The following discussion and analysis of the Group's financial condition and results of operations is based upon and should be read in conjunction with the Group's audited combined financial information together with the accompanying notes as at and for the years ended 31 December 2013, 2014 and 2015 included in "Appendix I – Accountants' Report". The Group's combined financial information has been prepared in accordance with HKFRS.

This discussion contains forward-looking statements about the Group's business and financial performance which are subject to risks and uncertainties. These statements are based on assumptions and analysis made by the Group in light of its experience and perception of historical trends, current conditions and expected future development, as well as other factors the Group believes are appropriate under the circumstances. However, the Group's future results may differ significantly from those projected in the forward-looking statements. Factors that may cause the Group's future results to differ significantly from those projected include, but are not limited to, those discussed elsewhere in this document, particularly in "Risk Factors" and "Forward-Looking Statements".

OVERVIEW

The Group is a Chinese restaurant group recognised for delivering Cantonese cuisine and Chinese banquet and dining services. As at the Latest Practicable Date, the Group operated four full-service restaurants in Hong Kong and a full-service restaurant in Shenzhen, the PRC to provide Cantonese cuisine under the brand name of "Star of Canton (利寶閣)". The Group also opened a Jingchuanhu cuisine restaurant in Hong Kong at the end of October 2015 under a new brand name of "Beijing House (京香閣)". All of the Group's restaurants were strategically situated in landmark shopping arcades or commercial complex at prime locations.

The Group's business can be classified into two major service categories:

- serving Chinese cuisine including Cantonese dim sum and main dishes, fresh seafood delicacies and specialty Chinese cuisine such as roast suckling pigs, braised abalone and sea cucumber; and

- providing Chinese banquet and dining services for large-scale events.

The Group's current restaurant business principally targets the mid-to-high end restaurant market. It will continue to expand its market share through expanding its restaurant network strategically and promoting brand recognition. It plans to open more restaurants in prime locations with continuous and steady flow of potential customers and well-developed transportation networks, and identify premises suitable for holding banquets and large-scale events.

For the years ended 31 December 2013, 2014 and 2015, the Group generated revenue of approximately HK$174.6 million, HK$245.9 million and HK$256.9 million respectively and profit attributable to owners of the Company of approximately HK$4.2 million, HK$16.4 million and HK$3.7 million respectively.

SUMMARY OF HISTORICAL COMBINED FINANCIAL INFORMATION

The Group's combined statements of comprehensive income for the years ended 31 December 2013, 2014 and 2015 set forth below are extracted from and should be read in conjunction with the Group's Accountants' Report included in Appendix I to this document.

Combined statements of comprehensive income of the Group

	For the year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	174,623	245,905	256,881
Cost of materials consumed	(51,513)	(73,406)	(71,261)
Gross profit	123,110	172,499	185,620
Other income	1,258	1,357	1,162
Other gains and losses	385	(409)	(3,139)
Employee benefits expenses	(41,546)	(51,332)	(54,265)
Depreciation	(8,622)	(12,226)	(11,221)
Other expenses	(70,683)	(86,487)	(98,136)
Operating profit	3,902	23,402	20,021
[**REDACTED**] expenses	–	–	(8,419)
Finance costs	(996)	(921)	(862)
Profit before income tax	2,906	22,481	10,740
Income tax expense	(342)	(4,581)	(4,119)
Profit for the year	2,564	17,900	6,621
Other comprehensive income/(expense)	337	(250)	(349)
Total comprehensive income for the year	2,901	17,650	6,272
Profit/(loss) attributable to:			
Owners of the Company	4,202	16,432	3,652
Non-controlling interests	(1,638)	1,468	2,969
	2,564	17,900	6,621
Total comprehensive income/(expense) attributable to:			
Owners of the Company	4,391	16,292	3,322
Non-controlling interests	(1,490)	1,358	2,950
	2,901	17,650	6,272

BASIS OF PRESENTATION

The combined financial statements of the Group have been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flow the Group for each of the years ended 31 December 2013, 2014 and 2015 have been prepared using the financial information of the companies engaged in the operation of a chain Chinese restaurants in Hong Kong and the PRC, under common control of the Ultimate Controlling Shareholders (as defined under the Accountants' Report included in Appendix I) of the Company and now comprising the Group as if the current group structure had been in existence throughout each of the years ended 31 December 2013, 2014 and 2015, or since the respective dates of incorporation of the combining companies, or since the date when the combining companies first came under the control of the Ultimate Controlling Shareholders of the Company, whichever is a shorter period. The combined statements of financial position of the Group as at 31 December 2013, 2014 and 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates. The net assets and results of the Group were combined using the existing book values from the Ultimate Controlling Shareholders' perspective.

As part of the Reorganisation in preparation for the [**REDACTED**] as more fully explained in the section headed "History, Reorganisation and Development" in this document, the Group has disposed of the equity interests in two subsidiaries (collectively referred to as the "**Disposal Group**"), which are property holding companies holding certain properties in Hong Kong. On 18 September 2015, Great Virtue disposed of 100% equity interests in the Disposal Group to a related company connected with certain Ultimate Controlling Shareholders at an aggregate consideration of approximately HK$25,720,000 which was fully settled by offsetting the loans and dividend payable to those Ultimate Controlling Shareholders.

The Group's historical financial statements as at and for the years ended 31 December 2013, 2014 and 2015 presented the combined statements of financial position, comprehensive income, changes in equity and cash flows of the Group, including the Disposal Group, throughout the Track Record Period. The financial statements of the Disposal Group are included in the Group's financial statements as the Disposal Group formed an integral part of the business of the Group prior to the Reorganisation.

Please see the sub-section headed "Accountants' Report – Section II – Note 36" included as Appendix I to this document and the sub-section headed "Financial Information – Disposal of the Disposal Group" in this document for a presentation of the financial information of the Disposal Group.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The results of operations and financial condition of the Group have been and will continue to be affected by a number of factors, many of which may be beyond control of the Group, including those factors set out in the section headed "Risk Factors" in this document and those set out below.

The business is affected by any material change in the economic condition in Hong Kong and PRC

The Group's results of operations are vulnerable to the economy in Hong Kong and the PRC. The Group offers Chinese banquet, dining services for large-scale events and serves Chinese cuisines to the customers. The Group expects to further expand in Hong Kong and the PRC by opening new restaurants in the next few years. The results of operations of the Group are therefore directly affected by the demand for dining out of the Group's target customers in Hong Kong and the PRC and such demand depends upon many factors, most of which are beyond the Group's control, among others, the general economic condition in Hong Kong and the PRC and the disposable income of the target customers.

Change in the price of materials consumed

Food ingredients are the major supplies for the Group's Chinese restaurant operations. The Group's business is highly dependent on a sufficient supply of food ingredients that meet its quality requirements and its financial performance is sensitive to price fluctuation of food ingredients. During the Track Record Period, the prices of different food ingredients varied in different extents. For the years ended 31 December 2013, 2014 and 2015, the costs of materials consumed, which primarily consisted of food ingredients consumed for the operation of Cantonese restaurants amounted to approximately HK$51.5 million, HK$73.4 million and HK$71.3 million respectively, representing approximately 29.5%, 29.9% and 27.7% respectively of the Group's revenue. The Group does not enter into any long-term contracts with its food ingredient suppliers and it purchases food ingredients on an order basis. However, the price quotation for certain food ingredients may be valid for a certain period of time, normally two weeks or one month, depending on the nature of food ingredient and the suppliers. The food ingredient purchases are generally determined by prevailing market prices and subject to fluctuation in market prices. Although the Group will continue to monitor its cost of food ingredients and implement cost control measures to control the cost, the fluctuations in the food ingredients may affect the profit margin of its Chinese restaurant operations. For supply of wines, Shenzhen Restaurant entered into an exclusive contract with a wine supplier pursuant to which the Shenzhen Restaurant can only purchase certain types of wines from such supplier for the period from 31 August 2015 to 31 August 2016. Nevertheless, there is no minimum purchase requirement imposed on the Shenzhen Restaurant under this exclusive contract.

The table below sets forth a sensitivity analysis for the Group's costs of materials consumed, illustrating its impact on the Group's profit before income tax if the Group's costs of materials consumed had been 5%, 10% and 15% higher or lower in the years indicated, assuming all other variables were held constant.

	For the year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
If costs of materials consumed had been 5% higher/lower			
Decrease/increase in profit before income tax	-/+2,576	-/+3,670	-/+3,563
If costs of materials consumed had been 10% higher/lower			
Decrease/increase in profit before income tax	-/+5,151	-/+7,341	-/+7,126
If costs of materials consumed had been 15% higher/lower			
Decrease/increase in profit before income tax	-/+7,727	-/+11,011	-/+10,689

Staff costs

The Group's Chinese restaurant operations highly rely on its experienced managerial and other staff to manage the restaurants and organise the banquet events, and interact with its customers regularly, which is critical to maintaining the quality and consistency of its services as well as its brand and reputation. To sustain the growth of its business, the Group is required to increase work force of skilled personnel. In addition, competition for qualified personnel could also require the Group to pay higher wages which could result in higher employee benefits expense. For the years ended 31 December 2013, 2014 and 2015, the Group's staff costs, including employee benefits expense, staff messing and service fee to temporary workers amounted to approximately HK$50.8 million, HK$65.1 million and HK$69.7 million respectively, representing approximately 29.1%, 26.5% and 27.1% respectively of the Group's revenue. The increase in salary level of staff in the restaurant industry in Hong Kong and the PRC and competition among restaurant operators may increase the Group's costs associated with hiring and retaining talented staff. In addition, the increase in the statutory minimum wage rate may increase the overall market salary level of low-paid workers, which may in turn increase the staff costs. The Group expects that its staff costs will continue to increase, which may affect its profit margin.

The table below sets forth a sensitivity analysis for the Group's staff costs, illustrating its impact on the Group's profit before income tax if the Group's staff costs had been 5%, 10% and 15% higher or lower in the years indicated, assuming all other variables were held constant.

	For the year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
If staff costs had been 5% higher/lower			
Decrease/increase in profit before income tax	-/+2,541	-/+3,254	-/+3,483
If staff costs had been 10% higher/lower			
Decrease/increase in profit before income tax	-/+5,082	-/+6,507	-/+6,967
If staff costs had been 15% higher/lower			
Decrease/increase in profit before income tax	-/+7,623	-/+9,761	-/+10,450

Property rentals in relation to the premises for the Group's restaurant operations

During the Track Record Period and up to the Latest Practicable Date, all of the Group's restaurants had been operated on leased properties and thus it has significant exposure to the rental market of commercial properties in Hong Kong and the PRC. For the years ended 31 December 2013, 2014 and 2015, the Group's property rentals and related expenses (excluding those for properties used as offices, warehouse, car park and staff quarters) amounted to approximately HK$26.4 million, HK$30.7 million and HK$36.2 million respectively, representing approximately 15.1%, 12.5% and 14.1% respectively of the Group's revenue. Such rentals and related expenses represented a significant portion of the Group's total operating costs during the Track Record Period, thus its profitability and financial results may be adversely affected by any substantial increase in market rentals in Hong Kong and the PRC.

The table below sets forth a sensitivity analysis for the Group's property rentals and related expenses, illustrating its impact on the Group's profit before income tax if the Group's property rentals and related expenses had been 5%, 10% and 15% higher or lower in the years indicated, assuming all other variables were held constant.

