Application Proof of

Li Bao Ge Group Limited
利寶閣集團有限公司

(incorporated in the Cayman Islands with limited liability)

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利·寶·閣

Li Bao Ge Group Limited
利寶閣集團有限公司

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[REDACTED]

Number of [REDACTED] Shares	**:**	**[REDACTED] Shares (Subject to [REDACTED])**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] Share and expected to be not less than HK$[REDACTED] per [REDACTED] Share (payable in full upon application, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund)**
Nominal Value	**:**	**HK$0.01 each**
Stock Code	**:**	**[REDACTED]**

Sponsor

AmCap
Ample Capital Limited
豐盛融資有限公司

Financial Adviser

Opus Capital Limited
創富融資有限公司

Joint Bookrunners

[REDACTED]

Joint Lead Managers

[REDACTED]

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The [**REDACTED**] is expected to be fixed by the Price Determination Agreement between the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or before [**REDACTED**] at or before 5:00 p.m., or such later date or time as may be agreed by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company. The [**REDACTED**] will not be more than HK$[**REDACTED**] per [**REDACTED**] Share and is expected to be not less than HK$[**REDACTED**] per [**REDACTED**] Share. If the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the [**REDACTED**] by that date or time or such later date or time as agreed by the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the [**REDACTED**] will not become unconditional and will not proceed.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with the consent of the Company, reduce the indicative [**REDACTED**] range below that stated in this document at any time prior to the Price Determination Date. In such a case, notices of reduction of the indicative [**REDACTED**] will be published on the Company's website at **www.starofcanton.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

Prospective investors of the [**REDACTED**] Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreement by notice in writing to the Company given by the Joint Lead Managers (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set out under the paragraph headed "Underwriting – Grounds for termination" of this document, at any time prior to [8:00] a.m. (Hong Kong time) on the [**REDACTED**]. Should the Joint Lead Managers (acting for themselves and on behalf of the other Underwriters) terminate its obligations under the Underwriting Agreement in accordance with the terms of the Underwriting Agreement, the [**REDACTED**] will not proceed and will lapse.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this document, including the risk factors set out in the section headed "Risk Factors" in this document.

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EXPECTED TIMETABLE

[**REDACTED**]

CONTENTS

You should rely only on the information contained in this document to make your investment decision.

The Company, the Sponsor, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this document.

Any information or representation not made in this document must not be relied on by you as having been authorised by the Company, the Sponsor, the Joint Lead Managers, the Underwriters, and any of their respective directors, officers, employees, agents or representatives or any other party involved in the [**REDACTED**].

The contents on the website at ***www.starofcanton.com.hk*** *which is the official website of the Company do not form part of this document.*

CONTENTS

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the [**REDACTED**] *Shares.*

There are risks associated with investment in companies listed on GEM. Some of the particular risks in investing in the [**REDACTED**] *Shares are set out in the section headed "Risk Factors" of this document. You should read that section carefully before you decide to invest in the* [**REDACTED**] *Shares.*

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 "Beijing House (京香閣)". All of the Group's restaurants are strategically situated in landmark shopping arcades or commercial complexes at prime locations. The Group maintains a business philosophy of offering quality food and services at reasonable prices under an elegant and comfortable dining environment.

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$3.7 million respectively. The decrease in the Group's profit attributable to the owners of the Company for the year ended 31 December 2015 as compared to that of 2014 was mainly due to: (i) the charge of [**REDACTED**] of approximately HK$[**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.

Restaurant network

As at the Latest Practicable Date, the Group had five restaurants in Hong Kong, two of which were located in Sheung Wan and the remaining three were located in Tsim Sha Tsui, Causeway Bay and Olympian City respectively. The Group's restaurant in Shenzhen, the PRC is located in the CBD of Futian District. Five of the Group's restaurants are operated under the brand name of "Star of Canton (利寶閣)" to provide Cantonese cuisine. One of the Group's restaurants is operated under the brand name of "Beijing House (京香閣)" to provide Jingchuanhu cuisine.

The Group also plans to progressively expand into the China market by opening two more new Star of Canton Restaurants in 2017, which will be located in Qianhai and Futian District of Shenzhen, China respectively.

Customers

All the Group's restaurants target at mid-to-high end spending customers. Due to the nature of the Group's business, the majority of its customers consist of walk-in customers from the general public. As such, the Directors consider that it is not practicable to identify the five largest customers of the Group. The Group did not rely on any single customer during the Track Record Period.

Suppliers

The major raw materials purchased by the Group are food ingredients, including but not limited to, vegetables, fresh meats, seafood, dried foods, chilled meats, beverages and seasonings, originating from countries such as China, Hong Kong, Japan, Vietnam and the United States of America. Except for the Shenzhen Restaurant which sources its food ingredients and other raw materials from local suppliers in China, the Group's restaurants in Hong Kong mainly source their food ingredients and other raw materials from local suppliers in Hong Kong.

The Group has developed a supplier selection system based on its senior management's experience in the restaurant industry. The Group has established and maintained long-term relationships with a number of its suppliers. The Group's top five suppliers for the Track Record Period have been supplying raw materials to the Group for approximately 1 to 8 years. For the years ended 31 December 2013, 2014 and 2015, the total purchases from the Group's five largest suppliers in aggregate accounted for approximately 50.0%, 40.1% and 37.3%, respectively, and its largest supplier, namely Ah Wong (which was wholly-owned by Ms. Chang Tam, a younger sister of Mr. Chan), accounted for approximately 25.7%, 23.7% and 14.1%, respectively, of its total purchases. Save as the purchases from Ah Wong, none of the Directors, their respective associates or any Shareholder which to the knowledge of the Directors owns more than five per cent of the issued share capital of the Company had any interest in any of the Group's five largest suppliers during the Track Record Period. For more details on the Group's purchases from Ah Wong, please refer to the sub-sections headed "Business – Raw materials and suppliers – Suppliers" and "Financial Information – Related party transactions" in this document.

INDUSTRY

According to the Ipsos Report, revenue generated from the Cantonese restaurants industry in Hong Kong showed an overall increasing trend between 2010 and 2014, growing from around HK$15,746.8 million to around HK$16,782.7 million, at a CAGR of approximately 1.6%. Revenue generated from the non-Cantonese Chinese restaurants industry in Hong Kong recorded an overall growth between 2010 and 2014, from around HK$4,044.2 million to around HK$4,310.3 million, at a CAGR of approximately 1.6%.

Between 2010 and 2014, revenue generated from the Cantonese restaurants industry in Shenzhen showed an increase from around RMB9,836.5 million to around RMB14,661.8 million, at a CAGR of approximately 10.5%.

COMPETITIVE STRENGTHS

The Directors believe that the following competitive strengths of the Group have contributed to its success and enabled it to compete effectively in the Chinese restaurant industry in Hong Kong and China:

- Successful business strategy of providing quality food at reasonable prices;
- Well-planned multi-branding strategy and market initiatives;
- High standard of quality control throughout all production processes;
- Sourcing capabilities supported by a strong profile of quality suppliers;
- Reliable and professional services to customers;
- Strong and experienced senior management team; and
- Well-executed restaurant network expansion strategy.

STRATEGIES AND FUTURE PLANS

The Group's strategic objective is to become a reputable multi-brand restaurant group with a diverse customer base in Hong Kong and China. To this end, the Group intends to implement the following strategies:

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

The Group incurred a total amount of approximately HK$19.7 million for the renovation and installation of new equipment and facilities for the Sheung Wan Restaurant and Beijing House Restaurant which were opened in Sheung Wan, Hong Kong at the end of October 2015. The Sheung Wan Restaurant and Beijing House Restaurant have obtained the provisional general restaurant licence and liquor licence. For the water pollution control licence, according to the relevant EPD's guide to application of a license granted under the WPCO, the Sheung Wan Restaurant and Beijing House Restaurant will only apply for the water pollution control license after a few months' operation of the restaurants as it is necessary to submit the three most recent water bills or estimated water consumption information to the EPD for assessment of the discharge of effluents by the relevant restaurants.

The Group also plans to invest approximately HK$[28.0] million and HK$[23.0] million for the two new Cantonese restaurants situated at Qianhai and Futian District of Shenzhen, China respectively as capital expenditure. As at the Latest Practicable Date, the construction of the shopping and commercial buildings in which the premises of the two new PRC restaurants would be located were yet to be completed. Depending on the actual timing of the handover of the restaurant premises by the landlords, the Directors currently expect that the renovation works of the Shenzhen Uniwalk Restaurant will commence in the first half of 2017 and that the restaurant be opened in the second half of 2017, while the renovation works of the Shenzhen One Avenue Restaurant will commence in the second half of 2017 and that the restaurant be opened by the end of 2017. As such, the Group will apply for the relevant licenses and permits in due course.

SELECTED FINANCIAL INFORMATION OF THE GROUP

Selected data in the 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
Gross profit	123,110	172,499	185,620
Profit/(loss) attributable to:			
Owners of the Company	4,202	16,432	3,652
Non-controlling interests	(1,638)	1,468	2,969

Results of operations during the Track Record Period

Revenue

The table below sets out 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
Sheung Wan Restaurant *(Note 3)*	–	–	–	–	–	–	6,853	2.7	(45.9)
Beijing House Restaurant *(Note 3)*	–	–	–	–	–	–	3,078	1.2	(77.8)
Shenzhen Restaurant	6,036	3.4	(172.9)	60,498	24.6	(10.3)	73,798	28.7	7.1
	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. I-Square Restaurant ceased operations in November 2015 upon expiry of lease agreement.

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 the 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, which was 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 a breakfast session at the restaurant in May 2013 after renovation of the restaurant. Therefore the Olympian Restaurant was able to generate income for the full year from the breakfast session for the year ended 31 December 2014 as compared to only eight months for 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 revenue of approximately HK$245.9 million for the year ended 31 December 2014. Such increase was mainly due to the improvement in the sales performance of the 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 the Group's revenue for the year ended 31 December 2015.

Major cost components

During the Track Record Period, the Group's major cost components for its restaurant operations were cost of materials consumed, staff costs and property rental and related expenses. The following table sets out the amounts of such costs and their respective percentages to revenue for the years ended 31 December 2013, 2014 and 2015.

	For the year ended 31 December					
	2013		**2014**		**2015**	
	Amount	**% of revenue**	**Amount**	**% of revenue**	**Amount**	**% of revenue**
	HK$'000	*(%)*	*HK$'000*	*(%)*	*HK$'000*	*(%)*
Cost of materials consumed	51,513	29.5	73,406	29.9	71,261	27.7
Staff costs *(Note 1)*	50,820	29.1	65,072	26.5	69,665	27.1
Property rentals and related expenses *(Note 2)*	26,440	15.1	30,709	12.5	36,183	14.1

Notes:

1. The Group's staff costs include employee benefits expense, staff messing and service fee to temporary workers.

2. The Group's property rentals and related expenses exclude those for properties used as office, warehouse, car park and staff quarters.

During the Track Record Period, except for the decrease in cost of materials consumed for the year ended 31 December 2015, which was mainly attributable to the control on food cost of the Shenzhen Restaurant upon the gradual put on track of its operation from 2014 to 2015, the increase of each of the major cost components for the year ended 31 December 2014 as compared to the year ended 31 December 2013 and the year ended 31 December 2015 as compared to the year ended 31 December 2014 was in line with the increase in revenue during the relevant periods. For more details, please see the sub-section headed "Financial Information – Summary of historical combined financial information" in this document.

Net profit and net profit margin

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 subsection headed "Financial Information – Discussion and analysis of financial condition and operations of the group – Gross profit and gross profit margin"; and (ii) the improvement in the operating loss of the new restaurant, namely the 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 aforesaid improvement in the operating loss of the Shenzhen Restaurant also contributed to the Group's net profit margin's increase from approximately 2.4% for the year ended 31 December 2013 to approximately 6.7% for the year ended 31 December 2014.

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. 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**], while the Group's revenue continued to increase during the year.

Estimated seat turnover rate and estimated average spending per customer

The estimated seat turnover rates of the Group's restaurants in Hong Kong for the year ended 31 December 2013, 2014 and 2015 ranged from approximately 1.7 times to 2.8 times, from 1.6 times to 3.7 times and from 1.5 times to 3.5 times, respectively. The upper end of the range of the seat turnover rate during each of the above periods was attributable to the

Olympian Restaurant, as its restaurant business hours are longer than other restaurants due to the opening of the breakfast session at the restaurant, and the increase in its seat turnover rate from approximately 2.8 times for the year ended 31 December 2013 to 3.7 times for the year ended 31 December 2014 was mainly due to the increase in customer traffic of the Olympian Restaurant after its renovation in May 2013 and the opening of breakfast session since then.

The Shenzhen Restaurant was opened in October 2013, its estimated seat turnover rate for the year ended 31 December 2014 and 2015 were approximately 1.5 times and 1.6 times respectively.

The estimated average spending per customer of the Group's restaurants in Hong Kong for the year ended 31 December 2013, 2014 and 2015 ranged from approximately HK$145 to HK$305, from HK$129 to HK$315 and from HK$127 to HK$310, respectively. The lower end and upper end of the range of average spending per customer during the above periods were attributable to the Olympian Restaurant and The One Restaurant respectively.

For the Shenzhen Restaurant, its estimated average spending per customer for the year ended 31 December 2014 and 2015 were approximately HK$219 and HK$238 respectively. Such increase was mainly due to the gradual putting on track of the restaurant's operation since the commencement of its business in October 2013.

Selected data in the combined statements of financial position of the Group

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Total current assets	35,785	54,605	47,564
Total current liabilities	116,828	111,812	72,471
Net current liabilities	81,043	57,207	24,907
Total non-current liabilities	3,487	2,625	4,028
Total assets	124,067	133,439	114,973
Net assets	3,752	19,002	38,474

During the Track Record Period, the Group recorded net current liabilities 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, (i) the disposal of the 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. On 2 March 2016, the amounts due 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**].

Summary of combined statements of cash flows of the Group

	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

Key financial ratios

	As at/For the year ended 31 December		
	2013	**2014**	**2015**
Gross profit margin	70.5%	70.1%	72.3%
Net profit margin before interest and tax	2.2%	9.5%	4.5%
Net profit margin	2.4%	6.7%	1.4%
Current ratio	0.3 times	0.5 times	0.7 times
Quick ratio	0.3 times	0.4 times	0.6 times
Gearing ratio	468.2%	142.8%	65.5%
Debt to equity ratio	242.6%	28.1%	N/A
Interest coverage	3.9 times	25.4 times	13.5 times
Return on total assets	3.4%	12.3%	3.2%
Return on equity	67.5%	78.8%	9.5%
Inventories turnover days	32.0 days	27.5 days	31.3 days
Trade receivables turnover days	2.9 days	3.5 days	4.3 days
Trade payables turnover days	48.8 days	42.3 days	47.4 days

Note: For the calculations of the financial ratios, please refer to sub-sections headed "Financial Information – Analysis of various items from the combined statements of financial position" and "Financial Information – Key financial ratios analysis" in this document.

CLOSURE OF THE I-SQUARE RESTAURANT

The tenancy of the I-Square Restaurant expired on 24 November 2015. The Group did not renew the tenancy of I-Square Restaurant upon its expiry. The main reason for the closure is that the Directors had been considering opening up Beijing House Restaurant at a shop adjacent to that of a Star of Canton Restaurant for the sake of achieving economies of scales of operation by sharing the same kitchen area, however the Group was constrained by the size of its existing restaurants. Before the expiry of the I-Square Restaurant, the Group identified a Sheung Wan site and the Directors consider that the Sheung Wan site is an ideal location to open up both the Sheung Wan Restaurant and Beijing House Restaurant. The area of the Sheung Wan site is almost twice that of the I-Square Restaurant and it targets to capture mid-to-high end spending customers and corporate customers in the Central or Sheung Wan areas. In addition, as the competition for leases in Tsim Sha Tsui among retailers is fierce, the Directors expected that such situation would also lead to considerable increase in rental cost for restaurant premises in Tsim Sha Tsui. Hence, the Group had decided not to renew the I-Square Restaurant tenancy.

As a result, the business of the I-Square Restaurant ceased in November 2015. The percentages of the Group's total operating profits generated from the I-Square Restaurant during the years ended 31 December 2013, 2014 and 2015 are approximately 189.3%, 49.3% and 47.1% respectively (the figure of the percentage of the Group's total operating profit generated from the I-Square Restaurant for the year ended 31 December 2013, being approximately 189.3%, was due to the loss-making situation of the Shenzhen Restaurant during the period from the commencement of its operation in October 2013 to 31 December 2013, which caused an overall operating loss situation of the Group if the operating profit of the I-Square Restaurant is excluded). As such, the closure of the I-Square Restaurant would reduce the revenue and operating profit that it would have contributed to the Group and may cause significant impact on the Group's financial performance.

Furthermore, in order to retain experienced staff, a portion of the restaurant staff of I-Square Restaurant, especially certain senior kitchen staff, was transferred to the Sheung Wan Restaurant and Beijing House Restaurant upon closure of the I-Square Restaurant. For the remaining staff of I-Square Restaurant, no additional provision is considered necessary by the reporting accountants in respect of the severance payments due to the fact that such amount of payments is expected to be insignificant after netting off with the contribution made by the I-Square Restaurant in the past under the Mandatory Provident Fund scheme.

Nevertheless, except for the provision of HK$645,000 for reinstatement cost upon the closure of premises occupied by the I-Square Restaurant, which had been made prior to the Track Record Period, the Group provided an additional amount of reinstatement cost of approximately HK$252,000 for the year ended 31 December 2015, based on the latest available quotations from independent contractors and estimation by the Directors.

DISPOSAL OF SUBSIDIARIES

As part of the Reorganisation in preparation for the [**REDACTED**], on 18 September 2015, the Group disposed of the entire equity interests in two subsidiaries comprising the Disposal Group, which are engaged in property investment, to a company controlled by certain ultimate controlling shareholders at a consideration of approximately HK$25.7 million. For more details, please refer to the section headed "History, Reorganisation and Development" and the sub-section headed "Financial Information – Disposal of the Disposal Group" in this document and the sub-section headed "Accountants' Report – Section II – Note 36" included as Appendix I to this document.

RECENT DEVELOPMENTS SINCE 31 DECEMBER 2015

The Group's revenue for the two months ended 29 February 2016

Based on the Group's unaudited management accounts, the revenue for the two months ended 29 February 2016 was approximately HK$50.3 million, of which approximately HK$24.2 million was attributable to the three restaurants, namely, CWB Restaurant, Olympian Restaurant and The One Restaurant, which operated throughout the Track Record Period and up to the Latest Practicable Date. The aggregate revenue of these three restaurants for the same period in 2015 amounted to approximately HK$23.8 million, demonstrating that the Group was able to maintain a stable revenue, despite that it is the general market perception that catering business, including Chinese restaurant operation in Hong Kong, would experience a downtrend of revenue during the year ending 31 December 2016 due to the weakening of Hong Kong economy. Due to the uncertainties of the Hong Kong economy in the coming year, the Directors anticipate that the Group's business will face various challenges in the rest of the year ending 31 December 2016, despite the results achieved for the two months ended 29 February 2016. Nevertheless, the Directors expect that the Group's overall revenue and operating profit from its restaurant operations in Hong Kong would not be affected to a material extent, based on the years of experience of the Group's senior management team in managing Chinese restaurant business in Hong Kong. On the other hand, the operations of the Sheung Wan Restaurant and the Beijing House Restaurant are expected to be gradually put on track since their opening at the end of October 2015, as evidenced by the increase in their aggregate revenue, being approximately HK$4.4 million, HK$5.5 million, HK$5.6 million and HK$6.1 million for November 2015, December 2015, January 2016 and February 2016 respectively. In respect of the Shenzhen Restaurant, the Directors expect that the growth trend of the revenue and operating profit throughout the Track Record Period to continue for the year ending 31 December 2016 in view of the expected steady growth of the Cantonese restaurant industry in Shenzhen, the PRC in the years to come. This can be evidenced by the growth of revenue of the Shenzhen Restaurant by approximately 21.0% from approximately HK$11.9 million for the two months ended 28 February 2015 to approximately HK$14.4 million for the two months ended 29 February 2016.

