
FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVE

As at the Latest Practicable Date, the Group owned and operated four restaurants in Hong Kong and one 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)”. The Group’s objective is to become a reputable multi-brand restaurant group with a diverse customer base in Hong Kong and China to provide Cantonese and Jingchuanhu cuisines and Chinese banquet and dining services for large-scale events. To this end, the Group intends to implement the following strategies:

Business Strategies

The Group will endeavour to achieve its business objectives by implementing the following business strategies in accordance with the schedule set out in “Implementation plan” below. The respective scheduled completion times are based on certain bases and assumptions as set out in “Bases and assumptions” below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in the section headed “Risk Factors” in this document. Therefore, there is no assurance that the Group’s business plans will materialize in accordance with the estimated time frame and that its future plans will be accomplished at all.

1. Expand in Hong Kong with multi-brand strategy
2. Progressive expansion in the PRC market
3. Continue to promote brand image and recognition through marketing initiatives
4. Enhancement of existing restaurant facilities
5. Strengthening of staff training

Please refer to the sub-section headed “Business – Business strategies” in this document for details of the aforesaid business strategies.

IMPLEMENTATION PLANS

In pursuance of the business objectives set forth above, the implementation plans of the Group are set forth below for the period from the Latest Practicable Date to 30 June 2016 and for each of the 6-month periods until 31 December 2018. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” of this document. The Group’s actual course of business may vary from the business objectives set out in this document. There can be no assurance that the plans of the Group will materialise in accordance with the expected time frame or that the objective of the Group will be accomplished at all.

FUTURE PLANS AND USE OF PROCEEDS

Nevertheless, the Directors will use their best endeavors to anticipate future changes in the industry, take measures and be flexible so that the Group may stay ahead of or react timely and appropriately to such changes.

	From the Latest Practicable Date to 30 June 2016 HK\$'000	31 December 2016 HK\$'000	For the six months ending		30 June 2017 HK\$'000	31 December 2017 HK\$'000	30 June 2018 HK\$'000	31 December 2018 HK\$'000	Total HK\$'000
1. Progressive expansion in the PRC market	Progress payment for the capital expenditure of new restaurants	Progress payment for the capital expenditure of new restaurants	Progress payment for the capital expenditure of new restaurants	Progress payment for the capital expenditure of new restaurants	Progress payment for the capital expenditure of new restaurants	Progress payment for the capital expenditure of new restaurants	Progress payment for the capital expenditure of new restaurants	Progress payment for the capital expenditure of new restaurants	
<i>Amount to be applied from the net proceeds from the [REDACTED] of New Shares</i>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2. Enhancement of existing restaurant facilities	Progress payment for refurbishment and acquisition, upgrading or replacement of existing equipment and facilities	Progress payment for refurbishment and acquisition, upgrading or replacement of existing equipment and facilities	Progress payment for refurbishment and acquisition, upgrading or replacement of existing equipment and facilities	Progress payment for refurbishment and acquisition, upgrading or replacement of existing equipment and facilities	Progress payment for refurbishment and acquisition, upgrading or replacement of existing equipment and facilities	Progress payment for refurbishment and acquisition, upgrading or replacement of existing equipment and facilities	Progress payment for refurbishment and acquisition, upgrading or replacement of existing equipment and facilities	Progress payment for refurbishment and acquisition, upgrading or replacement of existing equipment and facilities	
<i>Amount to be applied from the net proceeds from the [REDACTED] of New Shares</i>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
3. Enhancement of marketing and promotions	Launch marketing activities for promoting brand image	Launch marketing activities for promoting brand image	Launch marketing activities for promoting brand image	Launch marketing activities for promoting brand image	Launch marketing activities for promoting brand image	Launch marketing activities for promoting brand image	Launch marketing activities for promoting brand image	Launch marketing activities for promoting brand image	
<i>Amount to be applied from the net proceeds from the [REDACTED] of New Shares</i>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

FUTURE PLANS AND USE OF PROCEEDS

BASES AND ASSUMPTIONS

The attainability of the Group’s business objectives depends on a number of bases and assumptions, in particular:

General assumptions

- (1) The Group is not materially adversely affected by any changes in existing government policies or political, legal (including changes in legislations or regulations or rules), fiscal market, or economic conditions in the PRC and Hong Kong in which the Group carries or will carry on business.
- (2) The Group is not materially or adversely affected by any changes in bases or rates of taxation or duties in Hong Kong or in any other places in which the Group operates or is incorporated.
- (3) The Group is not materially or adversely affected by any changes in inflation rates, interest rates or exchange rates from those currently prevailing.

Specific assumptions

- (1) The [REDACTED] will be completed in accordance with and as described in “Structure and Conditions of the [REDACTED]” of this document.
- (2) The Group is not adversely affected by any of the risk factors set out in “Risk Factors” of this document.
- (3) The Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objective relates.
- (4) There will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of the Group or cause substantial loss, damage or destruction to its facilities.
- (5) There will be no change in the effectiveness of the licenses and permits obtained by the group.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE [REDACTED]

The business objective of the Group is to further the growth in its existing business by opening more restaurants in Hong Kong and the PRC. To this end, the Group will adopt the business strategies as set out in the sub-section headed “Business – Business Strategies” of this document. The Directors believe the estimated net proceed from the [REDACTED] of approximately HK\$[REDACTED] (after deducting the related underwriting fees and expenses payable in relation to the [REDACTED]) will help the Group to implement its business strategies. In addition, the Directors expect the [REDACTED] will bring the following benefits to the Company, its shareholders and stakeholders:

1. access to the capital market for future growth; and
2. enhancement of transparency of the Group’s operation.