	For the year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
If property rentals and related expenses had been 5% higher/lower			
Decrease/increase in profit before income tax	-/+1,322	-/+1,535	-/+1,809
If property rentals and related expenses had been 10% higher/lower			
Decrease/increase in profit before income tax	-/+2,644	-/+3,071	-/+3,618
If property rentals and related expenses had been 15% higher/lower			
Decrease/increase in profit before income tax	-/+3,966	-/+4,606	-/+5,427

Fluctuation of RMB

Some of the subsidiaries of the Group operate in the PRC. Therefore, the fluctuation of RMB could negatively affect the business and financial operations of the Group. The table below sets forth a sensitivity analysis for the Group's foreign currency exposure on RMB, illustrating its impact on the Group's profit before income tax if the Group's RMB had been 2% and 4% strengthened or weakened in the years indicated, assuming all other variables were held constant.

	For the year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
If RMB had been 2% strengthened/weakened			
Change in profit before income tax	-/+209	-/+125	+/-105
If RMB had been 4% strengthened/weakened			
Change in profit before income tax	-/+418	-/+249	+/-210

Seasonality

The Group experiences seasonal fluctuations in the revenue. The Group's revenue during certain holiday periods (generally from December to February), such as the Christmas holiday and the Chinese New Year holiday, is usually higher than those for the remaining months of the year. Generally, the revenue of the Group during April to August is lower than those for the remaining months, mainly due to lack of Chinese festivals and less Chinese wedding banquets during such period.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Group's combined financial statements have been prepared in accordance with the HKFRSs. The summary of significant accounting policies and critical accounting estimates and judgements are set out in notes 2 and 4 to the Accountants' Report contained in Appendix I to this document. The following paragraphs discuss those that are most critical in preparing the Group's combined financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts and sales related taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Revenue from Chinese restaurants operations

Revenue is recognised when the related catering services are rendered to customers.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Property, plant and equipment

Property, plant and equipment other than crockery, utensils and linen is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined statements of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Shorter of 5 years and the unexpired lease term
Furniture, fixtures and equipment	3 years
Motor vehicles	5 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Initial expenditure incurred for crockery, utensils and linens is capitalised and no depreciation is provided thereon. The cost of subsequent replacement for these items is recognised in profit or loss when incurred. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains and losses' in the combined statements of comprehensive income.

Useful lives of property, plant and equipment

The Group has significant investments in property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting date.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

Provision for reinstatement costs

Provision for reinstatement costs is estimated at the inception of leasing property with reinstatement clause and reassessed at each reporting date with reference to the latest available quotation from independent contractors. Estimation based on current market information may vary over time and could differ from the actual reinstatement cost upon closures or relocation of existing premises occupied by the Group.

DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATIONS OF THE GROUP

Revenue

The Group generates substantially all of its revenue from sales of food and beverage at its restaurants in Hong Kong and the PRC. Most of the Group's revenue was settled by cash and credit cards during the Track Record Period.

The table below sets forth the breakdown of the revenue and operating margin of each of the Group's restaurants operated during the periods indicated.

	For the year ended 31 December								
	2013			2014			2015		
	Revenue	% of total revenue	Operating margin	Revenue	% of total revenue	Operating margin	Revenue	% of total revenue	Operating margin
	HK$'000		*(%)* *(Note 1)*	*HK$'000*		*(%)* *(Note 1)*	*HK$'000*		*(%)* *(Note 1)*
CWB Restaurant	33,798	19.4	6.0	36,117	14.7	13.9	37,599	14.6	14.5
Olympian Restaurant	43,357	24.8	6.5	56,478	23.0	14.4	52,537	20.5	6.1
I-Square Restaurant *(Note 2)*	53,594	30.7	13.8	56,794	23.1	20.3	48,359	18.8	19.5
The One Restaurant	37,838	21.7	6.5	36,018	14.6	16.9	34,657	13.5	15.6
Shenzhen Restaurant	6,036	3.4	(172.9)	60,498	24.6	(10.3)	73,798	28.7	7.1
Sheung Wan Restaurant *(Note 3)*	–	–	–	–	–	–	6,853	2.7	(45.9)
Beijing House Restaurant *(Note 3)*	–	–	–	–	–	–	3,078	1.2	(77.8)
	174,623	100.0		245,905	100.0		256,881	100.0	

Notes:

1. The operating margin was calculated as the operating profit/(loss) of the restaurant operation divided by its relevant revenue.

2. The I-Square Restaurant ceased operations in November 2015.

3. Sheung Wan Restaurant and Beijing House Restaurant were opened at the end of October 2015.

The Group's revenue increased from approximately HK$174.6 million for the year ended 31 December 2013 to approximately HK$245.9 million for the year ended 31 December 2014, representing an increase of approximately 40.8%. Such increase was mainly attributable to the full-year operation of Shenzhen Restaurant during the year ended 31 December 2014, which contributed revenue of approximately HK$60.5 million, as compared to only about two months' operation (commencement of operation in late October 2013) during the year ended 31 December 2013, which only contributed revenue of approximately HK$6.0 million. Besides, the performance of the Olympian Restaurant in Hong Kong also increased by approximately 30.2% from approximately HK$43.4 million for the year ended 31 December 2013 to approximately HK$56.5 million for the year ended 31 December 2014 mainly due to: (i) the renovation of the restaurant during early April and early May 2013, hence significant lower revenue was generated for these two months; and (ii) the restaurant started to provide breakfast session in May 2013 after the renovation of the restaurant. Therefore a full-year income generated from breakfast session during the year ended 31 December 2014 compared to only eight months breakfast session during the year ended 31 December 2013.

For the year ended 31 December 2015, revenue was approximately HK$256.9 million, representing an increase of approximately 4.5% as compared to the revenue of approximately HK$245.9 million for the year ended 31 December 2014. Such increase was mainly due to the improvement in sales performance of Shenzhen Restaurant when its operation was gradually put on track from 2014 to 2015, which contributed revenue of approximately HK$60.5 million and HK$73.8 million respectively. Although the revenue of I-Square Restaurant decreased by approximately HK$8.4 million during the year ended 31 December 2015 due to the cessation of operation in November 2015, the aggregate revenue of approximately HK$9.9 million generated by Sheung Wan Restaurant and Beijing House Restaurant upon their commencement of operation since the end of October 2015 contributed to the overall increase in revenue of the Group for the year ended 31 December 2015.

The table below sets forth the breakdown of the Group's revenue by business category during the years indicated.

	For the year ended 31 December					
	2013		2014		2015	
	Revenue	**% of total revenue**	**Revenue**	**% of total revenue**	**Revenue**	**% of total revenue**
	HK$'000		*HK$'000*		*HK$'000*	
Dining service	108,983	62.4	187,521	76.3	208,681	81.2
Banquet service	65,640	37.6	58,384	23.7	48,200	18.8
	174,623	100.0	245,905	100.0	256,881	100.0

Note: The above breakdown information is based on the unaudited management information of the Group. Banquet service represents dining events with pre-determined function purposes such as wedding, birthday party and corporate annual dinner.

The percentage of the Group's revenue generated from banquet service decreased from approximately 37.6% for the year ended 31 December 2013 to approximately 23.7% for the year ended 31 December 2014. This was mainly due to the fact that the dining area of the Shenzhen Restaurant is spacious, it is not intended for customers to make a block booking of the whole restaurant to hold banquet events such as wedding banquets which would require privacy. Therefore, upon the gradual put on track of the operation of the Shenzhen Restaurant during the year ended 31 December 2014 and thereby increasing the percentage of contribution to the Group's revenue as compared to that of the year ended 31 December 2013, the revenue from banquet service in terms of a percentage of the Group's revenue decreased accordingly. For the same reason of the gradual increase in percentage of contribution to the Group's revenue by the Shenzhen Restaurant which rarely held banquet events, and that the revenue from banquet services of I-Square Restaurant decreased considerably in the second half of 2015 due to its planned closure in November 2015, the revenue from banquet service as a percentage of the Group's revenue decreased from approximately 23.7% for the year ended 31 December 2014 to approximately 18.8% for the year ended 31 December 2015.

The Directors consider that the decrease in the Group's revenue from banquet services from approximately HK$65.6 million for the year ended 31 December 2013 to approximately HK$58.4 million for the year ended 31 December 2014 was mainly due to the "Occupy Central Movement" that took place in Hong Kong from September to December 2014, which discouraged potential customers to hold pre-planned banquet events during such period in those affected districts such as Tsim Sha Tsui and Causeway Bay where the Group's restaurants operated, although customers who sought for ordinary dining were not materially affected; while the decrease in the Group's revenue from banquet services from approximately HK$58.4 million for the year ended 31 December 2014 to approximately HK$48.2 million for the year ended 31 December 2015 was mainly due to the post "Occupy Central Movement" effect which discouraged potential customers to hold banquet events in such districts during the first quarter of 2015, as well as the considerable decrease in revenue from banquet services of I-Square Restaurant in the second half of 2015 due to its planned closure in November 2015. Moreover, the Directors also consider that the main focus of the Group's restaurant business is on ordinary dining service and the Group's advertising and promotion activities have been focusing thereon. As a result, the increase in revenue from dining service was coupled with a decrease in revenue from banquet service during the Track Record Period.

Operating margin

The increase in operating margin of CWB Restaurant, Olympian Restaurant and I-Square Restaurant for the year ended 31 December 2014 as compared to that of 2013 was mainly attributable to the increase in revenue and hence the gross profit of the restaurants, while other operating expenses in aggregate changed at a lesser extent, thereby resulted in the overall improvement of operating margin. In respect of The One Restaurant, although the revenue for the year ended 31 December 2014 decreased slightly as compared to that of 2013, the operating margin was still improved, which was mainly due to the fact that the property, plant and equipment of the restaurant were fully depreciated in 2013 and hence no depreciated charge was provided for the year ended 31 December 2014. The mitigation of the negative operating margin of the Shenzhen Restaurant for year ended 31 December 2014 as compared to the significant negative profit margin for the year ended 31 December 2013 was due to full-year operation of the restaurant for the year ended 31 December 2014 which resulted in the increase of gross profit generated to cover certain major fixed costs such as depreciation charge and rental expenses.

The operating margin of CWB Restaurant, I-Square Restaurant and The One Restaurant for the year ended 31 December 2015 was relatively stable as compared to that of 2014. The decrease in operating margin of the Olympian Restaurant for the year ended 31 December 2015 as compared to that of 2014 was mainly due to the decrease in revenue and hence gross profit of the restaurant while other operating expenses in aggregate changed at a lesser extent, thereby resulted in the shrink of operating margin. The operating margin of Shenzhen Restaurant for the year ended 31 December 2015 turned around from a negative operating margin for the year ended 31 December 2014, which was contributed by the further increase in revenue and hence the generation of adequate gross profit to fully cover the operating expenses upon its gradual put on track of operation from 2014 to 2015. The negative operating margin of Sheung Wan Restaurant and Beijing House Restaurant for the year ended 31 December 2015 was due to the initial period of about two months' operation since their opening at the end of October 2015, and hence the restaurants were yet to generate adequate revenue and gross profit to cover certain major fixed costs such as depreciation charge and rental expenses.