No material adverse change

Save for the total expenses for the [**REDACTED**] estimated to be approximately HK$[**REDACTED**] million, of which approximately HK$[**REDACTED**] will be recorded in the Group's combined statement of comprehensive income 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 operation, financial or trading positions or prospects 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.

CONTROLLING SHAREHOLDERS

Immediately following completion of the [**REDACTED**] and the Capitalisation Issue, but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme and the [**REDACTED**], Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui, Mr. David Chow and Mr. Anthony Chow will control, in aggregate, [**REDACTED**]% of the issued share capital of the Company.

For the purpose of the Listing Rules, Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui, Mr. David Chow and Mr. Anthony Chow are the Controlling Shareholders.

The Controlling Shareholders have been parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in the course of the Reorganisation and will continue to be parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) until such arrangement is terminated in writing by them pursuant to the Concert Party Deed. For details, please refer to the paragraph headed "History, Reorganisation and Development – Concert Party Deed" in this document.

[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$[**REDACTED**] is directly attributable to the issue of the [**REDACTED**] Shares under the [**REDACTED**] and is expected to be accounted for as a deduction from equity. For the remaining [**REDACTED**] of approximately HK$[**REDACTED**], approximately HK$[**REDACTED**] was charged to the Group's combined statement of comprehensive income for the year ended 31 December 2015, and approximately HK$[**REDACTED**] million will be charged to the combined statement of comprehensive income of the Group for the year ending 31 December 2016.

USE OF PROCEEDS

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.

DIVIDEND POLICY

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.

[REDACTED] SHARE STATISTICS

The Company has prepared the following [**REDACTED**] statistics based on the respective [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**] per Share without taking into account the 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee:

	Based on the indicative [REDACTED] of HK$[REDACTED] per Share	Based on the indicative [REDACTED] of HK$[REDACTED] per Share
Market capitalisation of the Shares	HK$[**REDACTED**]	HK$[**REDACTED**]
Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share	HK$[**REDACTED**]	HK$[**REDACTED**]
Unaudited pro forma adjusted combined net tangible assets of the Group after waiver of amount due to related parties attributable to owners of the Company per Share	HK$[**REDACTED**]	HK$[**REDACTED**]

Note: The calculation of the market capitalisation upon completion of the [**REDACTED**] is based on the assumption that [**REDACTED**] Shares will be in issue and outstanding immediately following the [**REDACTED**]. The unaudited pro forma adjusted combined net tangible asset value per Share is determined after adjustments as described in notes 1 to 4 as set out in Appendix II "Unaudited Pro Forma Financial Information" to this document.

NON-COMPLIANCE

During the Track Record Period, the Group did not comply with certain applicable laws and regulations, including the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), the Fire Services (Fire Hazard Abatement) Regulation (Chapter 95F of the Laws of Hong Kong), the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), the Predecessor Companies Ordinance and the Companies Ordinance, as well as the Administrative Measures for Single-Purpose Commercial Prepared Cards (for Trial Implementation)* (單用途商業預付卡管理辦法) (試行)) in the PRC. The Directors consider that such non-compliance incidents will not have any material impact on the Group's operations and financial position. For details of the incidences of non-compliance and internal control measures being adopted, please refer to the paragraphs under the section headed "Business – Non-Compliance".

RISK FACTORS

The Directors consider that there are certain risks and uncertainties involved in the Group's operations, some of which are beyond the Group's control. Further details of the risks to which the Group is exposed are set out in the section headed "Risk Factors" in this document. The following highlights some of the risks which are considered to be material by the Directors:

- the Group's future growth depends on its ability to open and profitably operate new restaurants;

- failure to obtain lease for desirable location for new restaurants or failure to renew existing leases on commercially acceptable terms would have a material adverse effect on the Group's business and future development;

- the Group's business is subject to the availability, quality and price of food ingredients; and

- the changes in the macro-economic situation in Hong Kong may have an adverse effect on the Group's business, operation results and financial position.

In this document, unless the context otherwise requires, the following expressions have the following meanings:

"Ah Wong"	Ah Wong Frozen Meat (阿旺凍肉), a trade name used by Mr. Chan's sister, Ms. Chang Tam, in carrying out business in Hong Kong as a sole proprietor
"Ample Capital"	Ample Capital Limited, a corporation licensed to carry on business in types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) under the SFO, and the sponsor of the [**REDACTED**]
"Articles" or "Articles of Association"	the articles of association of the Company adopted on [●] 2016 and as amended from time to time, a summary of which is set out in Appendix III to this document
"associate(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Audit Committee"	the audit committee of the Board
"Auspicious"	Auspicious Elite Limited (兆英有限公司), a company incorporated in the BVI on 7 July 2015 with limited liability and an indirect wholly-owned subsidiary of the Company
"Beijing House"	Beijing House (京香閣), the brand name used by the Group to operate the Beijing House Restaurant
"Beijing House Restaurant"	the restaurant located at 2/F, Infinitus Plaza, 199 Des Voeux Road Central, Central, Hong Kong and operated by Excel Linker under the brand name "Beijing House (京香閣)"
"Board"	the board of Directors
"Bright Creator"	Bright Creator Limited (暉緯有限公司), a company incorporated in Hong Kong on 9 June 2000 with limited liability and owned as to 50% and 50% by Mr. Chan and Mrs. Chan respectively and one of the Controlling Shareholders
"business day"	a day (other than a Saturday or Sunday) on which licensed banks in Hong Kong are generally open for normal banking business

"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of [**REDACTED**] Shares to be made upon capitalisation of an amount of HK$[**REDACTED**] standing to the credit of the share premium account of the Company as referred to under the paragraph headed "A. Further Information about the Company – 3. Written resolutions of the Shareholders passed on [●] 2016" in Appendix IV to this document
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the Peoples' Republic of China, but for the purpose of this document only and except where the context requires otherwise, references in this document to "China" and the "PRC" do not include Hong Kong, Macau and Taiwan
"close associate(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on 3 March 2014 as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provision) Ordinance"	the Companies (Winding Up and Miscellaneous Provision) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company"	Li Bao Ge Group Limited (利寶閣集團有限公司), a company incorporated in the Cayman Islands on 1 September 2015 as an exempted company with limited liability
"Concert Party Deed"	A confirmatory deed dated 25 September 2015 and entered into among Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui, Mr. David Chow and Mr. Anthony Chow to confirm and record the agreement and understanding between the parties for the acknowledgement of their acting in concert (having the meaning as ascribed to it under the Takeovers Code)
"connected person(s)"	has the same meaning ascribed to it in the GEM Listing Rules
"Controlling Shareholders"	the controlling shareholders (having the meaning ascribed to it in the GEM Listing Rules) of the Company, namely, Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui, Mr. David Chow and Mr. Anthony Chow
"CT Partners"	CT Partners Consultants Limited, an independent internal control adviser engaged by the Group to perform an evaluation of the adequacy and effectiveness of the Group's internal control system in preparation for the [**REDACTED**], which is an Independent Third Party
"CWB Restaurant"	the restaurant located at 21/F, Lee Theatre Plaza, 99 Percival Street, Causeway Bay, Hong Kong and operated by Solarday Investment under the business name "Causeway Bay Star of Canton (銅鑼灣利寶閣)"

"DCO"	the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"DCR"	the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"DEP"	the Director of Environmental Protection
"DFEH"	the Director of Food and Environmental Hygiene
"Ding Xing"	Ding Xing Investments Limited (頂星投資有限公司), a company incorporated in the BVI with limited liability on 17 July 2015 and an indirect wholly-owned subsidiary of the Company
"Director(s)"	the director(s) of the Company
"Disposal Group"	companies comprising Long Run and Richfield Develop, unless the context otherwise requires
"EPD"	the Environmental Protection Department
"Elite Linker"	Elite Linker Investment Limited (俊聯投資有限公司), a company incorporated in Hong Kong on 22 January 2015 with limited liability
"Excel Linker"	Excel Linker (Hong Kong) Limited (俊聯(香港)有限公司), a company incorporated in Hong Kong on 23 January 2015 with limited liability, an indirect wholly-owned subsidiary of the Company and an Operating Company
"FBR"	the Food Business Regulation (Chapter 132X of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"FEHD"	the Food and Environmental Hygiene Department
"Financial Adviser"	Opus Capital
"First Bloom"	First Bloom Ventures Limited (冠旺創投有限公司), a company incorporated in the BVI on 17 July 2015 with limited liability and an indirect wholly-owned subsidiary of the Company

"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	The Rules Governing the Listing of Securities on GEM (as amended from time to time)
"GEM Website"	the internet website at **www.hkgem.com** operated by the Stock Exchange for the purpose of GEM
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"Great Virtue"	Great Virtue Investment Limited (俊品投資有限公司), a company incorporated in Hong Kong on 19 October 2009 with limited liability, an indirect wholly-owned subsidiary of the Company and an Operating Company
"Great Virtue (HK)"	Great Virtue (HK) Investment Limited (俊品(香港)投資有限公司), a company incorporated in Hong Kong on 29 July 2010 with limited liability, an indirect wholly-owned subsidiary of the Company and an Operating Company
"Group"	the Company together with its subsidiaries and in respect of the period before the Company became the holding company of its present subsidiaries, the companies that are the present subsidiaries of the Company
"Guang Jie"	Guang Jie Group Limited (廣捷集團有限公司), a company incorporated in the BVI on 8 July 2015 with limited liability and an indirect wholly-owned subsidiary of the Company
"Hanman"	Hanman Limited (東焯有限公司), a company incorporated in Hong Kong on 28 August 2007 with limited liability
"HK\$" or "HK dollar(s)" or "HKD" and "cent(s)"	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited

"Hong Cui"	Hong Cui Developments Limited (弘翠發展有限公司), a company incorporated in the BVI on 8 July 2015 with limited liability and wholly owned by Bright Creator and one of the Controlling Shareholders
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"I-Square Restaurant"	the restaurant located at 24/F, iSQUARE, 35-79 Nathan Road, Tsim Sha Tsui, Hong Kong and operated by Great Virtue under the business name "iSquare Star of Canton (尖沙咀iSquare利寶閣海景宴會廳)", which ceased operations in November 2015
"Independent Third Party(ies)"	party or parties that is or are independent of and not connected with the Company and connected persons of the Company within the meaning of the GEM Listing Rules
"Ipsos" or "Market researcher"	Ipsos Limited, a market research and consulting company, an Independent Third Party
"Ipsos Report"	an independent market research report on market landscape and competitive analysis for the Chinese cuisine industry in Hong Kong and Shenzhen, the PRC, as prepared by Ipsos, details of which are set out in the section headed "Industry Overview" of this document
"Joint Lead Managers"	[**REDACTED**], the joint lead managers in respect of the [**REDACTED**]
"Keen Nation"	Keen Nation Limited (銳國有限公司), a company incorporated in the BVI on 1 July 2015 with limited liability and an indirect wholly-owned subsidiary of the Company
"Latest Practicable Date"	[3 March 2016], being the latest practicable date for ascertaining certain information prior to the printing of this document
"Legal Compliance Committee"	the legal compliance committee of the Group
"Legal Counsel"	Mr. Chan Chung, barrister-at-law of Hong Kong, who is an Independent Third Party

"Li Bao Ge Shenzhen"	利寶閣(深圳)餐飲有限公司, a company established under the laws of the PRC on 14 August 2013, an indirect wholly-owned subsidiary of the Company and an Operating Company
"[**REDACTED**]"	the [**REDACTED**] of the Shares on GEM
"[**REDACTED**]"	the date on which dealings in the Shares on GEM first commence, which is expected to be on [**REDACTED**]
"Listing Division"	the listing division of the Stock Exchange
"LLB"	the Liquor Licensing Board of Hong Kong
"Long Run"	Long Run Investment Limited (瑞祥投資有限公司), a company incorporated in Hong Kong on 20 July 2012 with limited liability
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company adopted on [●] 2016 and as amended from time to time
"Moon Fortune"	Moon Fortune International Limited (月富國際有限公司), a company incorporated in the BVI on 17 July 2015 with limited liability and an indirect wholly-owned subsidiary of the Company
"Mr. Anthony Chow"	Mr. Chow Chor Ting Anthony (周佐庭), one of the Controlling Shareholders and uncle of Mr. David Chow
"Mr. Chan"	Mr. Chan Chun Kit (陳振傑), an executive Director, the Chairman of the Board, the chief executive officer and one of the Controlling Shareholders
"Mr. David Chow"	Mr. Chow Yiu Pong David (周耀邦), an executive Director, one of the Controlling Shareholders and nephew of Mr. Anthony Chow
"Mr. Ho"	Mr. Ho Wood Yam (何活欽), one of the Controlling Shareholders
"Mr. Tsang"	Mr. Tsang Chiu Chun (曾昭鎮)
"Mr. Tsui"	Mr. Tsui King Foo (徐競富), one of the Controlling Shareholders

DEFINITIONS

"Mr. Wong"	Mr. Wong Ka Wai (王家惠), an executive Director and one of the Controlling Shareholders
"Mrs. Chan"	Ms. Liu Siu Kuen (廖少娟), the spouse of Mr. Chan, and one of the Controlling Shareholders
"Ms. Chang Tam"	Ms. Chang Tam Nancy (陳譚蘭詩), the younger sister of Mr. Chan, the owner of Ah Wong
"Nomination Committee"	the nomination committee of the Board
"[**REDACTED**]"	the option to be granted by the Company to the Joint Lead Managers under the Underwriting Agreement to require the Company to issue up to an additional [**REDACTED**] Shares, representing 15% of the number of the [**REDACTED**] Shares at the [**REDACTED**], details of which are set out in the section headed "Structure and Conditions of the [**REDACTED**]" in this document
"Olympian Restaurant"	the restaurant located at Shop UG01, Olympian City Two, 18 Hoi Ting Road, West Kowloon, Kowloon, Hong Kong and operated by Orient Century under the business name "Olympian Star of Canton (奧海城利寶閣)"
"Operating Companies"	collectively, Solarday Investment, Orient Century, Great Virtue, Great Virtue (HK), Li Bao Ge Shenzhen, Smart Best and Excel Linker; and each an "Operating Company"
"Opus Capital"	Opus Capital Limited, a corporation licensed to engage in types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) under the SFO, and the financial adviser of the [**REDACTED**]
"Orient Century"	Orient Century Limited (奧聯有限公司), a company incorporated in Hong Kong on 19 May 2000 with limited liability, an indirect wholly-owned subsidiary of the Company and an Operating Company
"Orient Shenzhen"	奧聯(深圳)餐飲管理有限公司, a company established under the laws of the PRC on 18 March 2013 and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

"[**REDACTED**]"	the conditional [**REDACTED**] by the Underwriters on behalf of the Company of the [**REDACTED**] Shares for cash at the [**REDACTED**], as further described under the section headed "Structure and Conditions of the [**REDACTED**]" in this document
"[**REDACTED**]"	the [**REDACTED**] for each [**REDACTED**] Share (exclusive of any brokerage fee, SFC transaction levy and Stock Exchange trading fee), which is currently expected to be not more than HK$[**REDACTED**] per [**REDACTED**] Share and not less than HK$[**REDACTED**] per [**REDACTED**] Share, such price to be determined on or before the Price Determination Date
"[**REDACTED**] Shares"	[**REDACTED**] new Shares being offered by the Company for subscription at the [**REDACTED**] under the [**REDACTED**], where relevant, with any additional Shares which may be issued pursuant to the [**REDACTED**]; and a "[**REDACTED**] Share" means one of these Shares
"Poly Wealth"	Poly Wealth Limited (寶利高有限公司), a company incorporated in Hong Kong on 15 March 2006 with limited liability
"Power Moon"	Power Moon International Limited (力月國際有限公司), a company incorporated in the BVI on 17 July 2015 with limited liability and an indirect wholly-owned subsidiary of the Company
"PRC Legal Adviser"	Dacheng Law Offices
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the laws of Hong Kong) as in force from time to time before 3 March 2014
"Price Determination Agreement"	the agreement expected to be entered into between the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date to record the agreement on the [**REDACTED**]
"Price Determination Date"	the date expected to be on or around [**REDACTED**] which the [**REDACTED**] will be determined for the purpose of the [**REDACTED**]
"Remaining Group"	the Group excluding the Disposal Group, unless the context otherwise requires

"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the corporate reorganisation of the Group in preparation for [**REDACTED**] as more particularly described in the section headed "History, Reorganisation and Development – The Reorganisation" in this document
"Richfield Develop"	Richfield Develop Limited (富裕拓展有限公司), a company incorporated in Hong Kong on 8 October 2010 with limited liability
"Richmax"	Richmax Investment (H.K.) Limited (富盈投資(香港)有限公司), a company incorporated in Hong Kong on 21 August 2009 with limited liability
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of nominal value of HK$0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme conditionally approved and adopted by the Company pursuant to a resolution passed by the Shareholders on [●] 2016, the principal terms of which are summarised in the paragraph headed "Share Option Scheme" in Appendix IV to this document
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen One Avenue Restaurant"	the restaurant planned to be opened at Futian District, Shenzhen, the PRC and operated by Orient Shenzhen
"Shenzhen Restaurant"	the restaurant located at 2/F, Tower 3, Kerry Plaza, 1 Zhong Xin Si Road Futian District, Shenzhen, the PRC and operated by Star China under the business name "Shenzhen Star of Canton (深圳利寶閣)"
"Shenzhen Uniwalk Restaurant"	the restaurant planned to be opened at Qianhai, Baoan District, Shenzhen, the PRC and operated by Orient Shenzhen

"Sheung Wan Restaurant"	the restaurant located at 2/F, Infinitus Plaza, 199 Des Voeux Road Central, Central, Hong Kong and operated by Excel Linker under the business name "Sheung Wan Star of Canton (上環利寶閣)"
"Sincere"	Sincere Expand Limited (誠開有限公司), a company incorporated in the BVI on 1 July 2015 with limited liability and wholly owned by Richmax
"Sky Gain"	Sky Gain Investments Limited (天盈投資有限公司), a company incorporated in Hong Kong on 21 October 2005 with limited liability and one of the Controlling Shareholders
"Smart Best"	Smart Best (Asia) Limited (佳俊(亞洲)有限公司), a company incorporated in Hong Kong on 5 December 2014 with limited liability, an indirect wholly-owned subsidiary of the Company and an Operating Company
"Solarday Investment"	Solarday Investment Limited (祥匯投資有限公司), a company incorporated in Hong Kong on 5 December 1997 with limited liability, an indirect wholly-owned subsidiary of the Company and an Operating Company
"Sponsor"	Ample Capital
"Star Catering"	Star Catering Management Limited (利寶閣飲食管理有限公司), a company incorporated in Hong Kong on 8 January 2007 with limited liability
"Star China"	Star of Canton Restaurant (China) Limited (利寶閣(中國)餐飲有限公司), a company incorporated in Hong Kong on 4 November 2010 with limited liability and an indirect wholly-owned subsidiary of the Company
"Star of Canton"	Star of Canton (利寶閣), the brand name used by the Group to operate a series of Cantonese restaurants
"Star of Canton Restaurant(s)"	restaurant(s) of the Group operated under the brand name Star of Canton, including the CWB Restaurant, the I-Square Restaurant (which ceased operations in November 2015), The One Restaurant, the Olympian Restaurant, the Shenzhen Restaurant and the Sheung Wan Restaurant (which was soft opened at the end of October 2015)

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"Substantial Shareholder(s)"	substantial shareholder(s) of the Company having the meaning ascribed to it in the GEM Listing Rules
"Sun Foo Sing"	Sun Foo Sing Development Limited (新富星發展有限公司), a company incorporated in Hong Kong on 24 August 2001 with limited liability and one of the Controlling Shareholders
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
"Taste Creator"	Taste Creator Investment Limited (品俊投資有限公司), a company incorporated in Hong Kong on 13 October 2009 with limited liability
"The One Restaurant"	the restaurant located at 17/F, The ONE, 100 Nathan Road, Tsim Sha Tsui, Hong Kong and operated by Great Virtue (HK) under the business name "The One Star of Canton (尖沙咀The One利寶閣海景宴會廳)"
"Track Record Period"	the three years ended 31 December 2013, 2014 and 2015
"Underwriters"	the underwriters of the [**REDACTED**] named in the paragraph headed "Underwriters" in the section headed "Underwriting" of this document
"Underwriting Agreement"	the conditional underwriting agreement dated [●] [2016] and entered into between, among others, the Company, the executive Directors, the Sponsor, the Joint Lead Managers and the Underwriters, particulars of which are set out in the section headed "Underwriting" in this document
"Universal"	Universal Palm Trading Limited (廣棕貿易有限公司), a company incorporated in the BVI on 1 July 2015 with limited liability and wholly owned by Mr. Tsang
"USD" or "US$" or "US dollars"	United States dollars, the lawful currency of the United States

"WPCO"	the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Zhao Tian"	Zhao Tian Ventures Limited (兆添創投有限公司), a company incorporated in the BVI on 8 July 2015 with limited liability and owned as to 62.86%, 12.38%, 12.38% and 12.38% by Hong Cui, Mr. Wong, Sun Foo Sing and Sky Gain respectively and one of the Controlling Shareholders
"Zhen Tong"	Zhen Tong Holdings Limited (振通控股有限公司), a company incorporated in the BVI on 17 July 2015 with limited liability which is a direct wholly-owned subsidiary of the Company and the intermediate holding company of the Group
"%"	per cent.

