of the independent Shareholders;

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- (ii) all members of the senior management are full-time employees of the Group and most have, during the entire or most of the Track Record Period, undertaken senior management supervisory responsibilities in the business. The responsibilities of the senior management team include managing operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategies of the Group. This ensures the independence of the daily management and operations of the Group from those of its Controlling Shareholders;
- (iii) each of the Directors is aware of his fiduciary duties as a Director, which require, among other things, that he acts for the benefit and in the best interests of the Shareholders as a whole and does not allow any conflict between his duties as a Director and his personal interests to affect the performance of his duties as a Director;
- (iv) connected transactions (if any) between the Company and companies controlled by its Controlling Shareholders are subject to the rules and regulations under the GEM Listing Rules including rules relating to announcement, reporting and independent Shareholders' approval requirements (where applicable); and
- (v) a number of corporate governance measures are in place to avoid any potential conflict of interest between the Company and its Controlling Shareholders, and to safeguard the interests of the independent Shareholders.

Having considered the aforesaid factors, the Directors are satisfied that they are able to perform their roles in the Company independently, and the Directors are of the view that the Group is capable of managing its business independently from the Controlling Shareholders and their respective close associates.

EXCLUDED BUSINESS

During the Track Record Period, apart from the Operating Companies, namely Solarday Investment, Orient Century, Great Virtue, Great Virtue (HK), Excel Linker, Li Bao Ge Shenzhen and Smart Best, Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain also owned Star Catering, Hanman and Poly Wealth. These companies were not included in the Group. For details, please refer to the section headed "History, Reorganisation and Development" in this document.

RULE 11.04 OF THE GEM LISTING RULES

Save as otherwise disclosed, the Controlling Shareholders, the Directors and their respective close associates do not have any interest in a business apart from the Group's business which competes and is likely to compete, directly or indirectly, with the Group's business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

NON-COMPETITION UNDERTAKINGS

Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui, Mr. David Chow and Mr. Anthony Chow (each the "**Covenantor**" and collectively the "**Covenantors**") entered into a deed of non-competition dated [●] 2016 in

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favour of the Company and its subsidiaries (the “**Deed of Non-competition**”). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of its subsidiaries) that, save and except as disclosed in this document, during the period that the Deed of Non-competition remains effective, she/he/it shall not, and shall procure that her/his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group within Hong Kong and such other parts of the world where any member of the Group may operate from time to time, save for the holding of not more than 5% shareholding interests (individually or with her/his/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with her/his/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with her/his/its close associates).

Each of the Covenantors further undertakes that if she/he/it or her/his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with any business opportunity of the Group, she/he/it shall procure that her/his/its close associates to promptly notify the Group in writing and the Group shall have a right of first refusal to take up such opportunity. The Group shall, within 30 days after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal.

The Group shall only exercise the right of first refusal upon the approval of all independent non-executive Directors who do not have any interest in such opportunity. The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The Company will adopt the following procedures to monitor that the Deed of Non-competition is being observed:

- (a) the independent non-executive Directors shall review on an annual basis the above undertakings from the Covenantors and to evaluate the effective implementation of the Deed of Non-competition;
- (b) each of the Covenantors undertakes to provide any information as is reasonably required by the Group or the independent non-executive Directors, for their annual review, including but not limited to the confirmation from the Covenantors on the compliance of the Deed of Non-competition by the Covenantors and each of their close associates; and

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- (c) the Company shall disclose the decisions on those matters reviewed by its independent non-executive Directors relating to the compliance of the Deed of Non-competition in the annual report of the Company.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Division granting approval for the [REDACTED] of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreement having been fulfilled (or where applicable, waived) and the Underwriting Agreement not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date specified in the Underwriting Agreement (unless such conditions are waived on or before such date) or in any event on or before the date falling 30 days after the date of this document, the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on the date on which: (i) the Covenantors and their close associates, when taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of the Company provided that the Deed of Non-competition shall continue to be in full force and effect as against the other Covenantors; or (ii) the Shares cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

As the Controlling Shareholders have given non-competition undertakings in favour of the Company, and other than members of the Group, none of them have interests in other businesses that compete or are likely to compete with the business of the Group, the Directors are of the view that the Group is capable of carrying on the business independently of the Controlling Shareholders following the [REDACTED].

Other than members of the Group, none of the Controlling Shareholders and the Directors or their respective close associates has interests in any business which competes or is likely to compete with the business of the Group.

CORPORATE GOVERNANCE MEASURES

The Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

- (a) the Articles provide that a Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associates has/have a material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply to the exceptions as stated in the Articles where such exceptions are consistent with those provided in Appendix 3 to the GEM Listing Rules;

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- (b) the independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by the Controlling Shareholders;
- (c) the Controlling Shareholders undertake to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (d) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of the Controlling Shareholders in the annual reports of the Company;
- (e) the Controlling Shareholders will make an annual declaration on compliance with the Deed of Non-competition in the annual report of the Company;
- (f) the independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his close associates to involve or participate in any business in competition with or likely to be in competition with the existing business activity of any member of the Group within Hong Kong and such other parts of the world where any member of the Group may operate from time to time and if so, any condition to be imposed; and
- (g) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-competition or connected transaction(s) at the cost of the Company.

Further, any transaction that is proposed between the Group and/or the Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent Shareholders' approval requirements.

None of the members of the Group has experienced any dispute with its Shareholders or among its Shareholders themselves and the Directors believe that each member of the Group has maintained positive relationship with its Shareholders. With the corporate governance measures including the measures set out under the paragraphs headed "Corporate Governance Measures" in this section, the Directors believe that the interest of the Shareholders will be protected.