Cost of materials consumed

Cost of materials consumed primarily consists of the cost of all the food and beverages used in restaurant operations. The principal food and beverage items used are fresh seafood, seafood delicacies, meat and vegetables. For the years ended 31 December 2013, 2014 and 2015, the Group's cost of materials consumed amounted to approximately HK$51.5 million, HK$73.4 million and HK$71.3 million respectively, representing approximately 29.5%, 29.9% and 27.7% of the Group's revenue for the respective periods. During the Track Record Period, the year-to-year fluctuation was in line with the change in revenue.

Gross profit and gross profit margin

The Group's gross profit was approximately HK$172.5 million for the year ended 31 December 2014, representing an increase of approximately 40.1% from approximately HK$123.1 million for the year ended 31 December 2013. Such increase was mainly due to the increase in revenue for the same period. The gross profit margin remained relatively stable, with a slight decrease from approximately 70.5% for the year ended 31 December 2013 to approximately 70.1% for the year ended 31 December 2014.

The Group's gross profit was approximately HK$185.6 million for the year ended 31 December 2015, representing an increase of approximately 7.6% from approximately HK$172.5 million for the year ended 31 December 2014. Such increase was mainly due to the increase in revenue for the same period and the improvement of gross profit margin. The gross profit margin increased from approximately 70.1% for the year ended 31 December 2014 to approximately 72.3% for the year ended 31 December 2015, which was mainly due to the improvement of gross profit margin of Shenzhen Restaurant upon the gradual put on track of its operation from 2014 to 2015 with improvement in food cost control.

Other income

During the Track Record Period, the Group's other income mainly comprised: (i) rental income from investment properties of the Disposal Group; (ii) interest income from deposit placed for life insurance policies; and (iii) miscellaneous income. On 18 September 2015, the disposal of the Disposal Group had been completed. Therefore, the Group will not receive such rental income from investment properties of the Disposal Group after the disposal. The following table sets out a breakdown of other income of the Group for the Track Record Period:

	For the year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Rental income from investment properties of the Disposal Group	889	978	806
Interest income on short-term bank deposits	4	14	25
Dividend income	–	12	2
Interest income from deposit placed for life insurance policies	182	179	198
Forfeiture of deposits received	12	82	1
Miscellaneous income	171	92	130
	1,258	1,357	1,162

Other gains and losses

During the Track Record Period, the Group's other income mainly comprised: (i) (loss)/gain on disposal of financial assets at fair value through profit or loss; (ii) fair value gain on financial assets at fair value through profit or loss; and (iii) exchange gain/(loss), net. The following table sets out a breakdown of other income of the Group for the Track Record Period:

	For the year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
(Loss)/gain on disposal of financial assets at fair value through profit or loss	(108)	34	(2,495)
Fair value gain on financial assets at fair value through profit or loss	270	86	–
Loss on disposal of property, plant and equipment	–	–	(29)
Exchange gain/(loss), net	223	(529)	(615)
	385	(409)	(3,139)

The loss on disposal of financial assets at fair value through profit or loss was approximately HK$2.5 million for the year ended 31 December 2015, which was mainly due to the Group's full disposal of its financial assets at fair value through profit or loss which recorded such loss. Upon such full disposal of financial assets at fair value through profit or loss, the Group did not record any fair value gain or loss thereon for the year ended 31 December 2015.

The exchange loss for the year ended 31 December 2014, representing a deterioration of approximately HK$0.8 million for the year ended 31 December 2013, was mainly due to the exchange rate difference between the time when the Group made its payment to its PRC suppliers and the time as at 31 December 2014.

Employee benefits expense

The table below sets forth the breakdown of employee benefits expense for the years indicated:

	For the year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Wages, salaries and bonuses	39,428	47,483	50,184
Pension costs – defined contribution plans	1,428	1,533	1,672
Basic pension insurance, housing fund, medical insurance and other social insurance	642	2,117	2,538
(Previous year's unutilised paid annual leave utilised)/Unutilised annual leave	48	199	(129)
	41,546	51,332	54,265

Employee benefits expense increased from approximately HK$41.5 million for the year ended 31 December 2013 to approximately HK$51.3 million for the year ended 31 December 2014, representing an increase of approximately 23.6%. Such an increase was mainly due to the salaries and wages incurred for the full-year operation of Shenzhen Restaurant for the year ended 31 December 2014 as compared to only about two months of operation since the commencement of its operation for the year ended 31 December 2013.

Employee benefits expense increased from approximately HK$51.3 million for the year ended 31 December 2014 to approximately HK$54.3 million for the year ended 31 December 2015, representing an increase of approximately 5.8%. Such an increase was mainly due to: (i) the increase in payment of bonus in the Olympian Restaurant as a result of the increase in revenue in the previous year; and (ii) the hiring of new employees for the Sheung Wan Restaurant and the Beijing House Restaurant upon their opening at the end of October 2015.

Depreciation

The Group recorded depreciation of approximately HK$8.6 million, HK$12.2 million and HK$11.2 million for the years ended 31 December 2013, 2014 and 2015 respectively for its investment properties, leasehold land and buildings, leasehold improvements, furniture, fixtures and equipment, crockery, utensils, linens and uniforms, as well as motor vehicles. Excluding the depreciation for the leasehold land and buildings and investment properties which was attributable to the Disposal Group, the Remaining Group recorded depreciation of approximately HK$6.6 million, HK$10.2 million and HK$9.9 million for the years ended 31 December 2013, 2014 and 2015 respectively.

The increase of the Remaining Group's depreciation for the year ended 31 December 2014 as compared to that of the year ended 31 December 2013 was mainly due to the full-year depreciation charge provided for Shenzhen Restaurant for the year ended 31 December 2014 as compared to only about two months of depreciation charged since the commencement of its operation for the year ended 31 December 2013.

The Remaining Group's depreciation slightly decreased from approximately HK$10.2 million for the year ended 31 December 2014 to approximately HK$9.9 million for the year ended 31 December 2015. This was mainly due to fact that certain of the furniture, fixtures and equipment of the CWB Restaurant had been fully depreciated during the year ended 31 December 2014 and therefore significantly lower depreciation for the CWB Restaurant had been recorded for the year ended 31 December 2015; while such decrease in depreciation was partially offset by the commencement of depreciation of property, plant and equipment of the Sheung Wan Restaurant and the Beijing House Restaurant upon their opening at the end of October 2015.

Other expenses

The table below sets forth the breakdown of the Group's other expenses for the years indicated.

	For the year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Auditors' remuneration	172	180	306
Advertising and promotions	3,591	4,421	3,572
Cleaning and laundry expenses	2,301	3,068	3,910
Credit card handling charges	1,888	2,520	2,833
Repairs and maintenance	657	1,033	1,100
Entertainment	1,378	851	711
Consumable stores	2,032	2,795	3,085
Insurance	682	669	655
Legal and professional fees	70	–	61
Printing and stationery	624	714	638
Staff messing	2,158	4,943	3,737
Services fee to temporary workers	7,116	8,797	11,663
Transportation	1,561	1,737	862
Others	1,706	1,420	2,161
Operating leases expenses			
– normal rent for premises	26,870	31,475	37,729
– contingent rent for premises *(note)*	1,849	1,901	4,036
Operating lease – equipment	121	19	–
Building management fee and air conditioning charges	8,867	11,097	11,762
Government rent and rates	1,248	1,347	1,671
Water, electricity and telephone	4,460	6,296	6,333
Management fee	1,332	1,204	1,059
Underprovision for reinstatement costs	–	–	252
	70,683	86,487	98,136

Note: The contingent rent refers to the operating rentals based on pre-determined percentage to the restaurant revenue less minimum rentals of the respective leases.

The Group's other expenses increased by approximately 22.3% from approximately HK$70.7 million for the year ended 31 December 2013 to approximately HK$86.5 million for the year ended 31 December 2014. The Group's other expenses increased by approximately 13.4% from approximately HK$86.5 million for the year ended 31 December 2014 to approximately HK$98.1 million for the year ended 31 December 2015. The increases in both years were mainly due to the increase in the following categories:

Operating lease – normal rent for premises, building management fee and air conditioning charges, and water, electricity and telephone

For the year ended 31 December 2014, the Group's operating lease payments of normal rent, building management fee and air conditioning charges, and water, electricity and telephone increased mainly due to the full-year rental payment, building management fee and air conditioning charges, and water, electricity and telephone payment of Shenzhen Restaurant for the year ended 31 December 2014 as compared to only five months' relevant payments for the year ended 31 December 2013. For the year ended 31 December 2015, the increase in operating lease payment of normal rent was mainly due to the rental payment for the Sheung Wan Restaurant and the Beijing House Restaurant upon the commencement of lease of the restaurants' premises since August 2015.

Operating lease – contingent rent for premises

The Group's payment of contingent rent for premises increased by approximately 110.5% from approximately HK$1.9 million for the year ended 31 December 2014 to approximately HK$4.0 million for the year ended 31 December 2015, which was mainly due to: (i) Shenzhen Restaurant recorded a significant increase in revenue for the year ended 31 December 2015; and (ii) the increase in the contingent rent's pre-determined percentage to revenue for Shenzhen Restaurant from 8% to 11% since August 2014.

Advertising and promotions expenses, cleaning and laundry expenses, credit card charges, and staff messing

For the year ended 31 December 2014, the Group's advertising and promotions expenses, cleaning and laundry expenses, credit card charges and staff messing increased mainly due to the expenses incurred for the full-year operation of Shenzhen Restaurant for the year ended 31 December 2014 as compared to only about two months of operation since the commencement of its operation for the year ended 31 December 2013.

Services fee to temporary workers

The Group's services fee to temporary workers increased by approximately 23.9% from approximately HK$7.1 million for the year ended 31 December 2013 to approximately HK$8.8 million for the year ended 31 December 2014 mainly due to: (i) the Olympian Restaurant started to provide breakfast in May 2013, hence more temporary workers had been hired; and (ii) I-Square Restaurant (which ceased operations in November 2015) employed more temporary workers with higher service fee per hour for the year ended 31 December 2014, mainly as a result of the increase in sales for the year. The Group's service fee to temporary workers increased by approximately 33.0% from approximately HK$8.8 million for the year ended 31 December 2014 to approximately HK$11.7 million for the year ended 31 December 2015 mainly due to: (i) more temporary workers had been hired during the year and the service fee per hour had increased during the year; and (ii) temporary workers were hired during the initial stage of operation of the Sheung Wan Restaurant and Beijing House Restaurant upon their opening at the end of October 2015 to cope with the increase in customer traffic.

[**REDACTED**]

During the year ended 31 December 2015, the Group incurred [**REDACTED**] of approximately HK$[**REDACTED**] in preparation for the [**REDACTED**] of the Company. The Directors estimate that a further amount of [**REDACTED**] of approximately HK$[**REDACTED**] will be incurred and charged to the profit or loss accounts of the Group for the year ending 31 December 2016.

Finance costs

The table below sets forth the breakdown of finance costs of the Group for the years indicated:

	For the year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Interest expense on bank borrowings wholly repayable within five years	538	502	589
Interest expense on bank borrowings not wholly repayable within five years	428	401	259
Interest expense on finance lease obligations	30	18	14
	996	921	862

The Group's finance costs remained stable, with a slight decrease from approximately HK$1.0 million for the year ended 31 December 2013 to approximately HK$0.9 million for the year ended 31 December 2014.

The Group's finance costs were approximately HK$0.9 million for the year ended 31 December 2015, which remained stable as compared to the year ended 31 December 2014.