Unless otherwise specified or for transactions that have occurred at historical exchange rates, amounts denominated in RMB and US$ have been translated, for the purpose of illustration only, into HK$ in this document at the following rates:

HK$1.00 : RMB0.82; and
HK$7.80 : US$1.00.

These exchange rates are for the purpose of illustration only and no representation is made that any amounts in US$ or RMB have been, would have been or may be converted, at these or any other rates or at all.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names in Chinese which are marked with "" and the Chinese translation of names in English which are marked with "*" is for identification purpose only.*

GLOSSARY

"CAGR"	compound annual growth rate
"CBD"	central business district
"cha chaan teng"	Hong Kong-style cafe that serves Asian and Western foods in a casual environment
"CPI"	consumer price index
"dim sum"	a style of Cantonese cuisine prepared as small bite-sized portions of food traditionally served in small steamer baskets or on small plates
"full-service restaurant"	refers to the catering segment that is made up of traditional sit-down restaurants with full table service provided by waiters; and full-service restaurants generally offer food at set morning, lunch and dinner times rather than all day
"GDP"	gross domestic product
"Jingchuanhu cuisines"	a combination of cuisines of Beijing, Sichuan and Shanghai styles
"mid-to-high end"	when used in the context of the Chinese full-service restaurant sector, a full-service restaurant in which the average spending per customer is between HK$200 and HK$400 in Hong Kong or between RMB150 and RMB300 in the PRC, according to the Ipsos Report
"mid-to-high end spending customers"	when used in the context of Chinese full-service restaurant sector, customers with average spending between HK$200 and HK$400 in Hong Kong or between RMB150 and RMB300 in the PRC, according to the Ipsos Report
"sq.m."	square meters
"Tung Shing"	a Chinese divination guide and almanac. It consists primarily of a calendar based on the Chinese lunar year, and is the transliteration of the Cantonese name 通勝

FORWARD-LOOKING STATEMENTS

The Company has included in this document forward-looking statements that are not historical facts, but relate to its intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections entitled "Summary", "Risk Factors", "Industry Overview", "Business", and "Financial Information", which are, by their nature, subject to risks and uncertainties.

In some cases, the Company uses the words "aim", "anticipate", "believe", "continue", "could", "expect", "intend", "may", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would" and similar expressions or statements to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- its business strategies and plan of operations;
- its capital expenditure and funding plans;
- general economic conditions;
- capital market development;
- the trends of industry;
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations;
- margins, overall market trends, risk management and exchange rates;
- the regulatory environment for the food and beverage industry in general; and
- other statements in this document that are not historical fact.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of the Company. In addition, these forward-looking statements reflect the current views of the Company with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to those discussed under the section headed "Risk Factors" and elsewhere in this document.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. The Company undertakes no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond the control of the Company. The Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way the Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to these cautionary statements.

Investors should carefully consider all of the information in this document, including the risks and uncertainties described below, before making any investment in the [**REDACTED**] *Shares. If any of the possible events described below occur, the business operation, financial condition or results of operation of the Group could be materially and adversely affected and the market price of the Shares could fall significantly.*

RISKS RELATING TO THE GROUP'S BUSINESS

The Group's future growth depends on its ability to open and profitably operate new restaurants.

As at the Latest Practicable Date, the Group operated four Cantonese restaurants in Hong Kong and one Cantonese restaurant in China, all under the brand of Star of Canton (利寶閣). The Group also opened a Jingchuanhu cuisine restaurant under the new brand of Beijing House (京香閣) at the end of October 2015. The Group plans to open two new Cantonese restaurants in Shenzhen, the PRC in 2017. For details of the Group's future plans, please refer to the section headed "Future Plans and Use of Proceeds" of this document.

The Directors consider that the number and timing of new restaurants actually opened during any given period, and their associated contribution to the Group's growth, are subject to a number of risks and uncertainties, including but not limited to the Group's ability to:

- locate suitable new restaurant sites and secure leases on commercially reasonable terms;
- obtain the required government licenses, permits and approvals;
- obtain adequate financing for working capital and capital expenditures for the new restaurants;
- hire and retain qualified and experienced operating and management personnel, especially respective restaurant manager and the division head chefs, on commercially reasonable terms;
- prevent any renovation delays or cost overruns;
- efficiently manage the time and costs involved in the design, renovation and preopening processes for each new restaurant;
- accurately estimate expected customer demand in new locations and markets;
- minimise potential cannibalization effects between existing and new restaurants;
- secure adequate food ingredient suppliers that meet the Group's quality standards; and
- effectively counter competition from other restaurants in the proximity.

In the past, the Group has experienced and may continue to experience delays in restaurant openings. Besides, when opening any new restaurant, the Group would need to build a customer base and increase public awareness by promotion and advertising. It also has to get familiarised with the local market in order to design a menu that appeals to the target customers. As new restaurants incur expenses before opening such as rental and staff costs, and progress in opening new restaurants may occur at a different rate, the amount of time it takes for each new restaurant to reach planned operating levels, breakeven and reach payback may vary. Accordingly, the Group may not be able to open planned new restaurants as scheduled, if at all; and if opened, the Group cannot assure you that the new restaurants can break even or generate stable and considerable revenue to the Group in the short run, or that the revenue generated from the Group's new restaurants will be equal to or exceed those of the Group's existing restaurants. The new restaurants may operate at a loss, which could have a significant adverse effect on the Group's overall operating results.

Failure to obtain leases for desirable locations for new restaurants or failure to renew existing leases on commercially acceptable terms would have a material adverse effect on the Group's business and future development.

All of the Group's restaurants are operated on leased properties. Except for the lease in relation to the Shenzhen Restaurant, leases for the Group's other Hong Kong restaurants generally have a term of three years, with an option to renew for a further term between one to six years. For details, please refer to the section headed "Business – Leased properties – Restaurants in Hong Kong" of this document.

For the years ended 31 December 2013, 2014 and 2015, the Group's property rentals and related expenses (excluding properties used as offices, warehouse, car park and staff quarters) for its restaurant operations 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% of the Group's total revenue from restaurant operation during the respective periods. The Group expects the rental costs for the current locations of the Group's restaurants to continue to increase in the future, as all of them are located in busy commercial districts, shopping arcades or residential areas in Hong Kong and Shenzhen. The continuous expansion of the Group's restaurant network will also increase the Group's rental costs in the future.

Besides, the Group may have to compete with other retailers and competitors for securing prime shop spaces. The Group may not be able to rent these prime locations on terms which are comparable to its existing restaurants, as its competitors or other retailers may offer terms more favourable than the Group.

There is no assurance that the Group will be able to renew the Group's existing leases upon their expiry, or that the rental rates and the terms and conditions of the renewal will be the same as the Group's existing leases. If the Group encounters any substantial increase in rental costs, the Group may experience cash flow problems and the Group may need to obtain financing or adjust the Group's working capital. These may disrupt the Group's business expansion plan and reduce its cash available for other purposes. Any significant increase in rental costs may also be a factor for the Group to consider closing or relocating the Group's restaurants and the Group may as a result incur relocation costs. In addition, the revenue and any profit generated at a relocated restaurant may be less than the revenue and profit previously generated from a closed restaurant. Therefore, failure to obtain leases for desirable locations for new restaurants or failure to renew existing leases on commercially acceptable terms would have a material adverse effect on the Group's business and future development.

The Group's business is subject to the availability, quality and price of food ingredients.

Success of the Group's business can be affected by the availability, quality and price of food ingredients. The Group's ability to maintain consistency in quality of food and menu offerings depends in part on the prompt delivery and transportation of the raw materials and food ingredients. As the major food ingredients used by the Group are perishable food ingredients, such as fresh seafood, fresh vegetables and fruits, fresh or chilled meat, they may deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by the suppliers. Disruption of the food supplies may be affected by many factors beyond the Group's control, including natural disasters such as droughts, floods, typhoons and earthquakes, harvest conditions, adverse climate conditions, unexpected production shortage, ceasing operations of a supplier, unanticipated customer demand, seasonal fluctuations, economic conditions, exchange rates, power failures and power shortages, diseases, political factors, governmental regulations and market competition. As such, the Group may experience supply shortages and increased food costs. A material shortage in the supply of food ingredients will adversely affect food production and the Group's restaurant operation.

As to the quality of food ingredients, the Directors cannot assure that the selection criteria adopted by the Group when choosing food ingredient suppliers, or the inspections conducted by the Group on the quantity and quality of all food ingredients upon their delivery, will always be effective. They also cannot assure that the quality of food ingredients used by the Group will not decline in the future due to factors beyond the Group's control, including but not limited to a change in weather conditions, decline in quality of animal feed, change of farming/feeding conditions and methods. As such, the quality of the food ingredients, and in turn the Group's business and financial results, may adversely be affected.

As the Group did not enter into any long term supply contract with its suppliers, price fluctuation in raw materials and food ingredients may have adverse effect on the Group's business and margins. For instance, the purchase price of seafood is typically set on a floating basis to track market prices. Total costs of material consumed (which consist of primarily the costs of all the food and beverage items of the Group) accounted for approximately 29.5%, 29.9%, and 27.7% of the Group's revenues for the three years ended 31 December 2015, respectively. Apart from purchasing a portion of raw materials and food ingredients from local suppliers, the Group purchases raw materials and food ingredients originating from various overseas countries, such as China, Japan, Vietnam and the United States of America through its suppliers. Food prices worldwide have been generally increasing during the Track Record Period. More information on the price fluctuation of food ingredients which the Group experienced during the Track Record Period can be found in the section headed "Business – Raw materials and suppliers – Raw materials". Besides, any appreciation of foreign currencies in these countries against Hong Kong dollar may increase the costs of the Group in Hong Kong dollars.

Should prices for raw materials and food ingredients continue to increase, the Group may not always anticipate and react to changes through the Group's purchasing practices. The Group may also be unwilling or unable to transfer the cost increment to the Group's customers as frequent price increases may harm the Group's reputation and adversely affect the Group's competitiveness. The failure of any of which could materially and adversely affect the Group's profitability.

The Group's financial results depend on its ability to increase sales and manage costs of its existing and new restaurants.

The Group's financial results depend largely on the success of its existing and new restaurants, and its abilities to increase sales and manage costs in achieving expected financial results.

To increase sales, the ability of increasing guest traffic and the average cheque per guest are crucial to the Group. Nevertheless, these are subject to the following factors, including but not limited to:

- customer budgeting constraints;
- customer sensitivity to price increase;
- changes in customer preferences;
- customer's dining experiences in the Group's restaurants;
- increased competition in the Chinese cuisine industry;
- the Group's reputation and customer's perception of the Group's brand and its offerings in terms of quality, price, value and service, food safety, cooking method; and
- declining economic conditions that may adversely affect discretionary customer spending in the markets the Group operates.

Apart from increasing the sales, the Group's profitability and financial results also depend on its ability to manage costs effectively and efficiently in operating the existing and new restaurants. However, some cost increases are either wholly or partially beyond the Group's control, such as:

- rental costs of the Group's existing and new restaurants;
- labor costs;
- costs for food and other raw materials;
- energy, water and other utility costs;
- insurance costs; and
- compliance costs relating to any changes in government regulations.

The Group cannot guarantee that it will achieve the sales growth of comparable restaurants or maintain its growth of revenue in the future. If the Group fails to operate its existing or new restaurants profitably as expected, there could be negative impacts on the Group's financial condition and operation results.

The Group's financial performance may be adversely affected upon the closure of the I-Square Restaurant.

The tenancy of the I-Square Restaurant expired on 24 November 2015. The Group did not renew the tenancy of I-Square Restaurant upon its expiry. The main reason for the closure is that the Directors had been considering opening up Beijing House Restaurant at a shop adjacent to that of a Star of Canton Restaurant for the sake of achieving economies of scales of operation by sharing the same kitchen area, however the Group was constrained by the size of its existing restaurants. Before the expiry of the I-Square Restaurant, the Group identified a Sheung Wan site and the Directors consider that the Sheung Wan site is an ideal location to open up both the Sheung Wan Restaurant and Beijing House Restaurant. The area of the Sheung Wan site is almost twice that of the I-Square Restaurant and it targets to capture mid-to-high end spending customers and corporate customers in the Central or Sheung Wan areas. In addition, as the competition for leases in Tsim Sha Tsui among retailers is fierce, the Directors expected that such situation would also lead to considerable increase in rental cost for restaurant premises in Tsim Sha Tsui. Hence, the Group had decided not to renew the I-Square Restaurant tenancy.

As a result, the business of the I-Square Restaurant ceased in November 2015. Except for the provision of HK$645,000 for reinstatement cost upon the closure of premises occupied by the I-Square Restaurant, which had been made prior to the Track Record Period, the Group provided an additional amount of reinstatement cost of approximately HK$252,000 for the year ended 31 December 2015, based on the latest available quotations from independent contractors and estimation by the Directors. The percentages of the Group's total operating profits generated from the I-Square Restaurant during the years ended 31 December 2013, 2014 and 2015 are approximately 189.3%, 49.3% and 47.1% respectively. As such, the closure of the I-Square Restaurant would reduce the revenue and operating profit that it would have contributed to the Group and cause significant impact on the Group's financial performance after its closure. The Group could not assure you that the total revenue and profit generated from the two new restaurants in Sheung Wan would be greater than that of the I-Square Restaurant, or the Group would be able to capture the mid-to-high end spending customers and corporate customers in the Sheung Wan site. In addition, there is no assurance that the competition in the Sheung Wan site would be less fierce than Tsim Sha Tsui, and the Group maybe unable to survive under the new competition environment. As such, the total profitability of the Group may reduce subsequent to the closure of the I-Square Restaurant, adversely affecting the Group's financial performance after the Track Record Period.

The Group had net current liabilities during the Track Record Period.

The Group recorded net current liabilities of approximately HK$81.0 million, HK$57.2 million and HK$24.9 million as at 31 December 2013, 2014 and 2015 respectively. During the Track Record Period, the Group's recorded net current liabilities are mainly attributable to: (i) the net current liabilities of the Disposal Group; and (ii) the amounts due to related parties. For details, please refer to the section headed "Financial Information – Net Current Liabilities".

Although as at the Latest Practicable Date, (i) the disposal of the Disposal Group had been completed; and (ii) all of the amounts due from/to related parties as at 31 December 2015 had been settled, the Group could not assure that there will be no further net current liabilities in the future. There is also no assurance that the Group's previous net current liability position will not impair its ability to make necessary capital expenditures or develop business opportunities. If the Group is unable to meet the Group's debt and interest repayment obligations, the Group's creditors could choose to accelerate the repayment of the Group's borrowings.

The Group relies on a few suppliers for the supply of food ingredients and the Group generally does not enter into long-term contracts with them.

The Group does not enter into any long-term contracts with the Group's food ingredient suppliers. For the three years ended 31 December 2015, the Group's total purchases attributable to the five largest suppliers amounted to approximately HK$24.6 million, HK$27.6 million and HK$25.3 million, respectively, representing approximately 50.0%, 40.1% and 37.3% of the Group's total purchases, respectively. For the same periods, the Group's total purchases attributable to the largest supplier amounted to approximately HK$12.6 million, HK$16.3 million and HK$9.5 million, respectively, representing approximately 25.7%, 23.7% and 14.1% of the Group's total purchases, respectively.

The Group cannot assure that there will not be any dispute with its major suppliers, or that the Group will be able to maintain business relationships with the Group's existing suppliers, in particular, the Group's five largest suppliers, for the Track Record Period. The Group's suppliers may cease to supply food ingredients to the Group for any reason. Moreover, the Group's suppliers may fail to meet the quality standards the Group requires from time to time. If any of these events occur, the Group may not be able to locate alternative suppliers promptly and on comparable commercial terms. If the Group fails to source suitable suppliers in support of the Group's business, the Group's business operation could be interrupted or discontinued and, as a result, the Group's financial performance and operation results may be adversely affected.

Any negative publicity or complaints on food contamination could adversely impact the Group's reputation, business and operation results and even subject the Group to significant liability claim.

Given the nature of the Chinese cuisine industry, the Group faces an inherent risk of food contamination and liability claims. Certain kinds of food including eggs, sauces, vegetables and various kinds of seafood may be found to contain hazardous substances to human health. The Group may not be able to detect all defects in the Group's supplies. Any outbreak of contamination, allegations of poor standards of hygiene or cleanliness, adverse publicity resulting from publication of industry findings or research reports in relation to any food ingredients used by the Group could affect public confidence in the Group's food products, which may lead to a loss in the Group's regular customers and hence a decrease in its business and revenue. The Group may have to incur additional costs in placating any customers or salvaging the Group's reputation. Any such complaints, allegations or negative publicity, regardless of their validity, may materially damage the Group's reputation and business.

If any complaint escalates to become a claim against the Group, even unsuccessful, the Group may have to divert resources to address the claim. In the event that the Group's insurance coverage is inadequate, the Group may have to pay out of the Group's own resources to compensate the Group's customers for any illness or injuries suffered, if the Group is found to be at fault. Liabilities in respect of such claims could adversely affect the Group's financial position.

Any failure to maintain effective quality control systems of the Group's restaurants could have a material adverse effect on its reputation, business and operations.

Maintaining consistent and high standard of food quality is critical to the Group's success and depends significantly on the effectiveness of its quality control systems. For details of the Group's quality control measures, please refer to the section headed "Business – Food safety and quality control" in this document.

There is no assurance that the quality control systems the Group adopted will always be effective in the future. Any significant failure or deterioration in the quality control systems could have a material adverse effect on the Group's reputation, operations and financial condition.

Due to the scale of the Group's operations, there is no assurance that the Group's staff will strictly adhere to the quality control policies and guidelines at all times. Any failure to detect defective food supplies, or observe proper hygiene, cleanliness and other quality control requirements or standards in the Group's operations, could cause negative publicity, give rise to potential liability and adversely affect the Group's reputation and business.

Failure to deal with customer complaints or adverse publicity involving the Group's products or services could materially and adversely impact the Group's business and operation results.

The Group's business can be adversely affected by negative publicity or news reports, whether accurate or not, regarding food quality issues, public health concerns, illness, safety, injury or government or industry findings concerning the Group's restaurants, restaurants operated by other food service providers or others across the food industry supply chain. Any such negative publicity involving the Group's restaurants could result in damage to the Group's brands and reputation, materially harm the Group's business and operation results.