Please refer to the subsection headed “Implementation plans” above in this section.

USE OF PROCEEDS

The Directors consider that net proceeds from the [REDACTED] are crucial for financing the Group’s business strategies. The Directors estimate that the net proceeds from the [REDACTED] (after deducting underwriting fees and estimated expenses payable by the Group in connection with the [REDACTED]) will be approximately HK\$[REDACTED] based on a [REDACTED] of HK\$[REDACTED] per [REDACTED] Share (being the mid-point of the [REDACTED] range between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED] Share), assuming the [REDACTED] is not exercised. It is at present intended that the net proceeds will be applied as follows:

- approximately HK\$[REDACTED], representing approximately [REDACTED]]% of the net proceeds will be used for opening two new Cantonese restaurants under the brand of “Star of Canton” in the year ending 31 December 2017 in Shenzhen, the PRC;
- approximately HK\$[REDACTED], representing approximately [REDACTED]]% of the net proceeds will be used for the enhancement of existing restaurant facilities. The Group plans to incur a renovation cost of approximately HK\$[REDACTED] for The One Restaurant in the second quarter of 2016 and an aggregate of approximately HK\$[REDACTED] for other restaurants of the Group from mid 2016 to the end of 2016;
- approximately HK\$[REDACTED], representing approximately [REDACTED]]% of the net proceeds will be used for the enhancement of marketing and promotions of the Group’s restaurants. The Group plans to promote the restaurants through various marketing activities, including promotion campaigns and increase advertising activities through various media, such as internet and radio broadcast; and
- the balance of approximately HK\$[REDACTED], representing approximately [REDACTED]]% of the net proceeds will be used for the Group’s working capital and general corporate purposes.

FUTURE PLANS AND USE OF PROCEEDS

Assuming the [REDACTED] is not exercised, the present intended use of net proceeds under different [REDACTED] is summarised as follows:

Plan	Approximate amount of net proceeds		
	[REDACTED] of	[REDACTED] of	[REDACTED] of
	HK\$[REDACTED]	HK\$[REDACTED]	HK\$[REDACTED]
	per [REDACTED] Share HK\$'000	per [REDACTED] Share HK\$'000	per [REDACTED] Share HK\$'000
Progressive expansion into the PRC market	[REDACTED]	[REDACTED]	[REDACTED]
Enhancement of existing restaurant facilities	[REDACTED]	[REDACTED]	[REDACTED]
Enhancement of marketing and promotions	[REDACTED]	[REDACTED]	[REDACTED]
Working capital	[REDACTED]	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

For the period from the Latest Practicable Date to 31 December 2018, based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] Share (being the mid-point of the [REDACTED] range between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED] Share), the Group's net proceeds from the [REDACTED] of approximately HK\$[REDACTED] will be used as follows:

	From the Latest Practicable		For the six months ending					
	Date to 30 June 2016	31 December 2016	30 June 2017	31 December 2017	30 June 2018	31 December 2018	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Progressive expansion into the PRC market	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhancement of existing restaurant facilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhancement of marketing and promotions	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

FUTURE PLANS AND USE OF PROCEEDS

If the [REDACTED] is set at the high-end of the indicative [REDACTED] range at HK\$[REDACTED] per [REDACTED] Share, the net proceeds from the [REDACTED] will increase to approximately HK\$[REDACTED]. If the [REDACTED] is set at the low-end of the indicative [REDACTED] range at HK\$[REDACTED] per [REDACTED] Share, the net proceeds from the [REDACTED] will decrease to approximately HK\$[REDACTED]. If the [REDACTED] is finally determined to be less than HK\$[REDACTED] (being the mid-point of the indicative range of the [REDACTED]), the Group will reduce the proposed use of net proceeds on a pro rata basis and will finance such shortfall by internal cash resources, working capital and/or other financing, as and when appropriate. If the [REDACTED] is finally determined to be more than HK\$[REDACTED], the Group will increase the proposed amounts of net proceeds based on a pro rata basis.

If the [REDACTED] is exercised in full, the additional net proceeds received from the [REDACTED] of the additional Shares allotted and issued will be allocated in accordance with the above allocations on a pro rata basis. For details of the [REDACTED], please refer to the paragraph headed “Structure and Conditions of the [REDACTED] – [REDACTED]” of this document.

To the extent that the net proceeds from the [REDACTED] are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed as short-term deposits with authorised banks and/or financial institutions in Hong Kong. The Directors consider that the net proceeds from the [REDACTED] together with the internal resources of the Group will be sufficient to finance the implementation of the Group’s business plans as set out in the subsection headed “Implementation plans” above.

Investors should be aware that any part of the business plans of the Group may or may not proceed according to the timeframe as described under the subsection headed “Implementation plans” above due to various factors such as changes in customers’ demand and changes in market conditions. Under such circumstances, the Directors will evaluate carefully the situations and will hold the funds as short-term deposits in authorised banks and/or financial institutions in Hong Kong until the relevant business plan materialises.