Income tax expense

During the Track Record Period, the Group's assessable profits in respect of its Hong Kong operations were subject to Hong Kong profits tax at the applicable income tax rate of 16.5%. The Group's assessable profits in respect of its the PRC operations were subject to the

PRC enterprise income tax at the applicable income tax rate of 25%. Excluding the [**REDACTED**] expenses incurred by the Company for the year ended 31 December 2015, the effective tax rate for the years ended 31 December 2013, 2014 and 2015 was approximately 11.8%, 20.4% and 21.5% respectively. The lower effective tax rate for the year ended 31 December 2013 as compared to that for the year ended 31 December 2014 was mainly attributable to approximately HK$2.2 million deferred tax assets recognised for the tax losses that generated in the PRC operations which was calculated under the 25% applicable tax rate in that year, which offset the profit that generated in the Hong Kong operations which was calculated under the 16.5% applicable tax rate. The slightly higher effective tax rate for the year ended 31 December 2015 as compared to that for the year ended 31 December 2014 was mainly due to the provision of PRC enterprise income tax for the Shenzhen Restaurant for the year ended 31 December 2015 upon its turnaround of loss situation during the year.

The following table sets forth the breakdown of income tax expense for the years indicated:

	For the year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Current income tax			
Current income tax on profits for the year			
– Hong Kong	2,946	5,223	3,521
– PRC	3	330	480
Overprovided in prior year	(18)	(9)	(18)
	2,931	5,544	3,983
Deferred income tax			
Origination and reversal of temporary differences	(2,593)	(963)	134
Underprovided in prior year	4	–	2
	(2,589)	(963)	136
	342	4,581	4,119

The Group's income tax expense increased by approximately HK$4.3 million, from approximately HK$0.3 million for the year ended 31 December 2013 to approximately HK$4.6 million for the year ended 31 December 2014, mainly due to the significant increase in profit before tax of approximately HK$19.6 million for the year ended 31 December 2014.

The Group's income tax expense decreased by approximately HK$0.5 million, from approximately HK$4.6 million for the year ended 31 December 2014 to approximately HK$4.1 million for the year ended 31 December 2015, mainly due to the decrease in profit before tax (excluding [**REDACTED**] expenses) of approximately HK$3.3 million for the year ended 31 December 2015.

Profit attributable to owners of the Company

For the years ended 31 December 2013 and 2014

The Group's profit attributable to owners of the Company increased by approximately 290.5%, from approximately HK$4.2 million for the year ended 31 December 2013 to approximately HK$16.4 million for the year ended 31 December 2014, which was mainly due to: (i) the increase in gross profit for the same period as disclosed in the sub-section headed "Financial Information – Discussion and analysis of financial condition and operations of the Group – Gross profit and gross profit margin" in this document; and (ii) the improvement in the operating loss of the new restaurant, namely Shenzhen Restaurant, as its operation was gradually put on track from the year ended 31 December 2013 to the year ended 31 December 2014.

For the year ended 31 December 2014 and 2015

The Group's profit attributable to owners of the Company decreased from approximately HK$16.4 million for the year ended 31 December 2014 to approximately HK$3.7 million for the year ended 31 December 2015, which was mainly due to: (i) the charge of [**REDACTED**] of approximately HK$[**REDACTED**] incurred during the year ended 31 December 2015; and (ii) the record of loss of the Sheung Wan Restaurant and the Beijing House Restaurant of approximately HK$4.8 million for the year ended 31 December 2015 during its initial stage of operation.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's primary uses of cash are to satisfy its working capital needs and capital expenditure needs. During the Track Record Period, the Group's uses of cash have mainly been financed through a combination of cash inflows from its operating activities and bank borrowings. As at 31 December 2015, the Group had cash and cash equivalents of approximately HK$28.1 million.

The Group's working capital requirements and capital expenditure needs mainly comprise of costs of materials consumed, staff costs, operating lease payments and costs of opening and upgrading of its restaurants. The Directors expect that the Group's capital requirements will be met by cash generated from its restaurants operations, bank borrowings and the net proceeds from the [**REDACTED**].

The following table is a condensed summary statements of cash flows for the years ended on the dates indicated:

	For the year ended 31 December		
	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents at the beginning of year	9,167	14,053	23,908
Net cash generated from operating activities	16,842	29,790	17,822
Net cash used in investing activities	(39,520)	(8,623)	(21,653)
Net cash generated from/(used in) financing activities	27,227	(11,203)	8,222
Net increase in cash and cash equivalents	4,549	9,964	4,391
Effect of foreign exchange rate changes	337	(109)	(239)
Cash and cash equivalents at the end of year	14,053	23,908	28,060

Net cash generated from operating activities

During the Track Record Period, the Group's net cash generated from operating activities mainly represented its profit before taxation, being adjusted for depreciation, finance costs, interest income, fair value gain on financial assets at fair value through profit or loss, loss/gain on disposal of financial assets at fair value through profit or loss, the effects of change in working capital and Hong Kong and PRC income tax paid.

For the year ended 31 December 2013, the Group had net cash generated from operating activities of approximately HK$16.8 million, primarily as a result of operating cash flows of approximately HK$12.3 million before net positive changes in working capital of approximately HK$7.6 million and tax payment of approximately HK$3.1 million. Net positive change in working capital primarily consisted of the combined effects of: (i) the increase in accruals, provisions and deposits received of approximately HK$10.9 million; (ii) the increase in inventories of approximately HK$1.8 million; and (iii) the increase in deposits, prepayments and other receivables (both current and non-current in nature) of approximately HK$2.0 million.

For the year ended 31 December 2014, the Group had net cash generated from operating activities of approximately HK$29.8 million, primarily as a result of operating cash flows of approximately HK$35.9 million before net negative changes in working capital of approximately HK$2.5 million and tax payment of approximately HK$3.6 million. Net negative change in working capital primarily consisted of the combined effects of: (i) the increase in deposits, prepayments and other receivables (both current and non-current in nature) of approximately HK$2.1 million; (ii) the increase in trade receivables of approximately HK$0.9 million; and (iii) the increase in trade payables of approximately HK$1.3 million.

For the year ended 31 December 2015, the Group had net cash generated from operating activities of approximately HK$17.8 million, primarily as a result of operating cash flows of approximately HK$26.5 million before net negative changes in working capital of approximately HK$2.0 million and tax payment of approximately HK$6.7 million. Net negative change in working capital primarily consisted of the combined effects of: (i) the increase in accruals, provisions and deposits received of approximately HK$6.8 million; (ii) the increase in deposits, prepayments and other receivables (including current and non-current in nature) of approximately HK$7.7 million; and (iii) the increase in inventories of approximately HK$1.1 million.

Explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in the sub-section headed "Financial Information – Analysis of various items from the combined statement of financial position" in this document.

Net cash used in investing activities

For the year ended 31 December 2013, the Group had net cash flows used in investing activities of approximately HK$39.5 million, which was mainly attributable to the combined effects of: (i) payments for the purchases of property, plant and equipment of approximately HK$37.9 million; (ii) payment for the purchases of financial assets at fair value through profit or loss of approximately HK$9.0 million; and (iii) proceeds from disposal of financial asset at fair value through profit or loss of approximately HK$7.6 million.

For the year ended 31 December 2014, the Group had net cash flows used in investing activities of approximately HK$8.6 million, which was mainly attributable to the combined effects of: (i) advances to related companies of approximately HK$5.6 million; and (ii) payments for the purchases of property, plant and equipment of approximately HK$2.8 million.

For the year ended 31 December 2015, the Group had net cash flows used in investing activities of approximately HK$21.7 million, which was mainly attributable to the combined effects of: (i) payments for the purchases of property, plant and equipment of approximately HK$19.9 million; (ii) payment for the purchase of financial asset at fair value through profit or loss of approximately HK$17.0 million; and (iii) proceeds from disposal of financial asset at fair value through profit or loss of approximately HK$15.7 million.

Net cash generated from/used in financing activities

For the year ended 31 December 2013, the Group had net cash generated from financing activities of approximately HK$27.2 million, which was mainly attributable to the combined effects of: (i) net proceeds from bank borrowings of approximately HK$17.0 million; (ii) advances from directors of approximately HK$14.0 million; (iii) advances from non-controlling shareholders of approximately HK$6.0 million; and (iv) repayments of borrowings of approximately HK$6.6 million.

For the year ended 31 December 2014, the Group had net cash used in financing activities of approximately HK$11.2 million, which was mainly attributable to the combined effects of: (i) repayments to directors of approximately HK$10.4 million; (ii) repayment of borrowings of approximately HK$7.0 million; and (iii) net proceeds from bank borrowings of approximately HK$7.9 million.

For the year ended 31 December 2015, the Group had net cash generated from financing activities of approximately HK$8.2 million, which was mainly attributable to the combined effects of: (i) repayment of borrowings of approximately HK$7.3 million; (ii) advances from directors of approximately HK$1.6 million; (iii) advances from the then shareholders of subsidiaries of approximately HK$1.5 million; (iv) net proceeds from bank borrowings of approximately HK$15.0 million; and (v) dividend payment of approximately HK$2.2 million.

NET CURRENT LIABILITIES

	As at 31 December			As at 31 January
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Current assets				
Inventories	5,419	5,628	6,611	6,948
Trade receivables	1,917	2,825	3,280	3,525
Deposits, prepayments and other receivables	4,372	6,932	8,390	9,686
Amounts due from related companies	7,961	13,589	310	310
Amount due from a director	–	392	–	–
Amount due from a then shareholder of subsidiaries	4	4	–	–
Amounts due from the directors of subsidiaries	11	60	–	–
Financial assets at fair value through profit or loss	1,571	1,246	–	–
Current income tax recoverable	477	21	913	1,905
Cash and cash equivalents	14,053	23,908	28,060	22,638
	35,785	54,605	47,564	45,012
Current liabilities				
Trade payables	7,358	8,619	9,016	8,084
Accruals, provisions and deposits received	24,666	24,083	30,078	26,835
Amounts due to directors	40,197	29,783	4,520	4,520
Amounts due to related companies	1,656	2,903	3,539	3,539
Amounts due to the then shareholders of subsidiaries	1,495	1,454	–	–
Amounts due to the directors of subsidiaries	751	854	–	–
Amounts due to non-controlling shareholders	8,500	9,220	–	–
Bank borrowings	28,691	29,606	24,305	23,874
Obligations under finance leases	272	50	224	224

	As at 31 December			As at 31 January
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Provision for reinstatement costs	–	645	93	93
Current income tax payable	1,142	2,595	696	485
Dividend payable to the then shareholders of a subsidiary	2,100	2,000	–	–
	116,828	111,812	72,471	67,654
Net current liabilities	(81,043)	(57,207)	(24,907)	(22,642)

The Group's net current liabilities were approximately HK$57.2 million as at 31 December 2014, representing an improvement of approximately HK$23.8 million from approximately HK$81.0 million as at 31 December 2013. The improvement was mainly due to the profitable operations during the period resulting in (i) the increase in cash and cash equivalents of approximately HK$9.9 million; (ii) the increase in amounts due from related companies of approximately HK$5.6 million; and (iii) the decrease in amounts due to directors of approximately HK$10.4 million.

The Group's net current liabilities was approximately HK$24.9 million as at 31 December 2015, representing an improvement of approximately HK$32.3 million from approximately HK$57.2 million as at 31 December 2014. The improvement was mainly due to (i) the decrease in amounts due to directors of approximately HK$25.3 million; and (ii) the decrease in amounts due to non-controlling shareholders of approximately HK$9.2 million.