The negative publicity can be related to the food industry as a whole, not just the Group's restaurants. For instance, the widely reported "gutter oil" incident in early September 2014 affected the food industry in Taiwan, Hong Kong and Macau. The occurrence of similar incidents in the future may adversely affect consumer confidence and hence impact negatively on the restaurant industry as a whole.

Given the nature of the food industry, the Group's restaurants may face various customer complaints regarding food and services provided or due to other reasons on regular basis. If the Group fails to address them properly, such complaints could escalate and may even lead to customer claims, proceedings and/or government actions.

During the Track Record Period, one restaurant of the Group received one complaint filed by customers to the FEHD, which was related to an incident concerning provision of food not of the substance demanded by the customer. The relevant restaurant was fined HK$3,405. Details of this complaint are set out in the paragraph headed "Business – Food safety and quality control" of this document.

Significant numbers of complaints or claims against the Group, even if meritless or unsuccessful, could force the Group to divert management and other resources from other business concerns, which may adversely affect the Group's business and operations. Adverse publicity resulting from such allegations, even if meritless or unsuccessful, could cause customers to lose confidence in the Group's brands, which may adversely affect the business of the restaurants subject to such complaints and the Group's restaurants under the same or related brand. As a result, the Group may experience significant decline in the Group's revenues and customer traffic from which the Group may not be able to recover.

The Group's future success depends on its ability to meet customer expectations and anticipate and respond to changing customer preferences.

The Chinese cuisine industry in Hong Kong and the PRC is highly fragmented and competitive, and is subject to rapidly changing customer preferences. The Group's future success relies heavily on its ability to constantly offer menu items, creatively-designed banquet and dining services based on changing market trends and changing tastes, dietary habits, expectations and other preferences of the Group's target customers. As such, significant costs to survey and research customer trends and preferences and to develop and market new menu items, banquet and dining services may be required, this may place substantial strain on the Group's managerial and financial resources. If the Group is unable to identify new customer trends or preferences and develop new products and services accordingly, or if the Group lags behind its competitors in introducing and developing new or popular products or services that appeal to customers, the Group's business and operation results may be adversely affected.

The Group may encounter difficulty in sustaining profitability and the Group's historical financial condition may not be treated as indication of the Group's future profitability.

The Group's historical results may not be indicative of the Group's future performance. The Group's financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of the Shares to decline. The Group's revenues, expenses and operating results may vary from period to period due to a variety of factors beyond the Group's control, including but not limited to general economic conditions, special events, regulations or actions pertaining to restaurants based in Hong Kong and the Group's ability to control costs and operating expenses.

The Group's financial results are expected to be affected by the expenses in relation to the [REDACTED].

The Group's financial results for the year ending 31 December 2016 will be affected by the nonrecurring expenses in relation to the [**REDACTED**]. The estimated total [**REDACTED**] to be borne by the Company is approximately HK$[**REDACTED**] (assuming a [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] Share, being the mid-point of the indicative [**REDACTED**] range), of which approximately HK$[**REDACTED**] is directly attributable to the issue of new Shares to the public and is to be accounted for as a deduction from equity. For the remaining estimated [**REDACTED**] of approximately HK$[**REDACTED**], approximately HK$[**REDACTED**] was charged to the Group's combined statement of comprehensive income for the year ended 31 December 2015; approximately HK$[**REDACTED**] will be charged to the Group's combined statement of comprehensive income for the year ending 31 December 2016. Accordingly, the Group's financial results for the year ending 31 December 2016 are expected to be materially and adversely affected by the estimated professional fee in relation to the [**REDACTED**].

The Group may have to suspend or cease the sale of liquor in the Group's restaurants if the relevant employee who holds the relevant liquor licence fails to transfer the licence in a timely manner.

As at the Latest Practicable Date, all holders of the liquor licence of each of the Group's restaurants were the Group's employees. Under regulation 15 of the DCR, any transfer of a liquor licence must be made on the form as determined by the LLB. For a transfer application, consent of the holder of liquor licence is required. Under regulation 24 of the DCR, in case of illness or temporary absence of the holder of liquor licence, the secretary to the LLB may in his discretion authorise any person to manage the licensed premises. The application under such regulation is required to be made by the holder of liquor licence. For any application for cancellation of the liquor licence made by the holder of liquor licence, an application for new issue of a liquor licence will be required to be made to the LLB. Under section 54 of the DCO, in case of death or insolvency of the holder of liquor licence, his/her executor or administrator or trustee may carry on the business in the licensed premises until the expiration of the licence.

If the relevant employee refuses to give consent to a transfer application when the Group requires a transfer, fails to make an application in respect of illness or temporary absence, or makes a cancellation application without the Group's consent, or if an application for new issue of a liquor licence is required to be made to the LLB in case of death or insolvency of the relevant employee, it may cause the relevant restaurant to suspend or cease the sale of liquor for a certain period, which may adversely affect the Group's business and profitability. Although as disclosed in the section headed "Business – Licenses and Approvals", the Group has adopted measures to counter the above risks and to safeguard the Shareholders' interests, there is still no guarantee that the application for transfer can be submitted and/or approved in time without interruption to the relevant restaurant's business operation.

The Group may not be able to adequately protect its intellectual property, which, in turn, could harm the value of the Group's brand and adversely affect the Group's business.

The Directors consider that customer awareness and recognition of the qualities for which the Group's brands stand is the key for the success of the Group's business. The Group's ability to implement the Group's business plan successfully also depends in part on the Group's ability to further build brand recognition using the Group's trademarks, proprietary know-how, recipes, trade secrets and other intellectual property, including the Group's names and logos.

Any failure to protect or safeguard the Group's intellectual property rights, or if any third party misappropriates, dilutes or infringes on the Group's intellectual property, could materially and adversely affect the value of the Group's brands and the Group's business, financial condition and operation results. It might also prevent the Group's brand from achieving or maintaining market acceptance. Even if the use by an infringing restaurant of identical or similar trademarks, brands and logos does not confuse customers, the distinctive nature of the Group restaurants' brand image could be blurred because the Group's trademarks, brands and logos may lose the distinctive association with the Group's restaurants that the Group is trying to establish with customers.

Additionally, the Group may, from time to time, be required to institute litigation, arbitration or other proceedings to enforce the Group's intellectual property rights, which are likely to be time-consuming and expensive to resolve, and would divert the Group's management's time and attention regardless of its outcome. Even if any such litigation is resolved in favour of the Group, the Group may not be able to successfully enforce the judgment and remedies awarded by the court and such remedies may not be adequate to compensate the Group for the actual or anticipated related losses, whether tangible or intangible. Suppose the Group is able to successfully enforce the Group's rights, any harm done to the Group's brands could still materially adversely affect the sales, profitability and prospects of the Group. Furthermore, negative publicity or customer disputes and complaints regarding any infringing parties' unauthorised use of the Group or similar trademarks, brands and logos could dilute or tarnish the Group restaurants' brand appeal.

Furthermore, the Group may face claims of infringement that could interfere with the Group's use of the proprietary know-how, concepts, recipes or trade secrets. The Group may have to incur a substantial amount of costs in defending against such claims and, if the Group is unsuccessful, the Group may be prohibited from continuing to use such proprietary information in the future or be forced to pay damages, royalties or other fees for using such proprietary information. If the Group is prohibited from using the trademarks in carrying out the Group's core business operations, the continuity of the Group's business may be disrupted and the Group's financial performance and reputation will be adversely affected.

If the Group fails to secure the registration of the Group's material trademark, the Group may be subject to infringement claim by third party and its business and operation results may be adversely affected.

Four applications for the registration of the trademarks of Beijing House ("京香閣") and Star of Canton ("利寶閣") in Hong Kong under class 43 were made to the Trade Marks Registry in Hong Kong during the period from 19 June 2015 to 21 September 2015. Two of such applications were still being processed as at the Latest Practicable Date. For details, please refer to the paragraph headed "Intellectual property rights of the Group" in Appendix IV to this document. The Group cannot assure that the pending trademark applications would be successful. If the Group fails to apply for the trademarks described above, or if it is held by any court or tribunal that the Group's trademarks have infringed any trademark of others, the Group's business may be adversely affected.

In addition, the Group may be unaware of intellectual property registrations or applications relating to the Group's brands that may give rise to potential infringement claims against the Group. Intellectual property litigation is expensive and time-consuming and could divert management's attention from the Group's business. A successful infringement claim against the Group could, among other things, make the Group pay substantial damages and cease using the Group's brands that have infringed a third party's intellectual property rights. Any intellectual property claim or litigation, regardless whether the Group ultimately wins or loses, could damage the Group's reputation and have a material adverse effect on the Group's business, operation results or financial condition.

The Group's current restaurant locations may become unattractive or fail to meet the Group's expectations, the Group's business and operations results may be materially and adversely affected.

The Group's current restaurant locations may become unattractive or fail to meet the Group's expectations, since the demographics of the neighborhood may deteriorate or otherwise change due to certain events, such as the closing down of shopping malls or residential establishments, construction or renovation works in surrounding area that may adversely affect the accessibility of the Group's restaurants or reduce the pedestrian or vehicle flow in the area, resulting in reduced guest traffic. Under these circumstances, the Group may operate at loss and consider closing or relocating to other premises if suitable location can be leased at reasonable commercial terms in a timely manner. This will result in relocation costs to be borne by the Group. However, because most of the Group's lease agreements have fixed terms, the Group would be obligated to continue to make rental payments for the entire duration of such leases at the relevant restaurants. In such circumstances, the Group's financial condition could be materially and adversely affected.

The expansion plans of new restaurants may expose the Group to business and financial risks.

As elaborated in more details in the section headed "Business – Business strategies", the Beijing House Restaurant and Sheung Wan Restaurant were soft opened at the end of October 2015 under the brand of Beijing House and Star of Canton respectively, and two new restaurants under the brand of Star of Canton are planned to be opened in Shenzhen in around 2017. However, the Group cannot assure that the opening of these new restaurants will achieve desirable results.

Opening of the Beijing House Restaurant is intended as the first move of the Group's expansion plan to tap into non-Cantonese specialty cuisine market, namely, Jingchuanhu cuisine, under the Group's new brand of Beijing House. Pursuing this multi-brand business strategy, however, involves inherent business risks, such as making incorrect judgments or assumptions as to customer acceptance of the specialty cuisines, or customer traffic in the shopping mall in which the Beijing House Restaurant is located. Besides, the Group would be required to identify and respond to different competitive conditions, consumer preferences and discretionary spending patterns. The Group also has to incur additional investments to build brand awareness among its target customers. There is no assurance that the Group will be successful in implementing this multi-brand expansion plan.

In addition, the operating results of the Group may be significantly influenced by the opening of the said new restaurants, including initially lower sales and higher operating costs, which are often affected by factors beyond the Group's control. The Group considers that labour and operating costs, such as depreciation charge and employee salaries, associated with a newly opened restaurant for the first several months of operation are materially greater than those subsequent to that period as a percentage of revenues. New restaurants also incur rental expenses before opening, which may result in a significant increase in the Group's expenses and expose the Group to higher financial risks.

Furthermore, target customers of the Group's restaurants may differ by location, depending on a number of factors such as population density, local retail and business attractions, area demographics and geography. As a result, the opening of new restaurants in or near markets in which the Group already has existing restaurants may cause cannibalization impact on these existing restaurants, as some of the Group's customers may be diverted from the existing restaurants to the new restaurants, and vice versa.

Although it is the Group's intention to carefully consider any likely impact on its existing restaurants when evaluating new restaurant site and seeking to balance any potential impact on the Group's existing restaurants with the new restaurant's ability to attract more customers from competitors, there can be no assurance that customer diversion among the existing and new restaurants will not occur, which could have a material adverse effect on the sales at the Group's existing restaurants and the Group's overall profitability.

The Group has previous incidents of non-compliance with the Predecessor Companies Ordinance and the Companies Ordinance.

During the Track Record Period, the Group had on various occasions not fully complied with certain statutory requirements in the Predecessor Companies Ordinance and the Companies Ordinance with respect to matters such as filing corporate forms and timely adoption of audited accounts. For details, please refer to the section headed "Business – Non-compliance – General Non-compliance Matter". If the Hong Kong Companies Registry takes any actions against the Group, including but not limited to imposing fines or other penalties, the Group's reputation, cash flow and results of operation may be adversely affected.

The Group may be subject to fines and penalties due to breaches of the Buildings Ordinance, Employees' Compensation Ordinance and Water Pollution Control Ordinance.

During the Track Record Period, the Group had failed to: (i) comply with the occupation permit for the use of a building; (ii) file the necessary form to report accident to an employee; and (iii) obtain the relevant water pollution control licenses, in breach of the Buildings Ordinance, Employees' Compensation Ordinance and Water Pollution Control Ordinance respectively. For details of the breaches and potential penalties, please refer to section headed "Business – Non-compliance" in the document.

As at the Latest Practicable Date, the Group had taken measures to rectify the breaches, including but not limited to applying to the EPD the water pollution control licenses for its restaurant in Hong Kong. However, there is no assurance that the Group would be able to renew all of the licenses when they expired. If the Group could not maintain all licenses required, the Group's business could be interrupted or the continued operations of the Group's restaurants may be subject to fine and penalty.

Furthermore, there is no assurance that the relevant authorities, including but not limited to the Building Authority, the Commissioner of Labour and the EPD, would not prosecute the Group for the said breaches and impose penalty on the Group or the directors of the members of the Group, including but not limited to fines and imprisonment. The Directors are unable to ascertain the exact amount of fines that may be imposed on the Group as the amount of fines varies from case to case. The Directors and/or other management found to be in actual control of its operations may be held liable if the Group is found guilty and liable on conviction. If the fines are substantial or if any Director or management is liable to the criminal offense, the financial or operation of the Group may be adversely affected. The breaches may also affect the reputation of the Group as a whole.

The Group's insurance policies may not provide adequate coverage for all claims associated with the Group's business operations.

The Group has obtained insurance policies that the Group believes are customary for businesses of the Group's size and type and in line with the standard commercial practice in Hong Kong. For details, please refer to the section headed "Business – Insurance" of this document. Nevertheless, there are types of losses the Group may incur that cannot be insured against or that the Group believes are not commercially reasonable to insure, such as loss of reputation. If the Group is held liable for uninsured losses, the Group's financial results may be materially and adversely affected.

In Hong Kong, employees who suffer work-related injuries may claim for employee's compensation under Employees' Compensation Ordinance or claim for damages under the common law. Due to the nature of the Group's business, the Group may also face other miscellaneous litigation claims from the Group's employees or third parties from time to time, including third parties who suffer personal injuries at the Group's restaurants. While the Group maintains insurance policies for employees' compensation and public liability, there is no assurance that the Group could be able to accurately assess the outcome of any claim and that the insurance company will not challenge any such claims on the ground that they fall outside the scope and/or limit of the Group's insurance coverage or counterclaim the Group for any breach of the terms and conditions of the relevant policy. If the Group's insurance fails to cover all the Group's liabilities in relation to claims or litigations against the Group for whatever reason, and if the Group is liable for compensation under such claims, the Group may need to pay out of the Group's own resources, which may adversely affect the Group's financial conditions. Regardless of the merits of any claims or litigations, the Group may have to divert management resources and incur costs to handle these claims. Negative publicity may also be resulted, which may affect the Group's corporate image and reputation.

Seasonality factors may affect the Group's financial performance.

The Group's overall operation results can fluctuate significantly from period to period because of seasonal fluctuations. For example, Chinese wedding banquets are generally less popular in the months from April to August as the Chinese Qingming festival and ghost festival usually fall within these months and it is considered inauspicious to get married. It is also considered by the Chinese that it is inauspicious to get married in a "blind year" according to the Chinese lunar calendar. The Tung Shing (通勝) may also deem certain dates on the Chinese lunar calendar unsuitable for weddings. The revenue generated from providing wedding banquet services for these periods is usually lower. 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. As such, the results of the Group's financial performance may fluctuate from period to period and any comparison of different periods may not reflect the Group's overall financial performance accurately due to seasonality. The results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

The Group is heavily dependent on the Group's key executives and personnel.

The Group believes that its future success depends, to a significant extent, on the continued services and the performance of the Group's key management personnel. Competition for experienced management and operating personnel in the Chinese cuisine industry is intense. There is no assurance that the Group can maintain, develop and continually tap on the leadership skills of the Group's key management personnel in the future. In addition, competition for qualified employees may lead to the Group paying higher wages, and thereby incurring higher labor costs. If one or more of the Group's key management personnel are unable or unwilling to continue in their present positions due to any reason, and the Group is unable to find competent and suitable replacement within a reasonable period of time or at all, the Group's business and operations may be materially and adversely affected. Moreover, if any Director or member of senior management or any other key personnel joins a competitor or forms a competing company, the Group may lose the established network of suppliers and/or customers. As such, the failure of retaining the Group's key executives and personnel could adversely affect the Group's business and financial results.

The Group may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by the Group's staff, customers or other third parties.

As the Group operates in the Chinese cuisine industry, the Group usually receives and handles large amounts of cash in the daily operations. The Group cannot assure you that the cash management system implemented by the Group will always be effective in the future, or that the Group's staff will strictly adhere to the relevant cash handling polices at all times, or that the Group can prevent any misappropriation or illegal use of cash in the future. In the event that the Group may be unable to prevent, detect or deter all such instances of fraud, theft, bribery, corruption or other misconduct committed against the Group's interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on the Group's business, financial condition and operations.

The Company is a holding company and relies on dividend payments from its subsidiaries.

The Company is a holding company and conducts substantially all of its business through different operating subsidiaries. As a result, the Company's ability to pay dividends depends on dividends and other distributions received from its subsidiaries. If the subsidiaries incur debt or loss, it may impair their ability to pay dividends or other distributions to the Company, which could adversely affect its ability to pay dividends to the Shareholders. In addition, restrictive covenants in bank credit facilities, indentures, joint venture agreements or other arrangements that the Group may enter into in the future may also restrict the ability of the subsidiaries to pay dividends or make distributions to the Company. These restrictions could reduce the amount of dividends or other distributions the Company receives from its subsidiaries, which in turn would restrict its ability to pay dividends to the Shareholders.

RISKS RELATING TO THE INDUSTRY THE GROUP OPERATES

The Group operates in a highly competitive industry.

The Group operates in a highly competitive industry in Hong Kong and the PRC. According to the Ipsos Report, the number of Cantonese restaurants increased from around 1,640 in 2010 to around 1,830 in 2014, and it is expected that the upward trend of the total number of Cantonese restaurants will persist. There are no significant barriers to entry into the restaurant business other than initial capital outlay, a new entrant's ability to satisfy various general licensing requirements and to incur higher rental costs to open outlets at desirable locations. The Group's business is therefore subject to intense competition from a variety of restaurants targeting different market segments, including local restaurants and regional and international chains.

Industry players compete on, inter alia, pricing, food quality and consistency, ambience, services, location, reputation, supply of quality food ingredients. Some of the Group's competitors may have longer operating histories, more restaurant and retail outlets, larger customer bases, more established brand recognition, more established relationships with suppliers, and greater financial, marketing and public relations resources. Some of them may, out of various commercial considerations, adopt low-margin sales strategies and compete against the Group based on lower prices to increase their market shares. The Group may be forced to lower the prices and profit margins of its products or its market share would be at risk.

In order to maintain the food quality and standard of services, the Group also competes with other industry players on the supply of experienced and reliable staff. The Group may have to offer experienced managerial and operational personnel staff higher wages in order to recruit or retain them. Such instances will increase the Group's operating costs, thereby affecting its financial performance. Increasing competition within the industry may have an adverse impact on the Group's revenue, market share, profit margin and financial result.

The changes in the macro-economic situation in Hong Kong may have an adverse effect on the Group's business, finance condition and operation results.