As at 31 December 2013 and 2014, the Group recorded net current liabilities, which was mainly attributable to (i) the net current liabilities of the Disposal Group; and (ii) the amounts due to related parties. As at 31 December 2015, the Group's net current liabilities decreased significantly to approximately HK$24.9 million, mainly due to the fact that (i) the disposal of Disposal Group had been completed on 18 September 2015; and (ii) most of the amounts due from/to related parties as at 31 December 2013 and 2014 had been settled. The Directors consider that it is not uncommon to have net current liabilities in the restaurant industry, as the renovation expenditures of the restaurants are recorded as property, plant and equipment which are non-current in nature and constitute a significant part of the Group's total asset, while the corresponding financing is recorded as current liabilities. On 2 March 2016, the amounts due from/to certain related parties were either settled or waived in the aggregate amount of approximately HK$7.7 million. Assuming the amounts due from/to related parties as at 31 December 2015 had been fully settled at that date, the pro forma net current liabilities of the Group as at 31 December 2015 would be approximately HK$[**REDACTED**].

As at 31 January 2016, the Group had net current liabilities of approximately HK$22.6 million, representing a decrease of approximately HK$2.3 million from approximately HK$24.9 million as at 31 December 2015. Such change was mainly due to the combined effect of (i) the decrease in cash and cash equivalents of approximately HK$5.4 million; and (ii) the decrease in accruals, provisions and deposits received of approximately HK$3.2 million which was mainly due to partial settlement of renovation expenditures of the Sheung Wan Restaurant and the Beijing House Restaurant.

ANALYSIS OF VARIOUS ITEMS FROM THE COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

During the Track Record Period, the Group's property, plant and equipment mainly comprised leasehold land and buildings, leasehold improvements, furniture, fixtures and equipment, crockery, utensils, linens and uniforms, and motor vehicles. The Group's property, plant and equipment was approximately HK$46.5 million, HK$37.9 million and HK$41.7 million as at 31 December 2013, 2014 and 2015 respectively.

The Group's carrying amounts of property, plant and equipment decreased by approximately 18.5% from approximately HK$46.5 million as at 31 December 2013 to approximately HK$37.9 million as at 31 December 2014, mainly due to the depreciation of leasehold improvement and furniture, fixtures and equipment. The increase in carrying amounts of property, plant and equipment by approximately 10.0% from approximately HK$37.9 million as at 31 December 2014 to approximately HK$41.7 million as at 31 December 2015 was mainly due to the combined effects of: (i) additions to leasehold improvements, furniture, fixtures and equipment for the Sheung Wan Restaurant and the Beijing House Restaurant which were opened at the end of October 2015; (ii) depreciation charge for the year; and (iii) decrease in carrying amounts upon disposal of the Disposal Group.

Inventories

During the Track Record Period, the Group's inventories comprised of food and beverages used in its operations, including food ingredients and other supplies for restaurant operations. The following table sets out the information on the inventories balance as at the date indicated:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Inventories	5,419	5,628	6,611

The Group's inventories balance increased slightly by approximately 3.7%, from approximately HK$5.4 million as at 31 December 2013 to approximately HK$5.6 million as at 31 December 2014, which was mainly due to the general price inflation of food ingredients. The inventories balance increased further to approximately HK$6.6 million as at 31 December 2015, representing an increase of approximately 17.9% as compared to that as at 31 December 2014, which was mainly due to: (i) the increase in inventories level of the Shenzhen Restaurant upon its gradual put on track of operation from 2014 to 2015, which was in line with the increase in revenue; and (ii) additions of inventories for the Sheung Wan Restaurant and the Beijing House Restaurant.

The following table sets out the inventories turnover days (calculated as the average of the beginning and ending inventories balances for the year, divided by cost of materials consumed for the year, multiplied by the number of days in the year) for the year indicated:

	For the year ended 31 December		
	2013	**2014**	**2015**
Inventories turnover days	32.0 days	27.5 days	31.3 days

As it is the Group's practice to purchase appropriate level of fresh and perishable food ingredients for the Group's restaurants to reduce food wastage, ensure their freshness and quality and avoid excessive inventory levels, the Group's average inventories turnover days were maintained at about one month and kept stable at approximately 32.0 days, 27.5 days and 31.3 days for the years ended 31 December 2013, 2014 and 2015 respectively.

Trade receivables

Most of the customers of the Group's restaurant operation settle their bills in cash or by credit cards. During the Track Record Period, the Group's trade receivables primarily consisted of receivables from banks in connection with credit card payments made by customers. A small portion of the Group's trade receivables were due from certain corporate customers which were allowed to settle their accumulated bills on a regular basis.

The Group's trade receivables increased by approximately 47.4% from approximately HK$1.9 million as at 31 December 2013 to approximately HK$2.8 million as at 31 December 2014, which was mainly due to the gradual put on track of the operation of Shenzhen Restaurant during the year ended 31 December 2014 since its commencement of operation in late October 2013, and in particular, the revenue of Shenzhen Restaurant was significantly higher in December 2014 compared to the same month in 2013.

The Group's trade receivables further increased from approximately HK$2.8 million as at 31 December 2014 to approximately HK$3.3 million as at 31 December 2015, representing an increase of approximately 17.9%, which was mainly due to the increase in revenue of the Shenzhen Restaurant for the month of December 2015 as compared to that of December 2014.

The following table sets out the turnover days of trade receivables (calculated as the average of the beginning and ending trade receivables balances for the year, divided by revenue for the year, multiplied by the number of days in the year) for the year indicated:

	For the year ended 31 December		
	2013	**2014**	**2015**
Trade receivables turnover days	2.9 days	3.5 days	4.3 days

As the receivables from banks in connection with credit card payments made by customers are normally settled within a few days (except during bank holidays) by the banks, the Group's trade receivables turnover days were maintained at just a few days during the Track Record Period and kept stable at approximately 2.9 days, 3.5 days and 4.3 days for the years ended 31 December 2013, 2014 and 2015 respectively.

The following table illustrates the ageing analysis of the Group's trade receivables based on the invoice date as at each reporting date:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
0 to 30 days	1,769	2,167	2,285
31 to 60 days	116	232	285
61 to 90 days	32	142	595
Over 90 days	–	284	115
	1,917	2,825	3,280

The Group's sales from its Chinese restaurants operations are mainly conducted in cash or by credit cards. The credit period granted by the Group to its customers ranges from 0 to 30 days. As at 31 December 2013, 2014 and 2015, trade receivables that were neither past due nor impaired amounted to approximately HK$1,769,000, HK$2,167,000 and HK$2,285,000, respectively. These balances relate to a wide range of customers for whom there was no recent history of default.

As at 31 December 2013, 2014 and 2015, trade receivables of approximately HK$148,000, HK$658,000 and HK$995,000 were past due but not impaired, respectively. Trade receivables that were past due but not impaired mainly related to receivables from corporate customers which have a long business relationship with the Group. Based on past experience, the Directors are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of the individual debtors and the balances are still considered fully recoverable.

The ageing analysis of these trade receivables by overdue date is as follows:

	As at 31 December		
	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
0 to 30 days	116	232	286
31 to 60 days	32	142	594
61 to 90 days	–	105	19
Over 90 days	–	179	96
	148	658	995

As at 31 December 2013, 2014 and 2015, no trade receivables were impaired. No allowance for impairment of trade receivables was made as at 31 December 2013, 2014 and 2015.

As at 31 January 2016, approximately 77.2% of the trade receivables as at 31 December 2015 were subsequently settled.

Deposits, prepayments and other receivables

Deposits, prepayments and other receivables mainly consisted of rental and utilities deposits and prepayments for restaurant operations.

The following table sets out the details of the Group's deposits, prepayments and other receivables as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Rental deposits	10,392	12,277	18,103
Utilities deposits	1,662	1,467	1,476
Other deposits	827	178	146
Prepayments	1,778	2,755	1,381
Prepaid [**REDACTED**] expenses	–	–	2,687
Other receivables	105	78	246
	14,764	16,755	24,039
Less: Non-current portion – rental deposits	(10,392)	(9,823)	(15,649)
Current portion	4,372	6,932	8,390

As at 31 December 2013 and 2014, the Group's deposits, prepayments and other receivables amounted to approximately HK$14.8 million and HK$16.8 million respectively, representing an increase of approximately 13.5% as at 31 December 2014 as compared with that as at 31 December 2013. Such increase was mainly due to: (i) the rental deposits paid for the lease agreements in respect of the premises of two new restaurants which the Group plans to open in Shenzhen. The expected delivery time of two premises would be in 2017; and (ii) the prepayment paid for the renovation of part of the premises of Shenzhen Restaurant. Such renovation was completed in 2015, and the prepayment was recognised in property, plant and equipment in 2015.

As at 31 December 2015, the Group's deposits, prepayments and other receivables amounted to approximately HK$24.0 million, representing an increase of approximately 43.5% as compared with that as at 31 December 2014. Such increase was mainly due to: (i) the rental deposits paid for the lease agreement in respect of the premises of Sheung Wan Restaurant and Beijing House Restaurant; and (ii) the prepayment of [**REDACTED**] expenses during the year ended 31 December 2015.

Trade payables

Trade payables mainly related to the Group's purchases of food ingredients and beverages for its restaurant operations. The following table sets out the breakdown of trade payables as at each reporting date:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables			
– third parties	5,910	6,908	9,016
– Ah Wong	1,448	1,711	–
	7,358	8,619	9,016

The increase in trade payables as at 31 December 2014 as compared to that as at 31 December 2013 was mainly due to increased amounts due to suppliers of Shenzhen Restaurant which purchased more food ingredients when its operation was gradually put on track during the year ended 31 December 2014. The increase in trade payables as at 31 December 2015 as compared to that as at 31 December 2014 was mainly due to the purchase of inventories for the Sheung Wan Restaurant and the Beijing House Restaurant which were opened at the end of October 2015, with aggregate inventories level more than the decrease in inventories level of the I-Square Restaurant upon its cessation of operation in November 2015.

The following table sets out the turnover days of trade payables (calculated as the average of the beginning and ending trade payables balances for the year, divided by purchases less discounts received for the year, multiplied by the number of days in the year) for the year indicated:

	For the year ended 31 December		
	2013	**2014**	**2015**
Trade payables turnover days	48.8 days	42.3 days	47.4 days

The Group's trade payables turnover days was approximately 48.8 days for the year ended 31 December 2013, which was higher than the trade payables turnover days of approximately 42.3 days for the year ended 31 December 2014. The higher payables turnover days was mainly due to the opening of the Shenzhen Restaurant in late October 2013, hence most of its trade payables was not yet past due as at 31 December 2013. The Group's trade payables turnover days increased from approximately 42.3 days for the year ended 31 December 2014 to approximately 47.4 days for the year ended 31 December 2015 which was mainly due to the opening of the Sheung Wan Restaurant and the Beijing House Restaurant at the end of October 2015, hence a majority of its trade payables were not yet past due as at 31 December 2015.

The table below sets out an ageing analysis of the Group's trade payables based on invoice date as of the dates indicated.

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
0 to 30 days	6,385	7,032	6,611
31 to 60 days	936	1,282	2,079
61 to 90 days	37	156	187
Over 90 days	–	149	139
	7,358	8,619	9,016

As at 31 January 2016, approximately 76.0% of the trade payables as at 31 December 2015 had been subsequently settled.

Accruals, provisions and deposits received

As at 31 December 2013, 2014 and 2015, the Group's accruals, provisions and deposits received mainly consisted of accrued short term employee benefits expenses, accrued rental expenses, other payables for purchases of property, plant and equipment and receipt-in-advance, and the Group's deposits received mainly consisted of deposits received for banquets.

The following table sets out the details of the balances of the Group's accruals, provisions and deposits received as at the dates indicated:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Accrued short term employee benefits expenses	5,271	6,464	8,420
Accrued rental expenses	343	744	3,856
Accrued utilities expenses	432	488	765
Other payables for purchases of property, plant and equipment	9,142	4,783	7,664
Other accrued expenses	1,487	2,286	1,975
Receipt-in-advance from customers	298	2,346	3,209
Provision for unutilised paid annual leave	306	506	377
Total accruals and provisions	17,279	17,617	26,266
Deposits received for banquets	7,575	6,509	4,054
Other deposits received	144	178	–
Total deposits received	7,719	6,687	4,054
Less: Non-current portion – deposits received for banquets	(332)	(221)	(242)
Current portion of deposits received	7,387	6,466	3,812
	24,666	24,083	30,078

Accrued short term employee benefits expenses

Accrued short term employee benefits expenses increased from approximately HK$5.3 million as at 31 December 2013, to approximately HK$6.5 million as at 31 December 2014, and further to approximately HK$8.4 million as at 31 December 2015, which was mainly due to the accumulated accrued basic pension insurance, housing fund, medical insurance and other social insurance which amounted to approximately HK$0.8 million, HK$2.7 million and HK$3.8 million as at 31 December 2013, 2014 and 2015.

Accrued rental expenses

Accrued rental expenses increased from approximately HK$0.7 million as at 31 December 2014 to approximately HK$3.9 million as at 31 December 2015, which was mainly due to the provision of rental expenses for the rent-free period of the Sheung Wan Restaurant and the Beijing House Restaurant.

Other payables for purchases of property, plant and equipment

Other payables for purchase of property, plant and equipment decreased by approximately HK$4.3 million from approximately HK$9.1 million as at 31 December 2013 to approximately HK$4.8 million as at 31 December 2014, mainly due to the settlement of renovation expenditures and purchase of equipment of Shenzhen Restaurant. Other payables for purchase of property, plant and equipment increased by approximately HK$2.9 million from approximately HK$4.8 million as at 31 December 2014 to approximately HK$7.7 million as at 31 December 2015, mainly due to the incurred renovation expenditures and purchase of furniture, fixture and equipment of Sheung Wan Restaurant and Beijing House Restaurant which were opened at the end of October 2015.

Receipt-in-advance from customers

Receipt-in-advance as at 31 December 2013 and 2014 and 31 December 2015 amounted to approximately HK$0.3 million, HK$2.3 million and HK$3.2 million respectively, which mainly represented amounts prepaid by customers who deposited monies in the store-value membership cards issued by Shenzhen Restaurant for future dining consumption in the restaurant. The receipt-in-advance balance was higher as at 31 December 2014 than that as at 31 December 2013 because Shenzhen Restaurant commenced business in late October 2013 with lesser store-value membership cards issued up to 31 December 2013. The receipt-in-advance balance further increased as at 31 December 2015 due to the issuance of more store-value membership cards during the year.

Deposits received for banquets

Deposits received for banquets decreased from approximately HK$7.6 million as at 31 December 2013 to approximately HK$6.5 million as at 31 December 2014, which was mainly due to less demand of banquet services in The One Restaurant. Deposits received for banquets decreased further to approximately HK$4.1 million as at 31 December 2015, which was mainly attributable to the cessation of operation of I-Square Restaurant in November 2015 due to the expiry of terms of lease. Hence no demand for banquet services in I-Square Restaurant after November 2015.

Bank borrowings

As at 31 December 2013, 2014 and 2015, the Group's borrowings consisted of borrowings from banks in Hong Kong. The following table sets forth the breakdown of the Group's bank borrowings as at each reporting date:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Bank borrowings due for repayment within one year	6,968	11,805	10,233
Bank borrowings due for repayment after one year which contain a repayment on demand clause	21,723	17,801	14,072
	28,691	29,606	24,305

The bank borrowings are exposed to interest rate changes and the contractual reprising dates are 6 months or less at each reporting date. The weighted effective interest rates of bank borrowings at the reporting date are as follows:

	As at 31 December		
	2013	**2014**	**2015**
Bank borrowings	3.30%	3.09%	3.15%

The carrying amounts of current bank borrowings approximate their fair values, as the impact of discounting was not significant or the borrowings carried floating rate interest and are denominated in Hong Kong dollars.

As at 31 December 2013, 2014 and 2015, the Group had aggregate banking facilities of approximately HK$42,801,000, HK$40,767,000 and HK$38,466,000 for loans, overdrafts and other facilities. Unused facilities as at the same dates amounted to approximately HK$8,503,000, HK$5,553,000 and HK$7,161,000 respectively. These facilities were secured by:

(a) the Group's land and buildings with net book amount of approximately HK$6,398,000 and HK$6,147,000 as at 31 December 2013 and 2014 respectively;

(b) the Group's investment properties with net book amount of approximately HK$22,607,000 and HK$21,060,000 as at 31 December 2013 and 2014 respectively;

(c) the Group's two life insurance policies with the amount of approximately HK$3,629,000, HK$3,710,000 and HK$3,791,000 as at 31 December 2013, 2014 and 2015 respectively;

(d) personal guarantees given by the Ultimate Controlling Shareholders as at 31 December 2013, 2014 and 2015;

(e) personal guarantees given by Mr. Cheung Yuen Chau and Mr. David Chu who are the shareholders of a non-controlling shareholder as at 31 December 2013, 2014 and 2015;

(f) corporate guarantee given by a company controlled by certain Ultimate Controlling Shareholders and one of the non-controlling shareholders as at 31 December 2013, 2014 and 2015; and

(g) the properties held by the former subsidiaries controlled by certain Ultimate Controlling Shareholders of the Company as at 31 December 2015.

Bank borrowings of the Remaining Group

As at 31 December 2013 and 2014, approximately HK$14.6 million and HK$13.7 million of the Group's bank borrowings was attributable to the Disposal Group. On 18 September 2015, the disposal of the Disposal Group had been completed. The following table sets forth the break down of the Remaining Group's bank borrowings as at each reporting date:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Bank borrowings due for repayment within one year	6,068	10,881	10,233
Bank borrowings due for repayment after one year which contained a repayment on demand clause	7,998	5,000	14,072
	14,066	15,881	24,305

The Remaining Group's bank borrowings increased by approximately HK$1.8 million from approximately HK$14.1 million as at 31 December 2013 to approximately HK$15.9 million as at 31 December 2014, which was mainly due to the combined effects of: (i) a new tax loan of approximately HK$1.2 million; (ii) a new borrowing of HK$5.0 million to finance the operation of Shenzhen Restaurant; and (iii) the monthly repayments of the existing bank borrowings.

The Remaining Group's bank borrowings increased by approximately HK$8.4 million from approximately HK$15.9 million as at 31 December 2014 to approximately HK$24.3 million as at 31 December 2015, which was mainly due to the combined effects of: (i) a new borrowing of approximately HK$15.0 million to finance the renovation expenditures of Sheung Wan Restaurant and Beijing House Restaurant; (ii) the full repayment of certain bank loans of an aggregate of approximately HK$3.5 million; and (iii) the monthly repayments of the existing bank borrowings.

The Remaining Group's bank borrowings are exposed to interest rate changes and the contractual reprising dates are 6 months or less at each reporting date. The weighted effective interest rates of Remaining Group's bank borrowings at the reporting date are as follows:

	As at 31 December		
	2013	**2014**	**2015**
Bank borrowings	3.76%	3.30%	3.15%

The carrying amounts of current bank borrowings approximate their fair values, as the impact of discounting was not significant or the borrowings carried floating rate interest and are denominated in Hong Kong dollars.

As at 31 December 2013, 2014 and 2015, the Remaining Group had aggregate banking facilities of approximately HK$28.2 million, HK$27.0 million and HK$38.5 million for loans, overdrafts and other facilities. Unused facilities as at the same dates amounted to approximately HK$8.5 million, HK$5.6 million and HK$7.2 million respectively. These facilities were secured by:

(a) the Group's two life insurance policies with the amount of HK$3,629,000, HK$3,710,000 and HK$3,791,000 as at 31 December 2013, 2014 and 2015 respectively;

(b) personal guarantees given by the Ultimate Controlling Shareholders and certain controlling shareholders of a non-controlling shareholder as at 31 December 2013, 2014 and 2015;

(c) corporate guarantee given by a company controlled by certain Ultimate Controlling Shareholders and one of the non-controlling shareholders as at 31 December 2013, 2014 and 2015; and

(d) the properties held by the former subsidiaries controlled by certain Ultimate Controlling Shareholders of the Company as at 31 December 2015.

As at the Latest Practicable Date, the Group has obtained letter of consents from the relevant banks to release the personal and corporate guarantees as mentioned in (b) and (c) above and the properties held by the former subsidiaries as mentioned in (d) above, conditional upon, among others, the provision of corporate guarantee by the Company upon the [**REDACTED**].

RELATED PARTY TRANSACTIONS

During the Track Record Period, the Group had entered into certain related party transactions including the purchases of goods from Ah Wong which amounted to approximately HK$12.5 million, HK$16.1 million and HK$9.4 million for the years ended 31 December 2013, 2014 and 2015 respectively, details of which are set out in the sub-section headed "Business – Raw materials and suppliers – Suppliers" in this document and the sub-section headed "Notes to Financial Information – 34 Related party transactions" in Appendix I to this document. The Directors confirm that these related party transactions were conducted on normal commercial terms and they would not distort the Group's track record results or make the Group's historical results not reflective of its future performance.

Amounts due from related parties

The following table sets forth the breakdown of the Group's amounts due from related parties:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from related companies			
Taste Creator	25	60	7
Poly Wealth	7,836	7,722	1
Tiena Company Limited	50	53	–
Wits Management Limited	50	53	–
麗嘉(深圳)餐飲有限公司	–	5,701	–
Hanman	–	–	6
Lippo Catering	–	–	22
Elite Linker	–	–	10
Long Run	–	–	262
First Lucky	–	–	2
Total	7,961	13,589	310
Amount due from a director			
Mr. Lam Kwok Leung	–	392	–
Total	–	392	–
Amount due from a then shareholder of subsidiaries			
Sun Foo Sing	4	4	–
Amounts due from the directors of subsidiaries			
Mr. Ip Yun Sang	11	–	–
Mr. Anthony Chow	–	60	–
Total	11	60	–

During the Track Record Period, amounts due from related parties mainly represented advancements to them. Receivables from related parties are non-trade in nature, unsecured, interest free and repayable on demand. Receivables from related parties are neither past due nor impaired. As at the Latest Practicable Date, all of the amounts due from related parties as at 31 December 2015 had been settled.