During the Track Record Period, approximately 96.6%, 75.4% and 71.3% of the Group's revenue was derived in Hong Kong for the three years ended 31 December 2015. The Group anticipates that revenue in Hong Kong will continue to represent a substantial proportion of its total revenue in the future. However, the profitability of the Group's business is dependent on, inter alia, a number of factors relating to the Hong Kong market, such as the spending power of the population, the number of and the spending by tourists and other visitors, legislation, regulations and government policies in relation to the Group's business.

Furthermore, economic instability and political turmoil have certain effect on the macroeconomics conditions which would affect the consumers' desire to spend. As a result, the Group's business may be materially affected in the event of any adverse or unforeseeable change in the economic, political and social conditions in Hong Kong. The Group is unable to assure that such changes will not occur in the future.

The restaurant business in Hong Kong may be subject to stringent licensing requirements, environmental protection regulations and hygiene standards which can increase the Group's operating costs.

There can be no assurance that the requirements for obtaining general restaurant licenses, water pollution control licenses and liquor licenses or other permits for restaurant premises and installations in Hong Kong will not become more stringent. Operations of food and beverage establishments, including restaurants, are required to comply with environmental protection regulations. The requirements for obtaining the relevant hygiene permits, the approvals on fire protection and the permits for discharging polluting materials in Hong Kong may also become more stringent.

If the Group fails to comply with the existing regulations, or future legislative changes, the Group may incur significant compliance costs or expenses or result in the assessment of damages, imposition of fines against the Group or a suspension of any part of its business, which could materially and adversely affect the Group's financial condition and operation results. In addition, there is no assurance that the Group can comply with more stringent licensing requirements. Should this happen, the Group's restaurants may have to cease operation, and its reputation and profitability could be materially adversely affected.

Labour shortages or increases in labour costs could affect the Group's future development, business operation, financial condition and operation results.

As the restaurant operations are highly service-oriented, the Group's future success depends in part upon its ability to attract, motivate and retain a sufficient number of qualified and experienced staff, including restaurant managers (restaurant level), kitchen staff and wait staff, all of which are necessary to meet the needs of the Group's existing restaurants and keep pace with the Group's expansion plan. There is a short supply of qualified individuals in the food and beverage industry and competition for these personnel is intense. Therefore, there is no assurance that the Group will be able to recruit all necessary personnel. Should the Group fail to recruit and retain qualified individuals in the future, its expansion plan may be delayed and could adversely impact its existing restaurants. Any such delays, any material increases in staff turnover rates in existing restaurants or any widespread staff dissatisfaction could have a material adverse effect on the Group's business and operation results.

Furthermore, competition for qualified personnel could also result in higher staff costs. For the three years ended 31 December 2015, the staff costs accounted for approximately 29.1%, 26.5% and 27.1% of the Group's revenue. The failure to attract experienced personnel at a desirable level of labour costs could adversely affect the Group's business, financial condition and operation results.

In addition, since the enactment of the Minimum Wage Ordinance on 1 May 2011, the statutory minimum wage was set to HK$28 per hour which was then increased to HK$32.5 per hour with effect from 1 May 2015. 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

Group's staff costs. The Group cannot assure you that the Government will not increase the statutory minimum wage rate again in the future. If the Group decides not to pass the increased staff costs onto its customers by increasing the prices, or manages effectively its costs of operations, the Group's financial results may be adversely affected.

The Group's business may be adversely affected by outbreaks of food-borne diseases and illnesses and other health epidemics.

The Group's business operation is susceptible to outbreaks of food-borne diseases and illnesses and other health epidemics, such as swine influenza (also known as pig flu), avian influenza (also known as bird flu), severe acute respiratory syndrome (also known as SARS), Bovine Spongiform Encephalopathy (also known as BSE), or Salmonella. Such outbreak or epidemic, whether or not traced to the Group's restaurants, may lead to a loss in customer confidence and reduce customer traffic and restaurant sales. In addition, any negative publicity relating to these and other health-related matters may also affect customers' perception of the Group's restaurants and its food quality, and cause disruption to the Group's operation, which would in turn materially and adversely affect its business and financial results.

RISKS RELATING TO THE PRC

The Group faces tax risks with respect to the indirect transfers of equity interests in the PRC resident enterprises in connection with the Reorganisation.

On 6 February 2015, the State Administration of Taxation ("**SAT**") has promulgated the Bulletin on Several Issues concerning the Enterprise Income Tax ("**EIT**") on Indirect Asset Transfer by Non-Resident Enterprises (Bulletin [2015] No. 7, "Bulletin 7"). Bulletin 7 is the latest regulatory instrument on indirect transfer and follows two previous sets of guidance issued in 2009 and 2011: the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises ([2009] Circular 698, "Circular 698") and the Bulletin on Several Issues Concerning the Administration of Income Tax on Nonresident Enterprises (Bulletin [2011] No. 24, "Bulletin 24"). Tax matters occurred but have not been settled before 3 February 2015, the date of implementation of Bulletin 7, shall be governed by Bulletin 7.

Pursuant to Bulletin 7, an indirect transfer of China taxable assets conducted by non-resident enterprises through arrangements that do not have reasonable commercial purposes, which results in avoidance of EIT, shall be deemed as direct transfer of China taxable assets and thus subject to tax in the PRC.

In connection with the Reorganisation, the Group conducted transactions that may be deemed to be indirect transfers of equity interests in the PRC subsidiaries (namely, Li Bao Ge Shenzhen and Orient Shenzhen). If the relevant PRC tax authorities hold that these transactions do not have reasonable commercial purpose and were conducted for the purpose of avoiding PRC tax, the Group may incur PRC tax liability for such transaction. However, it remains unclear how the PRC tax authorities will implement and enforce Bulletin 7 and whether it will subject the Group to any PRC tax liabilities.

Changes in the economic, political and social conditions or policies in the PRC may affect the Group's business, financial conditions and operation results.

The Group's Shenzhen Restaurant is located in the PRC and the Group intends to open two more restaurants in the PRC during 2017. Accordingly, the Group's results of operation, financial conditions and prospects are and will continue to be subject to political, economic and legal developments of the PRC. The PRC economy differs from the economies of most developed countries in many aspects, including but not limited to structure, government involvement, level of development, economic growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation, trade balance position and taxation.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented economic reforms and measures emphasising on the utilisation of market forces in the development of the PRC economy. The Group cannot predict whether the changes in the PRC economic, political and social conditions, laws, regulations and policies will have any adverse effect on its current or future business, financial conditions or operation results. Moreover, the Group cannot assure that the policy of economic reform and the direction of reform towards market-oriented in the PRC will continue in the future. A variety of policies and other measures that could be taken by the PRC government to regulate the economy could have a negative impact on the Group's business, including the introduction of measures to control inflation or reduce growth, changes in the interest rate or method of taxation. The Group's business, financial conditions and operation results may be adversely affected by the PRC government's economic, political and social policies and regulations.

Changes and uncertainties in the PRC legal system may have a material impact on the Group's business, financial conditions and operation results.

The PRC legal system is based on written statutes, and prior court decisions may be cited as reference but have limited precedential value. Since 1979, the PRC government has established a commercial law system, and significant progress has been made in promulgating laws and regulations relating to economic affairs and matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new, and the implementation and interpretation of these laws and regulations may involve a certain degree of uncertainty. Consequently, developments and changes in the PRC laws and regulations, including their interpretation and enforcement, may lead to additional restrictions and uncertainties for the Group's business and uncertainties with respect to the outcomes of any legal action taken against the Group in the PRC.

Foreign exchange restrictions imposed by the PRC Government and fluctuation of RMB could negatively affect the business and financial operations of the Group.

RMB is currently not a freely convertible currency. Both the conversion of RMB into any other currencies and the conversion of foreign currencies into RMB for use in the PRC are regulated by the PRC government. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange ("**SAFE**") by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where RMB is to be converted into foreign currencies and remitted out of the PRC to pay capital expenses. There can be no assurance that the PRC government will not in the future impose restrictions on foreign exchange transactions for current account items, including the payment of dividends.

On the other hand, capital contributions or loans that the Company makes to its PRC subsidiaries (i.e. Li Bao Ge Shenzhen and Orient Shenzhen), including the proceeds from the [**REDACTED**], are also subject to PRC regulations. The PRC foreign exchange regulations also regulate the use of foreign currencies by foreign-invested enterprises which are converted into RMB funds for capital expenditure purposes. Such regulations may impose additional requirements on the Group when it needs to convert foreign currencies into RMB funds for capital expenditure purposes or may limit or restrict the use by the Group's PRC subsidiaries of such capital contributions for certain purposes. If any laws, regulations or government policies in relation to foreign exchange are implemented and the Group fails to comply with the relevant PRC foreign exchange regulations on a timely basis or at all, the Group's ability to fund its PRC subsidiary's operations may be negatively affected or delayed, which may adversely affect the Group's profitability and business operations.

Furthermore, the Group currently does not have a foreign currency hedging policy. The change in value of the RMB against the HK dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and changes in governmental economic and monetary policies. The Group may as such be increasingly exposed to higher foreign exchange risk of RMB going forward.

For instance, if there is any fluctuation in RMB, these fluctuations may result in exchange losses or gains or increases or reductions in the Group's revenue, receivables, cost and payables after translation into HK dollars. It may also result in the fluctuation in the RMB-equivalent value of the proceeds from the [**REDACTED**] and the Group's foreign currency-denominated assets, or any dividends payable on, the Group's ordinary shares in foreign currency terms.

Effect of changes in the PRC laws and regulations in respect of food safety, environmental protection and consumer protection may adversely and materially affect the Group's operation and profitability.

The Group's operations are subject to relevant PRC laws, rules and regulations in particular in respect of food safety, environmental protection and consumer protection. If the Group fails to comply with any change in the relevant laws and regulations, the Group may be subject to penalties or even suspension or closing down of its business by relevant authorities. Furthermore, compliance with any amended law or regulation may force the Group to incur significant capital expenditure, which may adversely and materially affect the Group's operation and profitability.

The dividends that the Group receive from the PRC subsidiaries may be subject to China tax under the PRC EIT Law, which would have a material adverse effect on the Group's results of operations; the non-PRC Shareholders will be subject to a China withholding tax upon the dividends payable by the Group and gains on the sale of Shares, if the Company is classified as a China "resident enterprise".

Under the Enterprise Income Tax Law (promulgated by the National People's Congress on March 16, 2007 and became effective on January 1, 2008) (the "**PRC EIT Law**"), dividends, interests, rent, royalties and gains on transfers of property payable by a foreign-invested enterprise in China to its foreign investor who is a non-resident enterprise will be subject to a 10% withholding tax, unless such non-resident enterprise's jurisdiction of incorporation has a tax treaty with China that provides a reduced rate of withholding tax. Under the arrangement for avoidance of double taxation between China and Hong Kong, the effective withholding tax for dividends applicable to a Hong Kong resident company is currently 5% if it directly owns no less than a 25% stake in the China foreign-invested enterprise.

Under the PRC EIT Law, an enterprise established outside China with its "de facto management body" within China is considered a "resident enterprise" in China and is subject to the China enterprise income tax at the rate of 25% on its worldwide income. The PRC EIT Law and its implementation rules are relatively new and contain ambiguous language, especially relating to the identification of PRC-sourced income. The Directors cannot assure you that the Company will not be deemed to be a PRC resident enterprise under the PRC EIT Law and be subject to the PRC enterprise income tax at the rate of 25% on the worldwide income of the Group. If the China tax authorities subsequently determine that our Company should be classified as a resident enterprise, non-PRC Shareholders will be subject to a withholding tax upon dividends payable by the Group and gains on the sale of Shares under the PRC EIT Law. Any such tax may reduce the returns on your investment in the Shares.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for the Shares and the liquidity, market price and trading volume of the Shares may be volatile.

Prior to the [**REDACTED**], there is no public market for the Shares. The [**REDACTED**] of, and the permission to deal in, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the [**REDACTED**]. Factors such as variations in the Group's revenues, earnings and cash flows, strategic alliances or acquisitions made by the Group or its competitors, industrial or environmental accidents suffered by the Group, loss of key personnel, litigation or fluctuations in the market prices for the products of the Group, the liquidity of the market for the Shares, the general market sentiment regarding the apparel industry could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond the Group's control and unrelated to the performance of the Group's business, especially if the financial market in Hong Kong and the PRC experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the [**REDACTED**].

Investors may experience dilution if the Group issues additional Shares in the future.

The Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage of ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share. In addition, the Group may need to raise additional funds in the future to finance business expansion or new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders of the Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the [**REDACTED**] Shares.

Any disposal by the Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares.

There is no guarantee that the Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the [**REDACTED**]. The Group cannot predict the effect, if any, of any future sales of the Shares by any of the Controlling Shareholders, or that the availability of the Shares for sale by any of the Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by any of the Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

Historical dividends are not indicative of the Group's future dividends.

Subsidiaries of the Group declared a dividend of HK$2.4 million for each of the two years ended 31 December 2013 and 2014 and approximately HK$25.3 million for the year ended 31 December 2015 respectively. The value of dividends declared and paid in previous years should not be relied on by potential investors as a guide to the future dividend policy of the Group or as a reference or basis to determine the amount of dividends payable in the future. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. The amount of any dividends to be declared in the future will be subject to, among other factors, the Directors' discretion, having taken into account the substantial capital requirements of the Group in the foreseeable future, the availability of distributable profits, the Group's earnings, working capital, financial position, capital and funding requirements, the applicable laws and other relevant factors.

In any event, there is no assurance that the Company will receive sufficient distribution from its subsidiaries to support any future profit distribution to the Shareholders, or that the amounts of any dividends declared by the Company in the future, if any, will be of a level comparable to dividends declared and paid by the Group in the past, or by other listed companies in the same industry as the Group.

Investors may experience difficulties in enforcing their shareholders' rights as the laws of Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located.

The Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in the paragraph headed "Protection of minorities and shareholders' suits" in Appendix III to this document.

RISKS RELATING TO THIS DOCUMENT

Statistics and industry information contained in this document may not be accurate and should not be duly relied upon.

Certain facts, statistics, and data presented in the section headed "Industry Overview" and elsewhere in this document relating to the global and PRC markets of the industries have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties. The Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and the Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this document. In addition, the Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither the Group, the Directors, the Sponsor, nor any parties involved in the [**REDACTED**] has independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside the PRC. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

The Group's future results could differ materially from those expressed or implied by the forward-looking statements.

Included in this document are various forward-looking statements that are based on various assumptions. The Group's future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed "Forward-looking Statements" in this document.

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Chan Chun Kit (陳振傑)	Flat 901, 9/F Block A, Kornhill 31 Hong Shing Street Quarry Bay Hong Kong	Chinese
Mr. Lam Kwok Leung Peter (林國良)	Flat B, 11/F 22 Parc 22 Sung Wong Toi Road Kowloon City Kowloon Hong Kong	Chinese
Mr. Wong Ka Wai (王家惠)	Flat F, 11/F Wise Mansion 52 Robinson Road Mid-Levels Hong Kong	Chinese
Mr. Chow Yiu Pong David (周耀邦)	Flat D, 7/F Splendid Place 39 Tai Koo Shing Road Quarry Bay Hong Kong	Chinese
Independent non-executive Directors		
Mr. Liu Chi Keung (廖志強)	Flat 3, 6/F Mei Fung Court 7 Nam Ning Street Aberdeen Centre Hong Kong	Chinese
Prof. Wong Lung Tak Patrick (黃龍德)	Flat A, 6/F Cumine Court 52 King's Road North Point Hong Kong	Chinese

Name	Residential Address	Nationality
Mr. Tam Tak Kei Raymond (譚德機)	Flat A, 12/F, King Tien Mansion Taikoo Shing Quarry Bay Hong Kong	British

Further information of the Directors is disclosed in the section headed "Directors and Senior Management" of this document.

PARTIES INVOLVED IN THE [REDACTED]

Sponsor	**Ample Capital Limited** Unit A, 14th Floor Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong *(a licensed corporation under the SFO permitted to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)*
Financial adviser	Opus Capital Limited 18/F, Fung House 19-20 Connaught Road Central Central Hong Kong *(Note)*
Joint Bookrunners	

[REDACTED]

Joint Lead Managers

[**REDACTED**]

Underwriters

[**REDACTED**]

Legal adviser to the Company as to Hong Kong law	Loong & Yeung Suites 2001-2006, 20th Floor Jardine House 1 Connaught Place Central Hong Kong *(solicitors, Hong Kong SAR)*
Legal adviser to the Company as to PRC law	Dacheng Law Offices 10 & 17/F, Gongjiao Building No. 1001, Lianhua Branch Road Futian District Shenzhen PRC *(lawyers, the PRC)*
Legal adviser to the Company as to Cayman Islands law	Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong *(Cayman Islands attorneys-at-law)*
Legal adviser to the Sponsor and the Underwriters as to Hong Kong law	[**REDACTED**]

Auditors and reporting accountants	Ting Ho Kwan & Chan CPA Limited 9th Floor, Tung Ning Building 249-253 Des Voeux Road Central Central Hong Kong *(Certified Public Accountants)*
Internal control adviser	CT Partners Unit 1601A, 16/F, Tower 6 China Hong Kong City, 33 Canton Road Tsim Sha Tsui Hong Kong

Note: Opus Capital is the financial adviser to the Company in relation to the [**REDACTED**]. Principal functions performed by Opus Capital include reviewing relevant documentation, advising the Company on, amongst other things, the business, financial positioning and valuation and to advise the future business development of the Group. The role of Opus Capital was different from that of the Sponsor in that the role of Opus Capital focused more on the provision of corporate finance advisory services relating to the business, financial positioning and valuation of the Company and its future business development; whereas the role of Sponsor was to ensure the application for [**REDACTED**] fulfills the requirements of, inter alia, the Listing Rules and related requirements. The Sponsor has performed its own due diligence and undertaken the overall responsibility of the [**REDACTED**] exercise.

CORPORATE INFORMATION

Registered office	Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters and head office principal place of business in Hong Kong	Room 2702, Tower 2 Kowloon Commerce Centre No. 51 Kwai Cheong Road Kwai Chung New Territories Hong Kong
Authorised representatives	Mr. Chan Chun Kit (陳振傑) Flat 901, 9/F Block A, Kornhill 31 Hong Shing Street Quarry Bay Hong Kong Mr. Lam Kwok Leung, Peter (林國良) Block 22 Parc 22 Sung Wong Toi Road Kowloon City Kowloon Hong Kong
Company secretary	Ms. Hui Wai Shu, Jessica (許蔚舒) Room 2702, Tower 2 Kowloon Commerce Centre No. 51 Kwai Cheong Road Kwai Chung New Territories Hong Kong
Compliance officer	Mr. Lam Kwok Leung Peter (林國良)
Members of the Audit Committee	Prof. Wong Lung Tak *(Chairman)* Mr. Tam Tak Kei Raymond Mr. Liu Chi Keung
Members of the Remuneration Committee	Mr. Tam Tak Kei Raymond *(Chairman)* Mr. Chan Chun Kit Mr. Liu Chi Keung

Members of the Nomination Committee	Mr. Chan Chun Kit *(Chairman)* Mr. Tam Tak Kei Raymond Mr. Liu Chi Keung
Principal share registrar and transfer office	[**REDACTED**]
Hong Kong branch share registrar and transfer office	[**REDACTED**]
Principal bankers	Hang Seng Bank 83 Des Voeux Road Central Central Hong Kong Bank of China (Hong Kong) 1 Garden Road Hong Kong China CITIC Bank 1/F, Phase II North Tower, Times Square Excellence Futian District, Shenzhen Guangdong, PRC
Compliance adviser	Ample Capital Limited Unit A, 14th Floor Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong
Website of the Company	**www.starofcanton.com.hk** *(information contained in this website does not form part of this document)*

Potential investors should note that Ipsos has been engaged by the Company to prepare the Ipsos Report to provide an overview of the market landscape and competitive analysis of the full-service Chinese restaurant industry in Hong Kong and Shenzhen, which will be used in whole or in part in this document.