Amounts due to related parties

The following table sets forth the breakdown the Group's amounts due to related parties:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due to directors			
Mr. Chan	33,545	25,386	3,587
Mr. Wong	6,292	4,397	43
Mr. Lam Kwok Leung	360	–	–
Mr. Chan and Mr. Wong	–	–	890
Total	40,197	29,783	4,520
Amounts due to related companies			
Star Catering	642	617	–
Ah Wong Frozen Meat	1,014	2,286	3,457
Richfield Develop	–	–	82
Total	1,656	2,903	3,539
Amounts due to the directors of subsidiaries			
Mr. Ip Yun Sang	–	853	–
Mr. Anthony Chow	750	–	–
Mr. Pang Shu Wan	1	1	–
Total	751	854	–
Amounts due to the then shareholders of subsidiaries			
Bright Creator	1,315	1,274	–
Sky Gain	180	180	–
Total	1,495	1,454	–

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due to non-controlling shareholders			
Mr. Tsang	6,000	6,720	–
Richmax	2,500	2,500	–
Total	8,500	9,220	–

During the Track Record Period, amounts due to related parties mainly represented advancements to the Group for its operations and working capital. Payables to related parties are non-trade in nature, unsecured, interest free and repayable on demand. As at the Latest Practicable Date, all of the amounts due to related parties as at 31 December 2015 had been settled.

DISPOSAL OF THE DISPOSAL GROUP

As part of the Reorganisation in preparation for the [**REDACTED**] as more fully explained in the section headed "History, Reorganisation and Development" in this document (the "Group Reorganisation"), the Group has disposed of the entire equity interests in two subsidiaries which are engaged in property investment (collectively referred to as the "Disposal Group"), to a company controlled by certain Ultimate Controlling Shareholders. The disposal of the Disposal Group was completed on 18 September 2015. Upon the completion of the disposal of the equity interest in the Disposal Group, the Directors represented that the difference between the consideration for the disposal of equity interest in the Disposal Group and the carrying amount of the Disposal Group will be accounted for as a deemed contribution recognised in the Group's equity directly.

The financial information of the Disposal Group has been included in the financial information of the Group throughout the Track Record Period as they were subsidiaries of Great Virtue. Great Virtue is a company carrying on restaurant operation during the Track Record Period, the Disposal Group were considered as an integral part of the Group's restaurant businesses prior to the disposal before the [**REDACTED**]. The financial information of the Disposal Group disclosed below are prepared by the Directors as additional information.

The details of the Disposal Group are as follows:

Name of subsidiaries	Effective interest held as at 31 December 2013	2014	Principal activities
Long Run	70%	70%	Property investment
Richfield Develop	70%	70%	Property investment

The net liabilities of the Disposal Group as at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	5,960
Investment properties	19,899
Deferred income tax assets	44
Deposits, prepayments and other receivables	131
Cash and cash equivalents	232
Accruals, provisions and deposits received	(231)
Amounts due to related parties	(18)
Amounts due to fellow subsidiaries	(18,098)
Borrowings	(13,035)
Current income tax liabilities	(70)
Net liabilities disposed of	(5,186)
Non-controlling interests	1,556
	(3,630)
Total consideration satisfied by:	
Set-off of loans and dividend payable	25,720
Surplus on disposal of subsidiaries accounted for as deemed contribution from the Ultimate Controlling Shareholders	29,350
Cash outflow arising on disposal:	
Cash and cash equivalent disposed of	232

The results of the Disposal Group for the relevant periods, which have been included in the combined statements of comprehensive income, were as follows:

	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Other income	1,389	1,478	1,163
Depreciation	(1,981)	(1,981)	(1,348)
Other expenses	(202)	(232)	(214)
Finance costs	(428)	(401)	(286)
Income tax expense	(65)	(63)	(104)
Loss for the year	(1,287)	(1,199)	(789)

The assets and liabilities of the Disposal Group at the end of the respective reporting periods, which have been included in the combined statements of financial position were as follows:

	2013	**2014**
	HK$'000	*HK$'000*
Property, plant and equipment	6,581	6,147
Investment properties	22,607	21,060
Deferred income tax assets	35	53
Deposits, prepayments and other receivables	145	115
Cash and cash equivalents	236	226
Current income tax recoverable	–	21
Accruals, provisions and deposits received	(171)	(214)
Amounts due to director	(61)	(61)
Borrowings	(14,625)	(13,725)
Current income tax liabilities	(17)	–

The net cash flows attributable to the Disposal Group for the relevant periods, which have been included in the combined statements of cash flows, were as follows:

	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Operating activities	967	1,198	6,911
Financing activities	(1,051)	(1,208)	(939)
Net cash outflow	(84)	(10)	5,972

KEY FINANCIAL RATIOS ANALYSIS

The tables below set forth certain key financial ratios of the Group as at the dates indicated:

	As at/For the year ended 31 December		
	2013	2014	2015
Current ratio[1]	0.3 times	0.5 times	0.7 times
Quick ratio[2]	0.3 times	0.4 times	0.6 times
Gearing ratio[3]	468.2%	142.8%	65.5%
Debt to equity ratio[4]	242.6%	28.1%	N/A
Interest coverage[5]	3.9 times	25.4 times	13.5 times
Return on total assets[6]	3.4%	12.3%	3.2%
Return on equity[7]	67.5%	78.8%	9.5%
Net profit margin[8]	2.4%	6.7%	1.4%

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective period.

2. Quick ratio is calculated based on the current assets less the inventory of properties divided by current liabilities.

3. Gearing ratio is calculated based on the interest-bearing debt divided by the total equity attributable to owners of the Company as at the respective period end and multiplied by 100%.

4. Debt to equity ratio is calculated by the net debt (all interest-bearing debt net of cash and cash equivalents) divided by the total equity attributable to owners of the Company as at the respective period end and multiplied by 100%.

5. Interest coverage is calculated by the sum of profit before tax and interest on borrowings divided by the interest for the respective period.

6. Return on total assets is calculated by the profit attributable to owners of the Company divided by the total assets as at the respective period end and multiplied by 100%.

7. Return on equity is calculated by the profit attributable to owners of the Company divided by the total equity attributable to owners of the Company as at the respective period end and multiplied by 100%.

8. Net profit margin is calculated by the profit attributable to owners of the Company divided by the revenue for the respective period and multiplied by 100%.

Current ratio

The Group's current ratio increased from approximately 0.3 times as at 31 December 2013, to approximately 0.5 times as at 31 December 2014, mainly due to (i) the profitable operating resulting in the increase in cash and cash equivalents of approximately HK$9.9 million; (ii) the increase in amounts due from related companies; and (iii) the decrease in amounts due to directors. The Group's current ratio increased further to 0.7 times as at 31 December 2015, mainly due to (i) the significant decrease in amounts due to related parties; and (ii) decrease in Disposal Group's bank borrowings, which amounted to approximately HK$13.7 million, upon the completion of disposal of the Disposal Group on 18 September 2015.

Quick ratio

Due to the fact that the Group's inventories were remained at a relatively stable level of approximately HK$5.4 million, HK$5.6 million and HK$6.6 million as at 31 December 2013, 2014 and 2015 respectively, the trend of the Group's quick ratio was in line with its current ratio as disclosed as above.

Gearing ratio

The Group's gearing ratio decreased from approximately 468.2% as at 31 December 2013, to approximately 142.8% as at 31 December 2014, and further to approximately 65.5% as at 31 December 2015, mainly due to the significant increase in its retained profits as a result of the Group's profitable operation during the year ended 31 December 2014, and the significant increase in equity attributable to owners of the Company during the year ended 31 December 2015 mainly resulting from the deemed contribution from certain Ultimate Controlling Shareholders arising from disposal of the Disposal Group, while the Group's bank borrowings were maintained at a reasonable level of approximately HK$28.7 million, HK$29.6 million and HK$24.3 million as at 31 December 2013, 2014 and 2015 respectively. Approximately HK$14.6 million and HK$13.7 million of the Group's bank borrowings as at 31 December 2013 and 2014 respectively was attributable to the Disposal Group. As at 31 December 2015, the disposal of the Disposal Group had been completed. The gearing ratio for the Remaining Group was approximately 171.7%, 67.1% and 65.5% as at 31 December 2013, 2014 and 2015 respectively.

Debt to equity ratio

The Group's debt to equity ratio was approximately 242.6% and 28.1% as at 31 December 2013 and 2014 respectively. Approximately HK$14.6 million and HK$13.7 million of the Group's bank borrowings as at 31 December 2013 and 2014 respectively was attributable to the Disposal Group. As at 31 December 2015, the disposal of the Disposal Group had been completed. The Remaining Group's debt to equity ratio was approximately 8.6% as at 31 December 2013. Due to the increase in cash and cash equivalents as a result of the Remaining Group's profitable operations, and that the balances of cash and cash equivalents exceeded the aggregate balances of interest-bearing debts, the debt to equity ratio was not applicable as at 31 December 2014 and 2015.

Interest coverage

The Group's interest coverage increased from approximately 3.9 times for the year ended 31 December 2013 to approximately 25.4 times for the year ended 31 December 2014, mainly due to the significant increase in profit before interest and tax as a result of: (i) the increase in gross profit for the same period; and (ii) the improvement in the operating loss of the new restaurant, namely Shenzhen Restaurant, as its operation was gradually put on track from the year ended 31 December 2013 to the year ended 31 December 2014. The Group's interest coverage decreased to approximately 13.5 times for the year ended 31 December 2015, mainly due to the decrease in profit before interest and tax as a result of the incurring of [**REDACTED**] of approximately HK$[**REDACTED**] during the year; while the Group's interest on borrowings maintained at the stable level of approximately HK$0.9 million for both of the years ended 31 December 2014 and 2015.

Return on total assets

The Group's return on total assets increased from approximately 3.4% for the year ended 31 December 2013 to approximately 12.3% for the year ended 31 December 2014, mainly due to the significant increase in the Group's profit attributable to owners of the Company as a result of: (i) the increase in gross profit for the same period; and (ii) the improvement in the operating loss of the new restaurant, namely Shenzhen Restaurant, as its operation was gradually put on track from the year ended 31 December 2013 to the year ended 31 December 2014. The Group's return on total asset decreased from approximately 12.3% for the year ended 31 December 2014, to approximately 3.2% for the year ended 31 December 2015, mainly due to the decrease in the Group's profit attributable to owners of the Company as a result of the incurring of [**REDACTED**] expenses during the year.

Return on equity

The Group's return on equity increased from approximately 67.5% for the year ended 31 December 2013 to approximately 78.8% for the year ended 31 December 2014 mainly due to the significant increase in the net profit attributable to the owners of the Company. The Group's return on equity decreased significantly from approximately 78.8% for the year ended 31 December 2014, to approximately 9.5% for the year ended 31 December 2015, mainly due to the combined effect of: (i) the decrease in profit attributable to owners of the Company; and (ii) the significant increase in equity attributable to owners of the Company during the year mainly resulting from the deemed contribution from certain Ultimate Controlling Shareholders arising from disposal of the Disposal Group.

Net profit margin

The Group's net profit margin increased from approximately 2.4% for the year ended 31 December 2013 to approximately 6.7% for the year ended 31 December 2014, mainly due to the improvement in the operating loss of the new restaurant, namely Shenzhen Restaurant, as its operation was gradually put on track from the year ended 31 December 2013 to the year ended 31 December 2014. The Group's net profit margin for the year ended 31 December 2015 significantly decreased to approximately 1.4%, mainly due to the decrease in the Group's profit attributable to owners of the Company as a result of the incurring of [**REDACTED**] expenses, while the Group's revenue continued to increase during the year.