The information extracted from the Ipsos Report should not be viewed as a basis for investments provided by Ipsos and references to the Ipsos Report should not be considered as the opinion of Ipsos as to the value of any security or the advisability of investing in the Company. The information and statistics set out in this section have been extracted from the Ipsos Report compiled by Ipsos and other publicly available sources. The Group believes that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Group has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Group, the Joint Lead Managers, the Sponsor, the Underwriters or any other party involved in the [**REDACTED**] *and no representation is given as to its accuracy. Accordingly, such information should not be unduly relied upon.*

COMMISSIONED REPORT FROM IPSOS

The Company commissioned Ipsos, an independent market research company, to conduct an analysis of and produce the report on the full-service Chinese restaurant industry in Hong Kong and Shenzhen, for a total fee of HK$478,000, which the Sponsor believes such reflects the market rate.

The Directors confirm that Ipsos, including all of its subsidiaries, divisions and units, is independent of and not connected with the Group in any way. Ipsos has given its consent to quote from the Ipsos Report and to use information contained therein in this document.

Founded in Paris, France, in 1975 and publicly-listed on the Paris Stock Exchange in 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the combination, Ipsos became the third largest research company in the world which employs approximately 16,000 full-time personnel worldwide across 85 countries. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

The information contained in the Ipsos Report is derived by means of data and intelligence gathering methodology which includes: (i) desk research and (ii) primary research by interviewing key stakeholders and industry experts in Hong Kong and Shenzhen including, but not limited to, government officials (e.g. Shenzhen Human Resources and Social Security Bureau), restaurant operators, industry experts and associations (e.g. Shenzhen Catering Service Association) etc.. Intelligence gathered has been analysed, assessed and validated using Ipsos' in-house analysis models and techniques.

The following assumptions are used in the Ipsos Report:

- It is assumed that the supply of and demand for full-service Chinese restaurant industry in Hong Kong are stable over the forecast period; and

- It is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the full-service Chinese restaurant industry during the forecast period.

RELIABILITY OF INFORMATION AND FUTURE FORECAST IN THE IPSOS REPORT

The Group is of the view that sources of information used in this section, which are extracted from the Ipsos Report, are reliable and not misleading as Ipsos is an independent reputable professional research agency with extensive experience in their profession.

Some of the analytical conclusions extracted from the Ipsos Report cover future forecasts. The following parameters are considered in the marketing sizing and forecasting model of the Ipsos Report:

- GDP and GDP growth rates in Hong Kong and Shenzhen from 2010 to 2019;

- Average annual household disposable income in Hong Kong and average per capita disposable income in Shenzhen from 2010 to 2014;

- CPI for food and annual food expenditure for Hong Kong and CPI for food and per capita annual food expenditure for Shenzhen from 2010 to 2014;

- Number of tourists visiting Hong Kong and Shenzhen from 2010 to 2014;

- Total catering expenditure on dining by tourists visiting Hong Kong from 2010 to 2014;

- Historical average wage trends for workers in the catering industry in Hong Kong and Shenzhen from 2010 to 2014;

- Historical average retail rental rates in Hong Kong and Shenzhen from 2010 to 2014;

- Number of players operating Cantonese restaurants in Hong Kong and Shenzhen in 2014;

- Number of Cantonese restaurants in Hong Kong and Shenzhen in 2014;

- Revenue generated from the Cantonese restaurant industry in Hong Kong and Shenzhen from 2010 to 2019;

- Composite CPI of key raw materials in Cantonese restaurants in Hong Kong from 2010 to 2014;

- Average spending per customer in the Cantonese restaurants industry in Hong Kong and Shenzhen from 2010 to 2014; and

- Revenue generated from the non-Cantonese Chinese restaurant industry in Hong Kong from 2010 to 2019.

The Sponsor and the Company consider such information to be reliable, accurate and not misleading after taking into account the following factors:

(a) Ipsos is an independent reputable research agency with extensive experience in their profession; and

(b) although the Ipsos Report includes forecast of the development of the full-service Chinese restaurant industry in Hong Kong and Shenzhen, they do not contain performance forecast of the Company.

The Directors confirm that, to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

HONG KONG

Macroeconomic environment in Hong Kong

According to the Hong Kong Census and Statistics Department, the GDP in Hong Kong grew from about HK$1,846.1 billion to about HK$2,070.8 billion between 2010 and 2014, at a CAGR of about 2.9%. The GDP of Hong Kong is expected to increase from around HK$2,137.0 billion in 2015 to around HK$2,440.1 billion in 2019 and maintain at a growth rate of between about 3.2% and about 3.7% from 2015 to 2019. Given the improvement of the global economy as well as the favourable economic ties with Mainland China, it is expected that the economic future of Hong Kong will remain optimistic, which is beneficial to the catering industry.

According to the Hong Kong Census and Statistics Department, the average annual household disposable income in Hong Kong increased from around HK$596.1 thousand to around HK$750.9 thousand at a CAGR of about 5.9% from 2010 to 2014. The growth of the average annual household disposable income is primarily driven by the reduction of the unemployment rate. According to the Hong Kong Census and Statistics Department, the unemployment rate of Hong Kong declined from about 5.3% in 2010 to about 3.3% in 2014. Given the stable growth of the Hong Kong economy, it is expected that the average household disposable income of Hong Kong would grow at a steady pace in the coming years.

According to the Hong Kong Census and Statistics Department, the CPI for food in Hong Kong increased from around 100.9 in 2010 to around 124.2 in 2014, at a CAGR of about 5.3%. Following a similar trend, the annual food expenditure also grew from around HK$156.6 billion to around HK$227.2 billion within the same time period, at a CAGR of about 9.8%. Driven by the growth in GDP, the annual household disposable income as well as the rising food price in Hong Kong, the population in Hong Kong had spent more on food, accounted for about 11.0% of total GDP in 2014. As the CPI for food remained on the upward trend, some households or individuals may consider dining out instead of cooking by their own which is expected to give a push to the growth of catering industry in terms of both the number of customers and revenue.

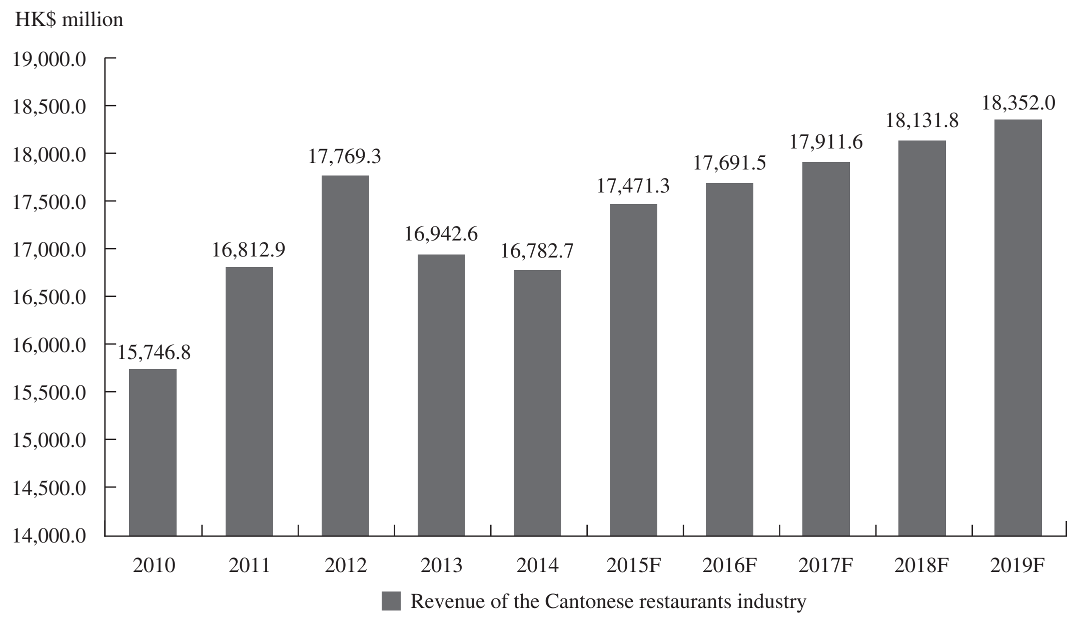
Catering industry in Hong Kong

The major types of restaurants in the catering industry in Hong Kong include both Hong Kong style cafes and Chinese restaurants which have the largest number of counts in Hong Kong, with over 2,500 and 2,300 establishments respectively. While for full-service Chinese restaurants, most of them serve Cantonese cuisine, followed by Beijing, Sichuan and Shanghai cuisines. For non-Chinese restaurants, Western and Japanese restaurants contribute the largest number, while Korean, Thai and Vietnamese restaurants also attribute to a significant number in Hong Kong.

Hong Kong's full-service Cantonese restaurant market

Recent development

Cantonese restaurants serve tea, dim sum and simple Cantonese dishes during the day. In the evening, the Cantonese restaurants serve Cantonese dishes and/or banquets for events such as weddings. The revenue generated from the Cantonese restaurants industry showed an overall increasing trend between 2010 and 2014, growing from around HK$15,746.8 million to around HK$16,782.7 million, at a CAGR of about 1.6%. After the announcement of the anti-graft campaign by the Chinese government, there had been lessened enthusiasm on luxurious spending in high-end Cantonese restaurants. Some of the Chinese visitors had shifted their interest from fine-dining to casual dining or even Hong Kong style cafe as well as other popular local choices. The above factors lowered the revenue of the Cantonese restaurants and its percentage contribution to the total revenue generated from the catering industry. It is expected that the revenue of the Cantonese restaurants industry would increase from around HK$17,471.3 million in 2015 to around HK$18,352.0 million in 2019 due to the drop in rental prices since 2015 which would probably bring more opportunities for the expansion of Cantonese restaurants. The graph below sets out the revenue generated from the Cantonese restaurants industry in Hong Kong from 2010 to 2019:



Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

Notes:

1. "F" denotes for forecasting data.

2. Cantonese restaurant includes all the restaurants under Hong Kong Standard Industrial Classification Version 2.0 ("HSIC V2.0") code 651109.

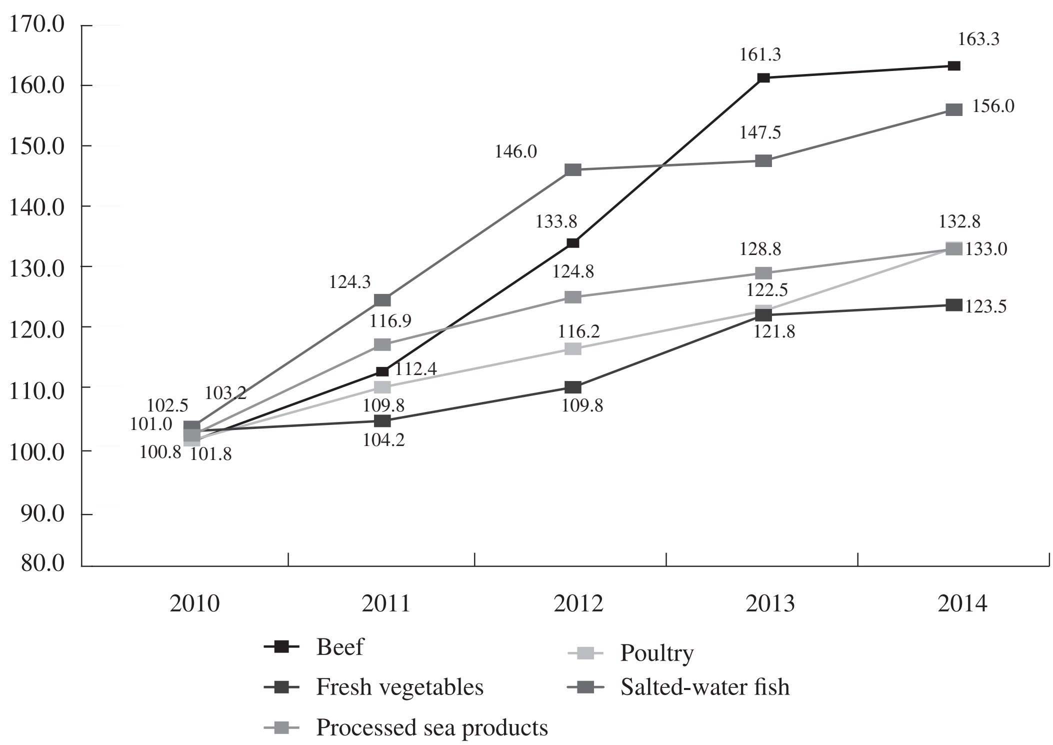
The key players in the Cantonese restaurants industry of Hong Kong include Maxim Catering Limited, Lei Garden Group, Fulum Group Holding Limited and Tao Heung Holding Limited. Among these players, most of them operate a wide range of restaurants focusing on various cuisines such as Sichuan, Shanghai or even other Asian cuisines such as Japanese and Korean.

According to the Hong Kong Census and Statistics Department, in 2014, there were a total of 1,830 Cantonese restaurants in Hong Kong, while 1,189 (about 65.0%) of them were non-chained restaurants and only 641 (about 35.0%) of them were operated by chained restaurant players. Around one third of Cantonese restaurants in Hong Kong were chained. The major reason is that once the operator has opened more than one restaurant, they start to enjoy economies of scale as some of the costs such as average cost of raw materials can be shared among several restaurants when they are procuring larger quantity. Besides the cost of raw materials, arrangement of staff resources will be more flexible for chained restaurant and hence it helps the operators to lower the labour cost which is considered as a significant component in the catering industry.

Major cost components

(a) Raw materials

Beef, poultry, fresh vegetables, salted-water fish and processed sea products are some of the most commonly used raw materials in Cantonese restaurants. As these raw materials have contributed to a significant amount of the cost in a Cantonese restaurant, any price fluctuation will lead to a direct effect on the profit margin of the Cantonese restaurant. During the Track Record Period, all of the five food categories as mentioned above recorded an increase in price in the previous 5 years, but at a different scale. The graph below sets out the composite CPI of key raw materials in Cantonese restaurants in Hong Kong from 2010 to 2014:



(b) Staff costs

The average wage trend for workers in the catering industry in Hong Kong grew from around HK$8,600.0 in 2010 to around HK$11,033.0 in 2014, at a CAGR of about 6.5%. Following the commencement of the Statutory Minimum Wage in 2011 and subsequent revision in May 2015, the minimum wage rate increased from HK$28.0 per hour to HK$32.5 per hour. Despite it directly benefiting the lowest earners in the catering industry, some upward adjustments on the wage of other workers in the catering industry also became necessary in order to maintain the employment retention rate and hence the efficiency of the companies. Another pressure causing the increase in wage of workers in the catering industry was the inflation rate. Between 2010 and 2014, the inflation rate fluctuated between 2.4% and 5.3%. This caused the urge for the public to demand for higher wages so as to compensate for the increase in living costs.

(c) Rental costs

The average monthly retail rental rate in Hong Kong grew from about HK$1,117.7 per square meter in 2010 to about HK$1,469.3 per square meter in 2014, reaching a CAGR of about 7.1%. For the rental price index, it increased from 122.9 in 2010 to 173.1 in 2014, at a CAGR of about 8.9%. The rapidly increasing private retail rental rate was mainly caused by high demand and limited supply for retail space. According to the Hong Kong Retail Management Association, the retail sector recorded strong double-digit growth, particularly in luxury goods. As China's GDP has been consistently strong during 2010 to 2014, Mainland Chinese tourists' demand for luxury goods remained very strong. While landlords witnessed the immense expansion of the industry they also raised the rent accordingly. Thus, the average retail rent increased rapidly over this period.

Factors of competition

Customers in Hong Kong value highly the quality of Cantonese restaurants in an array of ways such as service and food quality. There is an increasing trend that customers view the process of dining at Cantonese restaurants a special experience and it will attract or retain customers if the experience is satisfactory.

Food consumption is one of the biggest spending of customers and thus price is one of their main concerns. Assuming similar quality, customers will favor restaurants charging at a lower price. In particular, a lower price lures customers who consider costs as the top priority, without focusing too much on quality. Therefore, restaurants charging at a lower price are more likely to prevail in the Cantonese restaurants industry in Hong Kong.

Cantonese restaurants with well-established reputation are appealing to customers, no matter local or visitors, as the reputation built is an indicator of the food quality, service provided, environment, value for money and so on.

Market Drivers

Rising tourist numbers bring confidence to the Cantonese restaurants industry. With the expected increase in the population of Hong Kong, the Cantonese restaurants industry is expected to grow continuously, especially with its popularity among the local citizens. On the other hand, with the steady growth of the Hong Kong economy, the average annual household disposable income also increased. Booming tourism is another supporting factor for the catering industry in Hong Kong. According to the Hong Kong Tourism Board, the number of tourist visits to Hong Kong grew from around 36.0 million in 2010 to around 60.8 million in 2014, at a CAGR of 14.0%. The total catering expenditure of tourists showed a significant upward trend which is expected to continue in the coming years. As Cantonese cuisine has been recognized by tourists to be one of the most representable Chinese cuisines in Hong Kong, it is expected that the increasing number of both the local population and foreign tourists with increasing catering expenditure would drive the steady growth of the Cantonese restaurants industry in Hong Kong for the coming 5 years.

The Hong Kong government has hosted multiple events to facilitate the growth of the Cantonese restaurants industry, such as the Hong Kong Wine and Dine Festival and Food Expo held by the Hong Kong Trade Development Council. In the past years, the Food Expo mainly focused on light refreshments sales. However, in recent years, with the increasing popularity of the event, especially within the younger demographics, more restaurants from the Cantonese restaurants industry began to participate in order to raise brand awareness of the general public.

Entry Barriers

Cantonese cuisine requires a wide range of cooking techniques in which experience is exceptionally important for some cuisines like dim sum or seafood. As such, in order to open a successful and profitable Cantonese restaurant, an experienced chef is important. Given the current situation that lots of the experienced chefs in Hong Kong have retired, finding suitable chefs has been a challenging task for restaurant operators.

In Hong Kong, limited supply of retail space has been a long existing issue for players in both the retail and the catering industry, and it is the largest portion of operating cost. As a result, finding a suitable location with affordable rent is always the primary concern for operators in the Cantonese restaurants industry. Given the recent weak performance in the retail sector, the retail rental market started to cool down since 2015, allowing operators in the catering industry to expand at a relatively affordable rent.

Opportunities

Many large Cantonese restaurant groups have been extending their business to specifically attract the younger demographics. By having different lines of restaurants targeting different demographics with a large price range, the Cantonese restaurant groups can increase the public brand recognition and expand their customer base, which is beneficial to the Cantonese restaurants industry.

The rental price index has been increasingly high in the past years which has put certain pressure on the industry. Therefore, many of the Cantonese restaurants have moved upstairs for cheaper rent to lessen their financial burden. However, it is expected that the rental price index of Hong Kong would go down again. Therefore, it provides opportunities for Cantonese restaurants to move back to retail spaces with a better location where they can attract more customers. It can also help increase the profit margin and further growth of the Cantonese restaurants industry in Hong Kong.

Threats

Due to multiple food safety issues happened in the past, such as the incidents of Shanghai Husi Food Co., Ltd., a PRC meat processing company, which affected a large proportion of the catering providers, including some of the Cantonese restaurant providers in Hong Kong, there is an increase in concern over the traceability and reliability of raw materials or semi-processed ingredients obtained by the local restaurants. The Hong Kong Government has also enforced new laws and rules to tighten the restriction on the obtainment of common ingredients used in the Cantonese restaurants industry. For instance, the Centre for Food Safety has recently announced the legislative proposals on Regulation of Edible Fats and Oils and Recycling of "Waste Cooking Oils". This may put further pressure on the Cantonese restaurants in this competitive and capital intensive operation environment.