CONTINGENT LIABILITIES

At 31 December 2014 and 2015, certain Company's subsidiaries have issued unlimited cross guarantee to a bank in respect of a banking facility granted to the subsidiaries of the Company and a related company, Harvest Express Development Limited. At 31 December 2014 and 2015, the Directors do not consider it probable that a claim will be made against the Group under the above guarantee. The maximum liability of the Group at 31 December 2014 and 2015 not provided for in the financial information of the Group are the amount of bank loans drawn by the related company under the cross guarantee at that date of approximately HK$1,504,000 and HK$1,415,000 respectively.

The above mentioned unlimited cross guarantee had also been granted to one of the Disposal Group companies, namely Long Run. As at 31 December 2015, the disposal of the Disposal Group had been completed. The following table sets forth the breakdown of the Remaining Group's contingent liabilities as at the date indicated:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Harvest Express Development Limited	–	1,504	1,415
Long Run	6,491	6,101	5,702
Total	6,491	7,605	7,117

INDEBTEDNESS

At the close of business on 31 January 2016, being the latest practicable date on which indebtedness information was available to the Group, the Group had outstanding variable bank borrowings of approximately HK$23.9 million. The effective contractual interest rate of the Group's borrowings was ranged from 2.22% to 3.72% per annum. All of the Group's bank borrowings were guaranteed by Mr. Chan and/or Mrs. Chan and/or Mr. Wong and/or Mr. Anthony Chow and/or Mr. David Chu and/or Mr. Cheung Yuen Chau. Out of HK$23.9 million, approximately HK$5.0 million was secured by a property held by a related company (a company of the Disposal Group) and a life insurance policy of the Group and guaranteed by related companies. Out of HK$23.9 million, approximately HK$14.1 million was secured by the properties held by a related company (another company of the Disposal Group). Out of HK$23.9 million, approximately HK$9.8 million was guaranteed by a corporate guarantee of a related company (a company of the Disposal Group). The above mentioned personal guarantees provided by the Controlling Shareholders, the pledge of properties and corporate guarantees provided by related companies will be released and replaced by a corporate guarantee of the Company and/or the Group's bank deposits with minimum aggregated amount of HK$17.0 million upon [**REDACTED**].

As at 31 January 2016, bank overdraft of approximately HK$3.8 million was unsecured.

As at 31 January 2016, finance lease liabilities of approximately HK$0.9 million were secured by motor vehicles of the Group.

As at 31 January 2016, the Group had approximately HK$7.1 million in relation to guarantees given to banks in connection with facilities granted to two related companies (one of which is a company of the Disposal Group). Such guarantees will be released upon the [**REDACTED**].

To the best knowledge and belief of the Directors, the Group will not have difficulties in obtaining and/or renewing banking facilities. Based on the business and financial performance of the Group, the Directors are not aware of any circumstances in which the Group's ability to obtain external financing in the future may be affected by the recent global financial market volatility and credit tightening, and they expect the Group's banking facilities to be renewed after the [**REDACTED**].

Save as disclosed above, and apart from the amount due to related parties, the Group did not have, at the close of business on 31 January 2016, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loan or other similar indebtedness, liabilities under acceptances or acceptance credit, debentures, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding. The Directors confirmed that: (i) there has not been any material change in the indebtedness and contingent liabilities since 31 January 2016 and up to the Latest Practicable Date; (ii) there has not been any defaulted on repayments or other obligations in any material respect under the loan agreements; (iii) the Group does not have material covenants relating to the outstanding debts; (iv) the Group has complied with all of the finance covenants during the Tract Record Period; and (v) the Group does not have any material external debt financing plans as at the Latest Practicable Date.

[**REDACTED**]

The total expenses for the [**REDACTED**] are estimated to be approximately HK$[**REDACTED**] based on the [**REDACTED**] of HK$[**REDACTED**] (being the mid-point of the indicated [**REDACTED**] range stated in this document), of which approximately HK$[**REDACTED**] is directly attributable to the issue of [**REDACTED**] Shares under the [**REDACTED**] and is expected to be accounted for as a deduction from equity. For the remaining [**REDACTED**] of approximately HK$[**REDACTED**], approximately HK$[**REDACTED**] was charged to the combined statement of comprehensive income of the Group for the year ended 31 December 2015, and approximately HK$[**REDACTED**] will be charged to the combined statement of comprehensive income of the Group for the year ending 31 December 2016.

WORKING CAPITAL

During the Track Record Period, the Group met its capital requirement principally with cash generated from its operations and bank borrowings. Based on the cash flow forecast covering the period for the eighteen months ending 30 June 2017, the Directors are of the opinion that, taking into account the estimated net proceeds of the [**REDACTED**], the unutilised banking facilities available to the Group and the cash and cash equivalent on hand as at 31 December 2015, and the Sponsor concurs, after due and careful enquiries and the working capital forecast (for which the Directors are solely responsible) have been properly complied on the basis of the assumptions made, that the Group has sufficient working capital for the present requirements for at least the next twelve months from the date of this document.

CAPITAL EXPENDITURE AND COMMITMENT

The Group's capital expenditures principally consisted of purchases of property, plant and equipment. The Group primarily funded its capital expenditures through cash flows from operations and bank borrowings. The following table sets forth the Group's capital expenditure during the Track Record Period:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Leasehold improvements	28,732	2,020	16,604
Furniture, fixtures and equipment	7,941	790	3,568
Crockery, utensils, linens and uniforms	1,930	–	431
Motor vehicles	356	–	919
	38,959	2,810	21,522

As at 31 December 2013 and 2014, there were unpaid capital commitment of HK$4,000,000 for Li Bao Ge Shenzhen which has been injected by Star China on 31 August 2015.

OPERATING LEASE COMMITMENTS

The Group leases various restaurant properties and equipment under non-cancellable and optional operating lease agreements. The lease agreements are between three and ten years, and majority of lease arrangements are renewable at the end of the lease period with either pre-set increment rate or market rate to be agreed with landlord.

The operating leases of certain restaurant properties also call for additional rentals, which will be based on a certain percentage of revenue of the operation being undertaken therein pursuant to the terms and conditions as stipulated in the respective rental agreements. As the future revenue of these restaurants could not be accurately determined as at the reporting date, the relevant contingent rentals have not been included.

Minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
No later than 1 year	30,527	31,901	39,247
Later than 1 year and no later than 5 years	70,121	56,400	106,910
Later than 5 years	5,111	–	56,454
	105,759	88,301	202,611

The Group's operating lease commitments decreased from approximately HK$105.8 million as at 31 December 2013 to approximately HK$88.3 million as at 31 December 2014, representing a decrease of approximately 16.5%. Such decreases were mainly because the majority of lease agreements in respect of the premises of the Group's restaurants were entered into in 2012 to 2013 with lease periods of three to six years, and hence they were yet to be renewed as at 31 December 2013 and 2014. The Group's operating lease commitments increased from approximately HK$88.3 million as at 31 December 2014 to approximately HK$202.6 million as at 31 December 2015, mainly due to the lease agreements the Group entered into during the year ended 31 December 2015 for the premises of two new restaurants which the Group plans to open in Shenzhen.

OFF BALANCE SHEET TRANSACTIONS

Save for the operating lease commitments and contingent liabilities as disclosed in the sub-sections headed "Financial Information – Operating lease commitments" and "Financial Information – Contingent liabilities" in the document and "Accountants' Report" in Appendix I to this document, the Group had not entered into any material off-balance sheet transactions or arrangements as at the Latest Practicable Date.

PROPERTY INTERESTS

As at the Latest Practicable Date, no single property owned by the Group had a carrying value exceeding 15% of its total assets, the details of which are set out in the sub-section headed "Business – Property" in this document.

INVESTMENT AND TREASURY POLICIES

As at the Latest Practicable Date, the Group did not have any investment in financial assets at fair value through profit or loss. Please refer to the sub-section headed "Business – Investment and treasury policies" in this document for details of the Group's investment and treasury policies.

DISTRIBUTABLE RESERVES

The Company was incorporated in the Cayman Islands on 1 September 2015. As at 31 December 2015, the Company had no reserve available for distribution to the Shareholders.

DIVIDEND AND DIVIDEND POLICY

During the Track Record Period, subsidiaries of the Group declared dividends of HK$2.4 million for each of the two years ended 31 December 2013 and 2014, and HK$25.3 million for the year ended 31 December 2015. The Directors consider that there is no material adverse impact on the Group's financial and liquidity position arising out of the dividend payment.

Dividends may be paid out by way of cash or by other means that the Directors consider appropriate. Declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. The Company currently does not have any specific dividend policy. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including the Group's results of operations, financial condition, the payment by the Group's subsidiaries of cash dividends to the Group, and other factors the Board may deem relevant. There will be no assurance that the Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted combined net tangible assets of the Group, prepared in accordance with Rule 7.31 of the GEM Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the [**REDACTED**] on the combined net tangible assets of the Group attributable to the owners of the Company as if the [**REDACTED**] had taken place on 31 December 2015. This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the combined financial position of the Group attributable to the owners of the Company had the [**REDACTED**] been completed on 31 December 2015 or at any future dates.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2015	Estimated net proceeds from the [REDACTED]	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on [**REDACTED**] of HK$[**REDACTED**] per Share	38,474	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on [**REDACTED**] of HK$[**REDACTED**] per Share	38,474	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

1. The amount is calculated based on audited combined net assets of the Group attributable to owners of the Company as at 31 December 2015 amounting to HK$38,474,000, extracted from the Accountants' Report of the Group set out in Appendix I of this document.

2. The estimated net proceeds from the [**REDACTED**] are based on the indicative [**REDACTED**] of HK$[**REDACTED**] per Share and HK$[**REDACTED**] per Share, being the low-end and high-end of the [**REDACTED**] range, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by the Group subsequent to 31 December 2015.

3. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue assuming that the [**REDACTED**] and the Capitalisation Issue have been completed on 31 December 2015 but takes no account of any Shares which may be issued upon the exercise of the [**REDACTED**] or the options which may be granted under the Share Option Scheme.

4. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company does not take in account of the waiver of amounts due to directors who are also the Ultimate Controlling Shareholders in favour of the Group in a total amount of approximately HK$7,700,000 taken place on 2 March 2016. Had the amounts being waived been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to of the Company per share would increase to HK$[**REDACTED**] based on the [**REDACTED**] of HK$[**REDACTED**] per Share and to HK$[**REDACTED**] based on the [**REDACTED**] of HK$[**REDACTED**] per Share.

CAPITAL RISK MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Being consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The Group's strategy, which was unchanged during the Track Record Period, was to lower the gearing ratio to an acceptable level. Further details on the Group's capital risk management policies and practices are set out in the sub-section headed "II Notes to the Financial Information – 3.2 Capital risk management" in Appendix I to this document.

Financial risk management

The Group is exposed to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge its risk exposures to changes in foreign exchange rates and interest rates. Further details on the Group's financial risk management policies and practices are set out in the sub-section headed "II Notes to the Financial Information – 3 Financial risk management" in Appendix I to this document.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Directors have confirmed that, save as disclosed above, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

MATERIAL ADVERSE CHANGE

Save for the total expenses for the [**REDACTED**] estimated to be approximately HK$[**REDACTED**], of which approximately HK$[**REDACTED**] will be recorded in the Group's profit or loss accounts for the year ending 31 December 2016, the Directors confirm that, up to the date of this document, there had been no material adverse change in the financial or trading positions or prospect of the Group since 31 December 2015, being the date to which the latest audited financial statements of the Group were made up, and there had been no event since 31 December 2015 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this document.