Due to the fact that the minimum wage of Hong Kong is raised again in 2015, the operation costs of Cantonese restaurants increased again since a proportion of the employees in the industry were the lowest earners in Hong Kong. At the same time, the problem of labour shortage, resulting from the demanding nature of the jobs which discourages younger people to join the industry, has deterred the growth of the Cantonese restaurants industry in Hong Kong.

Market shares and ranking

Ipsos has compiled the following table of the top five Cantonese restaurant operators in Hong Kong in the year ended 31 December 2014:

Rank	**Company name**	**Revenue**	**Market share**	**Number of Cantonese restaurant in Hong Kong**
		(HK$ million)	*(%)*	
1	Company A	2,584.3	15.4	65
2	Company B	2,304.4	13.7	62
3	Company C	2,103.3	12.5	39
4	Company D	1,196.2	7.1	33
5	Company E	605.2	3.6	11
	Total	8,793.4	52.3	

According to the Ipsos Report, the Group accounted for about 1.1% of the revenue in Cantonese restaurant industry in Hong Kong for the year ended 31 December 2014.

Trends and developments

(a) Multi-branding

The multi-branding strategies have been adopted by many major players in the Cantonese restaurants industry. For the same type of cuisine such as Cantonese, the players tend to provide both high-end and mid-end restaurants, fitting customers with various budgets. As the customers of these Cantonese restaurants become more demanding, they tend to appreciate restaurants which are specialised. Therefore, those major restaurant operators in the Cantonese restaurants industry opened many restaurants specialising in specific regional dishes of Cantonese cuisine where the trend is expected to continue in the coming years.

(b) Shift from fine dining to casual dining

Strong efforts have been made to attract younger demographics to the Cantonese restaurants industry. Cantonese casual dining restaurants allow gatherings for 2 to 6 people. By providing light refreshments with lighter portions, these restaurants are usually in a slightly lower price range when compared to traditional Cantonese restaurants, and so they would be more attractive for the younger generation.

(c) Importance of presentation

More efforts are now required to attract more people. It could be achieved by increasing attractiveness of the restaurant via visual presentation of dishes. The design of dishes is therefore becoming more complex. At the same time, there are more themed restaurants that offer unique and extraordinary style dishes. For example, the Hello Kitty Chinese Restaurant attracts people from all ages who are fans of the popular Japanese anime character. Another example would be Bo Innovation, the Chinese molecular gastronomy restaurant that uses scientific techniques to reconstruct dishes. Dishes with an outstanding presentation further encourage people to take photos of the dishes and upload to social media, which acts as soft marketing for the restaurants.

Hong Kong's full-service non-Cantonese Chinese restaurant market

According to the Hong Kong Census and Statistics Department, revenue generated from the non-Cantonese Chinese restaurants industry recorded an overall growth between 2010 and 2014, from around HK$4,044.2 million to around HK$4,310.3 million, at a CAGR of about 1.6%. It is expected that revenue of the non-Cantonese Chinese restaurants industry would increase from around HK$4,487.2 million in 2015 to around HK$4,713.3 million in 2019 as it is anticipated that there will be more opening of new restaurants as the rental price has started to drop since early 2015, providing a greater flexibility to the restaurants' expansion plans.

The market size of the non-Cantonese Chinese restaurants industry in Hong Kong experienced positive growth from around HK$4,044.2 million in 2010 to around HK$4,310.3 million in 2014, attributed to the growing tourism industry in Hong Kong. To name a few, the few major players of the non-Cantonese Chinese restaurant industry in Hong Kong are Maxim Group, Crystal Jade Group and Xiao Nan Guo Group.

The major customers of the non-Cantonese restaurants industry are the local Hong Kong population who wish to try Chinese dishes other than Cantonese cuisine as well as the immigrants moving from those Chinese provinces where the cuisines are originated. To these customers, ordinary Cantonese cuisine can no longer satisfy their needs, they demand more original flavours as well as some traditional cooking methods from various provinces in China, leading to a need for more non-Cantonese Chinese restaurants with specific selling points.

SHENZHEN, PRC

Macroeconomic environment in Shenzhen

According to the National Bureau of Statistics of Shenzhen, the GDP in Shenzhen grew from about RMB958.2 billion to about RMB1,600.2 billion between 2010 and 2014, at a CAGR of about 13.7%. The GDP of Shenzhen is expected to increase from around RMB1,765.0 billion in 2015 to around RMB2,491.0 billion in 2019 and maintain a growth rate of about 9.0% from 2015 to 2019.

According to the National Bureau of Statistics of Shenzhen, the average per capita disposable income in Shenzhen increased from around RMB32.4 thousand to around RMB48.7 thousand at a CAGR of about 10.7% from 2010 to 2014. The rising average per capita disposable income in Shenzhen is attributed to inflation and stable economic growth over the past 5 years. With increasing disposable income, it is expected that people in Shenzhen will adjust their spending in food and catering upward, supporting the growth of the catering industry in Shenzhen as a whole.

According to the National Bureau of Statistics of Shenzhen, the CPI for food in Shenzhen increased from around 107.7 in 2010 to around 111.9 in 2011. The index then fluctuated from between 102 to 105 in the following 3 years, and reached 103.5 in 2014. There is a net decrease when compared with the figure in 2010.

Shenzhen's full-service Cantonese restaurant market

Recent development

According to the Shenzhen Catering Service Association, between 2010 and 2014, the revenue of the Cantonese restaurants industry in Shenzhen showed an increase from around RMB9,836.5 million to around RMB14,661.8 million, at a CAGR of about 10.5%. Between 2015 and 2019, it is expected that revenue of the Cantonese restaurants industry in Shenzhen would re-enter the phase of steady growth after the slowdown in 2013 and 2014, mainly fueled by increasing disposable income which will eventually lead to a larger market size.

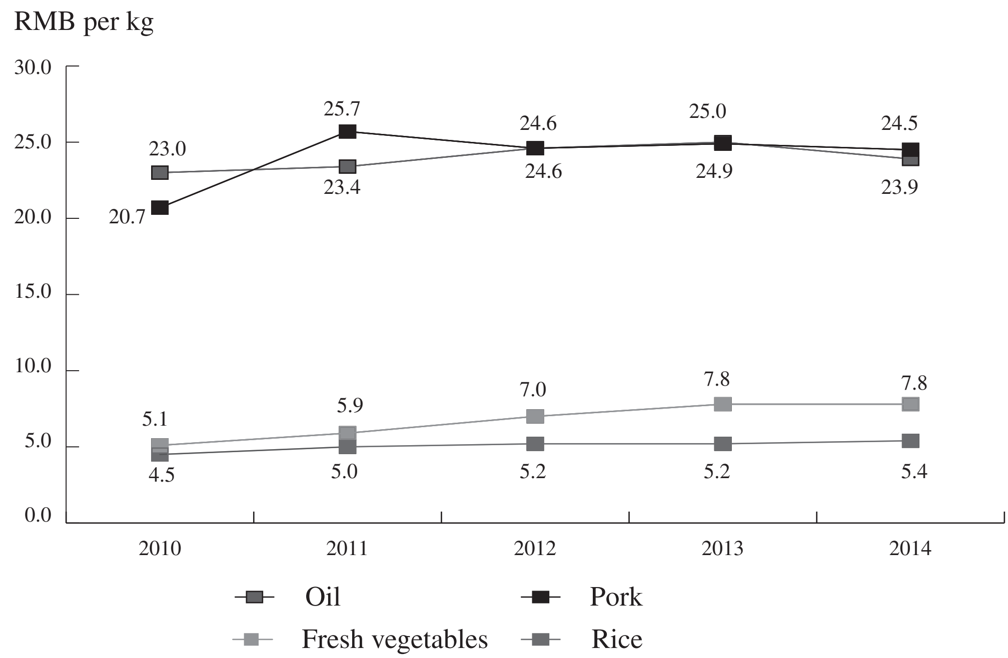
Most of the key players in the Cantonese restaurants industry in Shenzhen are restaurant groups originated in Shenzhen, such as Laurel Group, Chunmanyuan Catering Service Group, Victory Restaurant Group and Shenzhen Dragon Group to name a few, operating around 5-12 restaurants at the same time.

According to openrice.com.cn, in 2014, there were a total of 2,039 Cantonese restaurants in Shenzhen, while 1,447 (about 71.0%) of them were non-chained restaurants and only 592 (about 29.0%) of them were operated by chained restaurant players. In Shenzhen, the ratio of chained restaurants made up of roughly 29.0%, slightly below 35.0% in Hong Kong. Some brands and well-managed enterprises started to set up chain stores in recent years.

Major cost components

(a) Raw materials

The graph below sets out the average price of key raw materials in Cantonese restaurants in Shenzhen from 2010 to 2014:



Source: National Bureau of Statistics of Shenzhen

(b) Staff costs

According to the Shenzhen Human Resources and Social Security Bureau, the average wage per month for a worker in the catering industry in Shenzhen grew from around RMB2,606.0 in 2010 to around RMB3,945.0 in 2014, at a CAGR of about 10.9%. Shortage of labour supply is a long existing problem for catering industry, ranging from senior position such as chef to operational level like manager or waiter. There is an average of 10% to 20% job vacancy within the industry. Together with the relatively high turnover rate in the catering industry which is about 10% per month, there is always a net demand in the catering industry in Shenzhen, leading to a steady growth of the average wage for workers over the past few years.

(c) Rental costs

According to the Shenzhen Real Estate Information Network, the average rental rate in Shenzhen recorded a slight decrease of about 2.9% in 2011. The fall in commercial rent was mainly due to the structural change of the property sector, where the percentage of lower rent properties has increased by 10%, from about 38% in 2010 to about 48% in 2011, leading to a drop in average rental rates. In 2012, Shenzhen's average rental rate increased by about 10.8%

compared with the previous year, and the number further grew by another 32.7% in 2013, reaching around RMB300 per square meter per month. In 2014, the rental rate in Shenzhen was around RMB284 per square meter per month, reflecting a 5.3% fall compared with 2013. In Luohu, the rental rate surged by 70% and reached around RMB599 per square meter month. But in contrast, the average rental rate in Futian, Bao'an and Nanshan recorded negative growth in 2014, leading to a drop in overall rental rate in Shenzhen.

Market Drivers

The number of tourists visiting Shenzhen increased from around 32.9 million in 2010 to around 49.9 million in 2014, and it is expected to remain on its uprising trend for the coming 5 years. Together with the stable number of mainland visitors visiting Hong Kong where over 60% of them will stop by Shenzhen, the expectation for the revenue of the catering industry in Shenzhen can be considered to be optimistic, at the same time facilitating the growth of Cantonese restaurant industry.

With an average age in the city being maintained at around 30, it is expected that there will be a sustainable demand for wedding banquets, benefiting Cantonese restaurants which have always been considered as the most popular venue for wedding banquets. Shenzhen has been viewed as a city of youth as there is a significant amount of non-registered residents (about 69.2%), together with the post 80s and 90s groups which are one of the major contributors to the catering industry in Shenzhen. It is expected that the revenue of the catering industry in Shenzhen, especially those casual dining restaurants or those serving Cantonese cuisine, will grow in the coming few years.

Entry Barriers

In the catering market, branding is a main concern for customers. A time honoured brand name can help operators to survive and develop in the industry. Building a brand requires all sorts of resources such as capital, technology, talents and continuous promotions, which is very challenging for new investors.

Human resources safeguard a firm's sustainable development. It is therefore essential to keep and cultivate talents, especially in Shenzhen where the staff turnover rate can reach 10% per month. Managing a restaurant involves all sorts of work like passing down the cultures, staff training, operating model, marketing and branding. These are all obstacles for new players in the market.

Similar to other restaurants in the catering industry, Cantonese restaurants basically have a similar or even higher requirement regarding initial capital investment as most of the Cantonese restaurants have a larger gross area, more staffs as well as a more comprehensive, multi-purpose kitchen to cope with their business needs, hence leading to a significantly higher capital requirement when compared with other types of restaurant.

Opportunities

According to the "China Private Wealth Report 2015", by the end of 2014, there were over one million high net worth individuals with investment assets of over ten million in China, where Guangdong alone has contributed about 10% of them and Shenzhen has the largest number of high net worth individuals in the province. On the other hand, during the change of consumer habit, post 80s and 90s generation have gradually grown to become the major consumer group in the catering industry supporting the growth of casual dining and restaurants serving Cantonese cuisine, such as Hong Kong style cafes, or Cantonese restaurants from Hong Kong serving dim sum. In terms of family consumption, an increasing amount of families in Shenzhen tend to dine out at weekends. Restaurants located in shopping malls, with a medium price range and serving Cantonese/Chinese cuisine are generally more welcomed by the family consumers.

In March 2013, the Chinese government approved the set-up of free trade zone in Shekou, Shenzhen, in which business cooperation within Guangdong-Hong Kong-Macau region is expected to increase, creating a demand for the catering industry in Shenzhen.

Threats

The increase in cost for raw materials, labour and rent has significantly driven up the operating cost in the Cantonese restaurants industry in Shenzhen, resulting in a drastic drop in profitability. As inflation is expected to persist in the coming few years, restaurant operators will need to adjust their operation model or strategy in order to cope with the rising cost.

Catering industry in China has been blamed for its poor hygiene level and low management standard. Scandal like Ractopamine and gutter oil is not rare in China. With consumers' ever rising concern towards food safety, how to monitor the food safety and traceability in order to regain the confidence of consumers will be one of the biggest challenges to the restaurant operators in China.

Market shares and ranking

Ipsos has compiled the following table of the top five Cantonese restaurant operators in Shenzhen in the year ended 31 December 2014:

Rank	**Company name**	**Revenue** *(RMB million)*	**Market share** *(%)*	**Number of Cantonese restaurant in Shenzhen**
1	Company F	397.8	2.7	7
2	Company A	384.1	2.6	12
3	Company G	293.4	2.0	10
4	Company H	272.9	1.9	11
5	Company I	139.7	1.0	5
	Total	1,487.9	10.2	

According to the Ipsos Report, the Group accounted for about 0.2% of the revenue in the Cantonese restaurants industry in Shenzhen for the year ended 31 December 2014.

Trends and developments

(a) Cantonese restaurant can no longer rely on government spending or receptions

After the implementation of anti-graft campaign, there was a drastic change in China's catering market. In first tier cities such as Shanghai, Beijing and Shenzhen, high net worth individuals with real demand have become the pillar for high-end Cantonese food, supporting the market to a certain extent. Regarding consumption related to government reception, it would be hard to see improvement in a year or two, which is anticipated to affect some Cantonese restaurants in Shenzhen, especially those focusing on high-end dishes such as seafood, abalone or shark fins. Nowadays, many restaurants offer a wide range of dishes and services to customers, in a hope to attract those with a demand for special events, which include all types of weddings, anniversary and birthday meals, and to satisfy customers' need.

(b) Increasing number of restaurants with a more effective business model

In the future, the number of restaurants practising an effective business model is expected to grow. These kinds of restaurants generally involve lower starting cost, less space and manpower for cooking, as well as lower expenses on salary and renovation. Their business model allows them to build a production chain and capture the economies of scale easily. The expansion of hotpot restaurants in Shenzhen can be considered as an example, where its success is closely related to the high profit margin, standardisation and convenience to replicate.

(c) Younger generation starts to contribute more to the catering industry

As the post 80s and 90s generation have gradually become the main contributor in the catering industry, there was a rapid expansion of casual dining restaurants in recent years due to the increasing demand from the young generation. A similar trend can also be observed in Hong Kong and a significant number of restaurants are being operated by chained Cantonese restaurant groups such as Maxim Group and Lei Garden Group. The rise of new technologies such as mobile payment has also brought new developmental opportunities to Cantonese restaurants. If Cantonese restaurants can utilise these technologies and incorporate their own specialties to carry out new brand positioning and differentiation, a lot of potential in the market can be realised.

This section summarises the principal laws and regulations of Hong Kong and the PRC which are relevant to the Group's business. As this is a summary, it does not contain the detailed analysis of the Hong Kong and the PRC laws which are relevant to the Group's business.

THE LAWS AND REGULATIONS OF HONG KONG

Regulatory regime

In addition to the business registration certificate required for the commencement of restaurant business, there are three principal types of licenses required to be obtained for the operation of the Group's restaurants which are as follows:

(a) restaurant license granted by the DFEH of the FEHD, which are required to be obtained before commencement of the relevant food business operation;

(b) water pollution control license granted by the DEP of the EPD; which is required to be obtained before any discharge of trade effluents into a communal sewer or communal drain in a water control zone commences; and

(c) liquor license granted by the LLB, which is to be obtained before commencement of sale of liquor in the restaurant premises.

Business registration certificate

To commence the business of restaurants, bars or cafes, in addition to other business licenses described below, it is necessary to obtain business registration certificate pursuant to section 5 of the Business Registration Ordinance (Chapter 310). The business registration application shall be made within 1 month of the commencement of business.

Restaurant license

In Hong Kong, any person carrying on restaurant business is required to obtain a restaurant license granted by the DFEH under the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and the FBR before commencing the restaurant business. A general restaurant license permits the licensee to prepare and sell any kind of food for consumption on the premises. It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffer to be carried on any food business including restaurant business except with a restaurant license. Generally, before a general restaurant license is granted, the DFEH needs to be satisfied that certain requirements in respect of for instance means of ventilation, sanitary fitments, facilities for cleansing equipment and utensils, means of exit and entry and fire safety are made. The FEHD will consult the Buildings Department, the Planning Department and Fire Services Department in accessing the suitability of premises for use as a restaurant, and the fulfillment of the Buildings Department's structural standard and the Fire Services Department's fire safety requirement are considered. If their comments are such that its policy or requirement cannot be complied with, the licencing authority will refuse the application and inform the applicant of the refusal with reasons.

Under section 33C of the FBR, the DFEH may grant provisional restaurant licenses to new applicants who have fulfilled the basic requirements in accordance with the FBR pending completion of all outstanding requirements for the issue of a full restaurant license. A provisional restaurant license shall be valid for a period of six months or a lesser period and a full restaurant license is generally valid for a period of 12 months, both subject to payment of the prescribed license fees and continuous compliance with the requirements under the relevant legislation and regulations. A provisional restaurant license is renewable on one occasion and only on one occasion at the absolute discretion of DFEH and a full restaurant license is renewable annually.

Demerit points system

The demerit points system is a penalty system operated by the FEHD to sanction food businesses for repeated violations of relevant hygiene and food safety legislation. Under the system:

(a) if within a period of 12 months, a total of 15 demerit points or more have been registered against a licensee in respect of any licensed premises, the license in respect of such licensed premises will be subject to suspension for seven days (the "**First Suspension**");

(b) if, within a period of 12 months from the date of the last offence leading to the First Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licensed premises, the license will be subject to suspension for 14 days (the "**Second Suspension**");

(c) thereafter, if within a period of 12 months from the date of the last offence leading to the Second Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licensed premises, the license will be subject to cancellation;

(d) for multiple offenses found during any single inspection, the total number of demerit points registered against the licensee will be the sum of the demerit points for each of the offences;

(e) the prescribed demerit points for a particular offence will be doubled and trebled if the same offence is committed for the second and the third time within a period of 12 months; and

(f) any alleged offence pending, that is the subject of a hearing and not yet taken into account when a license is suspended, will be carried over for consideration of a subsequent suspension if the licensee is subsequently found to have violated the relevant hygiene and food safety legislation upon the conclusion of the hearing at a later date.

Water pollution control license

In Hong Kong, discharges of trade effluents into specific water control zones are subject to control and the discharger is required to obtain a water pollution control license granted by the DEP under the WPCO before commencing the discharge.

Under section 8(1) and 8(2) of the WPCO, a person who discharges (i) any waste or polluting matter into the waters of Hong Kong in a water control zone; or (ii) any matter into any inland waters in a water control zone which tends (either directly or in combination with other matter which has entered those waters) to impede the proper flow of the water in a manner leading or likely to lead to substantial aggravation of pollution, commits an offence and where any such matter is discharged from any premises, the occupier of the premises also commits an offence.

Section 9(1) and 9(2) of the WPCO provides that generally a person who discharges any matter into a communal sewer or communal drain in a water control zone commits an offence and where any such matter is discharged into a communal sewer or communal drain in a water control zone from any premises, the occupier of the premises also commits an offence. Under section 12(1)(b) of the WPCO, a person does not commit an offence under sections 8(1), 8(2), 9(1) or 9(2) of the WPCO if the discharge or deposit in question is made under, and in accordance with, a water pollution control license.

Under section 15 of the WPCO, the DEP may grant a water pollution control license on terms and conditions as he thinks fit specifying requirements relevant to the discharge, such as the discharge location, provision of wastewater treatment facilities, maximum allowable quantity, effluent standards, self-monitoring requirements and keeping records.

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

Liquor license

Section 17(3B) of the DCO provides that where regulations prohibit the sale or supply of any liquor except with a liquor license, no person shall sell, or advertise or expose for sale, or supply, or possess for sale or supply, liquor except with a liquor license.

Any person who intends to operate a business which involves the sale of liquor for consumption at any premises must obtain a liquor license from the LLB under the DCR before commencement of such business. Regulation 25A of the DCR prohibits the sale of liquor at any premises for consumption on those premises or at a place of public entertainment or a public occasion for consumption at the place or occasion except with a liquor license. A liquor license will only be issued when the relevant premises have also been issued with a full or provisional restaurant license. A liquor license will only be valid if the relevant premises remain licensed as a restaurant. All applications for liquor licenses are referred to the Commissioner of Police and the District Officer concerned for comments.

Under regulation 15 of the DCR, any transfer of a liquor license must be made on the form as determined by the LLB. For a transfer application, consent of the holder of liquor license is required. Under regulation 24 of the DCR, in case of illness or temporary absence of the holder of liquor license, the secretary to the LLB may in his discretion authorise any person to manage the licensed premises. The application under such regulation is required to be made by the holder of liquor license. For any application for cancellation of the liquor license made by the holder of liquor license, an application for new issue of a liquor license will be required to be made to the LLB. Under section 54 of the DCO, in case of death or insolvency of the holder of liquor license, his executor or administrator or trustee may carry on the business in the licensed premises until the expiration of the license.

A liquor license is valid for a period of one year or a lesser period, subject to the continuous compliance with the requirements under the relevant legislation and regulations.

THE LAWS AND REGULATIONS OF PRC

The relevant PRC laws and regulations related to the dining industry in the Mainland of the People's Republic of China are as follows:

Provisions on Foreign Investment

According to the amended Catalog for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》), dining services and general food production and sales are classified as projects where foreign investments are allowed by the State.

The Law of Wholly Foreign-owned Enterprises of the PRC (《中華人民共和國外資企業法》) (the "**Law of Foreign-invested Enterprises**"), which was promulgated by the National People's Congress on 12 April 1986 and amended on 31 October 2000 stipulates that applications for the establishment of foreign-invested enterprises or to be reviewed and approved by the Ministry of Foreign Trade and Economic Cooperation under the State Council or the authorities authorised by the State Council. In the event of a split, merger or other major events of changes, such event must be reported to the review and approval authorities for approval, and the changes are to be registered with the State Administration for Industry and Commerce. The foreign investor may remit overseas profits lawfully earned from the foreign-invested enterprise, other lawful income and funds following the liquidation of the enterprise.

The Implementation Rules for the Law of Wholly Foreign-owned Enterprises of the PRC (《中華人民共和國外資企業法實施細則》) which was promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014, respectively, stipulates that a foreign-invested enterprise shall make contributions to reserve funds from its profits at a rate of no less than 10% after income tax payment. When the accumulated total amount of contributing funds is equal to 50% of the registered capital, no further contributions may be made. A foreign-invested enterprise shall not distribute any profits until any losses from prior fiscal years have been offset.

Provisions on Food Production and Dining Operations

Regulatory Provisions before 2009

Prior to 2009, food production operations in the PRC shall abide by the Food Hygiene Law of the PRC (《中華人民共和國食品衛生法》) (the "**Food Hygiene Law**"), which was promulgated on 30 October 1995 by the Standing Committee of the National People's Congress (the "**SCNPC**") and came into force on the same date. Pursuant to the Food Hygiene Law, enterprises engaged in food production operations must obtain in advance a hygiene license issued by the health administration authority. No entity may engage in food production operations without obtaining a hygiene license.

The Administrative Measures for Food Hygiene Licenses (《食品衛生許可證管理辦法》) came into force on 1 June 2006. Under the Measures, any entity or individual must be examined and approved by the health administration authority before engaging in food production operations, and shall be responsible for food hygiene in the food production operations. Hygiene licenses for producing food additives, healthcare foods and food from new resources will be issued by provincial level health administration department. Hygiene licenses for the food production operations by other operators will be issued by the health administration departments at the provincial level, municipal level with sub-districts or county levels. The valid period of hygiene license is four years, while the valid period of hygiene licenses for entities and individuals that engage in food production operations temporarily shall not exceed half a year.

Currently Effective Regulatory Provisions

On 28 February 2009, the SCNPC promulgated the Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》) (the "**Food Safety Law**"), which came into force on 1 June 2009 and the Food Hygiene Law was repealed concurrently. According to the Food Safety Law, it is applicable to food production and processing, food circulation and dining services in the PRC. The State adopts a licenses system for food production operations. Operations in food production, food circulation, and dining services must obtain food production license, food circulation license and dining service license in accordance with the Law. The Law was amended on 24 April 2015 and the amendments will become effective on 1 October 2015. The amended Food Safety Law imposes standardisation on the use of food additives and increases the responsibility of operators. It also increases the magnitude of penalisation for illegal behaviour.

On 30 July 2009, the SCNPC promulgated and implemented the Administrative Measures for Food Circulation Licenses (《食品流通許可證管理辦法》). According to the Measures, industry and commerce administration authorities at county level or above are the competent authorities for implementing the food circulation licenses system. Entities engaged in the circulation of food operations should obtain food circulation licenses according to law. However, a food circulation license is not required when a food producer which has already obtained a food production license sells food it produces at its production venue. A food circulation license is not required when a dining service provider which has already obtained a dining service license sells processed foods produced by it at its dining service venue.

On 1 May 2010, the Administrative Measures for Dining Service Licenses (《餐飲服務許可管理辦法》) and the Administrative Measures for the Monitoring of Food Safety of Dining Services (《餐飲服務食品安全監督管理辦法》) were implemented, while the Administrative Measures for Food Hygiene Licenses and the Administrative Measures for Food Hygiene of the Dining Industry (《餐飲業食品衛生管理辦法》) were repealed concurrently. Pursuant to the Administrative Measures on Dining Service Licenses, the local food and drug administrations at various levels are responsible for the administration of dining service licenses. Providers of dining services are required to obtain a dining service license and are responsible for food safety in dining services in accordance with the law. One service provider providing dining services at different locations or venues shall obtain separate dining service licenses, respectively. In the event of any change in the operation location or venue, a new application for dining service license is required. The dining service license is valid for a period of three years. For those temporary dining services, the dining service license is valid for a period of not exceeding six months. Where renewal is required, the dining service providers should submit a renewal application in writing to the original issuing department at least 30 days before the expiry date of the valid period of the dining service license. Overdue renewal application may follow the same procedure as new application for dining service license. The original issuing department, after accepting the renewal application of dining service license, shall focus on whether there was any change to the formerly licensed operation venue, any change in the layout of flow processes, and any change to the hygiene facilities, as well as whether the applicant has satisfied the basic conditions required for license applications, and a new dining service license will be issued upon successful renewal. Any transfer, alteration, lending, sale or leasing of dining service licenses by dining service providers are prohibited. Dining service providers should operate within the scope of their licenses in accordance with the law and their dining service licenses should be hung or displayed at a conspicuous position in the venue for dining. If the dining service providers had already obtained a food hygiene license before the implementation date of the Administrative Measures on Dining Service Licenses, the food hygiene license shall remain effective during its valid period, and such dining service providers should apply to the local food and drug supervision and administration authorities in the administrative regions where they operate for a dining service license before its expiry date. On 22 September 2014, the Administrative Measures for Operation of the Dining Industry (Trial) (《餐飲業經營管理辦法（試行）》) was jointly promulgated by the Ministry of Commerce and the State Development and Reform Commission, and implemented on 1 November 2014. Pursuant to the Administrative Measures for Operation of the Dining Industry (Trial), the dining operators must not sell the food which does not comply with the state standards of the food quality and hygiene; the dining operators must not dispose of the dining waste randomly; the dining operators shall mark the price of food and services in accordance with the regulations promulgated by the Administration of Commodity Price of the State Council; the dining operators must not set any minimum consuming amount. In the event of sales promotion, the dining operators shall expressly explain the promotion information, including reasons, methods, rules, duration, the scope of promoted goods, and the relevant restrictions. When a dining operator fails to comply with the administrative measures, it may be subject to administrative penalties such as warnings, order of correction within a prescribed period of time, and fines.

Provisions on Public Hygiene

On 1 April 1987, the State Council promulgated and implemented the Administrative Provisions on Hygiene in Public Venues. According to the Provisions, restaurants are included as public venues. Personnel providing direct service for customers in public venues must possess a health certificate in order to perform their duties. A restaurant can only apply for an operating license with the administrative department of industry and commerce after it has obtained a hygiene license.

The Rules for the Implementation of the Administration of Hygiene in Public Venues implemented on 1 May 2011 are the current effective rules, and were promulgated by the Ministry of Health (now withdrawn). The Rules stipulate the hygiene conditions and hygiene management systems for public venues, including restaurants.

According to the above regulations, local health authorities are responsible for monitoring the hygiene of public venues within their administrative regions. Should there be any violation of the above laws and regulations, administrative penalties including warnings, fines, correction orders, suspension of business and even revocation of hygiene licenses may be applied according to the severity of the situation.

Provisions on Consumer Protection

The Law on Protection of Consumer Rights (《消費者權益保護法》), which came into force on 1 January 1994, and was amended for the first time on 27 August 2009, and amended for a the second time on 25 October 2013, stipulates that that the merchandise or services provided by business operators should meet safety requirements. Business operators of venues such as restaurants must fulfill their obligation in protecting the safety of their customers. Business operators are forbidden to impose unfair and unreasonable restrictions such as exclusion or restriction of customer rights, mitigation or exemption of the responsibility of business operators, increase of consumer responsibility through standard terms, notices, disclaimers and store notices. When a business operator violates the Law on Protection of Consumer Rights and causes bodily or property damage to consumers, they are required to undertake civil compensation responsibilities. They may also receive administrative penalties including warnings, confiscation of illegal earnings, fines, orders to suspend business and revocation of business license from administrative departments.

Provisions on Liquor Circulation

The Administrative Measures for Liquor Circulation (《酒類流通管理辦法》) (the "**Liquor Circulation Measures**") promulgated on 7 December 2005 and implemented on 1 January 2006 stipulates that "liquor circulation" includes business operations like the wholesale, retail and storage and transport of liquor. The liquor operator shall, within 60 days of acquiring a business license, make the archival filing and registration formalities in the competent department of commerce at the same level as the administrative department for industry and commerce where the registration is handled according to the principle of territorial administration. Where any registered item in the Registration Form for Liquor Circulation Archival Filing is altered, the relevant liquor operator shall, within 30 days as of alteration (in the case of any item regarding the industrial and commercial registration, it shall be within 30 days as of the alteration of industrial and commercial registration), handle the formalities for alteration in the competent department of commerce. When an enterprise or individual fails to make the archival filing and registration formalities or handle the formalities for alteration in accordance with the measures, he/she/it may be subject to administrative penalties such as warnings, order for correction within a set timeframe, and fines.

On 25 June 2004, the 32nd meeting of the third session of the Standing Committee of the People's Congress of Shenzhen, Guangdong Province passed the Decision by the Standing Committee of the People's Congress of Shenzhen to Repeal Four Regulations Including Administrative Measures for the Real Estate Industry in the Shenzhen Special Economic Zone (《深圳市人民代表大會常務委員會關於廢止<深圳經濟特區房地產行業管理條例>等四項法規的決定》), which included the repeal of the Administrative Measures for Liquor in the Shenzhen Special Economic Zone (《深圳經濟特區酒類管理條例》).

On 5 July 2004, the Decision on Publishing the Results of Clearance on Shenzhen Municipal Administrative Approval Items (《關於發佈深圳市行政審批事項清理結果的決定》) was made by Shenzhen municipal people's government. According to the Decision, Shenzhen has cancelled the approval of Liquor Retail Licenses.

Provisions on Taxation

Enterprise Income Tax

Before 1 January 2008, the enterprise income tax of foreign-invested enterprises was adjusted according to the Income Tax Law of the PRC of Foreign-invested Enterprises and Foreign Enterprises (《中華人民共和國外商投資企業和外國企業所得稅法》) (the "**Income Tax Law of Foreign-invested Enterprises and Foreign Enterprises**"), and a tax rate of 30% in respect of the taxable income was charged. The local income tax was computed on the basis of taxable income at the rate of 3%.

On 1 January 2008, the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) promulgated by the National People's Congress was officially implemented and the Income Tax Law of Foreign-invested Enterprises and Foreign Enterprises were repealed concurrently. Income derived from the PRC by enterprises or other organisations shall be charged enterprise income tax at the rate of 25%.

Business Tax

The business tax of foreign-invested enterprises was governed by the Provisional Regulations on Business Tax of the PRC (《中華人民共和國營業稅暫行條例》), which came into force with effect from 1 January 1994 and was amended on 10 November 2008. According to the Provisional Regulations, enterprises in service industry shall be subject to business tax at the rate of 5% on their turnover.

Value-added tax

The Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) was officially implemented on 1 January 1994 and amended on 10 November 2008. The Provisional Regulations stipulate that value-added tax is payable on the sale or import of goods and the provision of processing, repair and labor replacement services in the PRC. The value-added tax rate is generally levied at 17%, however, a tax rate of 13% is applicable to the sale or import of certain categories of necessities. Exports are exempted from value-added tax.

Provisions relating to Foreign Exchange

The Foreign Exchange Administrative Regulations of the PRC (《中華人民共和國外匯管條例》) (the "**Foreign Exchange Administrative Regulations**") which was promulgated and implemented on 1 April 1996 and amended on 5 August 2008 forms an important legal basis for the PRC authorities to supervise and regulate foreign exchange. According to the Foreign Exchange Administrative Regulations, the foreign exchange income in the capital accounts of domestic enterprises shall be deposited, in accordance with relevant State regulations, into foreign exchange accounts opened with banks designated. Any foreign exchange payment from capital account shall, in accordance with provisions enacted by State Council foreign exchange administrative department relating to foreign exchange payments and purchases, be made out of the payer's own foreign exchange funds on the strength of valid documents or be made with foreign exchange purchased from any financial institution engaged in foreign exchange settlement and sales business. Where an approval from the relevant foreign exchange administrative authority is required in accordance with State provisions, the relevant approval formalities shall be completed before the foreign exchange payment is made. For foreign-invested enterprises wound up in accordance with the relevant laws, the amount of Renminbi that belongs to the relevant foreign investor(s) after liquidation and payment of tax pursuant to relevant State provisions may be used to purchase foreign exchange from any financial institution engaged in foreign exchange settlement and sales business in order to remit it outside the PRC.

Provisions on Environmental Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "**Environmental Protection Law"**) implemented on 26 December 1989 and amended on 24 April 2014 stipulates that installations for the prevention and control of pollution in construction projects must be designed, built and commenced operation together with the main body of the project. Installations for the prevention and control of pollution should comply with the requirements of the approved environmental impact report and may not be dismantled or left idle without authorisation. Enterprise units and other production operators engaged in pollutant discharge licensing management should discharge pollutants according to the pollutant discharge license. Those which have not yet obtained the pollutant discharge license may not discharge pollutants. If business units or other production operators violate the relevant regulations of the Environmental Protection Law, they may be liable to legal responsibilities including administrative penalties such as fines, correction orders, suspension of production for improvement, order of suspension of business or being shut down. Direct management and direct persons in charge may be subject to detainment, and are liable to criminal responsibility if their violations constitute a criminal offense.

The PRC Environmental Impact Evaluation Method (《中華人民共和國環境影響評價法》) implemented on 1 September 2003 and the Reply Regarding Environmental Impact Evaluation Systems Which Should be Implemented by Newly Constructed Food and Beverage and Entertainment Facilities (《關於新建飲食娛樂服務設施應當執行環境影響評價制度的覆函》) implemented on 20 January 1999 stipulates that the new construction, renovation and expansion construction of dining service facilities and the conversion of leased buildings into dining service facilities must be registered with and approved by local environmental protection administrative authorities.

The Regulations on Environmental Protection Administration of Construction Projects (《建設項目環境保護管理條例》) implemented on 29 November 1998 and the Administrative Measures for Environmental Protection Inspection of Completed Construction Projects (《建設項目竣工環境保護驗收管理辦法》) implemented on 1 February 2003 stipulates that completed construction projects are to be inspected by environmental protection departments or an external environmental protection administrative authority, and that the construction project may only commence production or be used after it has passed the inspection and obtained the inspection approval. Unless approval has been granted by local environmental protection administrative authorities, installations for the prevention and control of pollution may not be dismantled or left idle.

The Circular on Strengthening Environmental Management of Food and Beverage and Entertainment Service Enterprises (《關於加強飲食娛樂服務企業環境管理的通知》) implemented on 1 February 1995 stipulates that besides complying with the environmental protection requirements listed by the Environmental Protection Law, dining service enterprises should also install certain devices to absorb cooking oil fumes and odors which are discharged through specialised chimneys. Also, dining service enterprises should adopt measures to prevent and control the noise and heat pollution generated by air conditioners.

The Law of Water Pollution Prevention and Control of the People's Republic of China (《中華人民共和國水污染防治法》) implemented on 1 November 1984 and amended on 15 May 1996 and 28 February 2008, respectively, and the Notice on Issues Concerning Strengthening the Levying of Pollutant Discharge Fees on Village and Township Enterprises and Food and Beverage and Entertainment Service Industries issued by the State Administration for Environmental Protection (《國家環境保護局關於加強鄉鎮企業和餐飲娛樂服務業排污收費有關問題的通知》) stipulates that dining service enterprises that directly discharge pollutants into a water body shall pay pollutant discharge fees according to the type and quantity of the water pollutants discharged and the standard scale of collecting pollutant discharge fees.

Provisions on Fire Prevention

The Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》) (the "**Fire Prevention Law**") was implemented on 1 September 1998 and amended on 28 October 2008. According to the Fire Prevention Law, upon completion of large venues with a high density of people or other particular construction projects as prescribed by the Ministry of Public Security, such projects must go through fire prevention inspection by the fire prevention authority of the public security department. Such projects will be prohibited from commencement of operation without inspection or failure to pass the inspection. Prior to the commencement of use or operation of public gathering venues, the construction unit or user unit is required to make an application to the fire prevention authority of the public security department at the county level or above at the place where the venue is situated for a fire prevention inspection. When a construction project has been delivered for use without passing the inspection, or where public gathering spots which commenced for use or operation without being inspected for fire prevention or had been inspected but failed to satisfy the fire prevention safety requirements, an order to cease its use or production or operation may be made and a fine may be levied by the relevant authority.

The Provisions for the Administration of Fire Prevention Supervision and Examination of Construction Projects (《建設工程消防監督管理規定》) implemented on 1 May 2009 and amended on 17 July 2012 stipulates that hotels with gross floor area exceeding 10,000 square meters and restaurants with entertainment functionality with gross floor area exceeding 500 square meters are classified as venues with a high density of people under the Fire Prevention Law.

Provisions on Labor Services

The Labor Law of the PRC (《中華人民共和國勞動法》) (the "**Labor Law**") was promulgated by the SCNPC and was implemented on 1 January 1995. The Labor Law stipulates that workers are entitled to have equal opportunities in employment, selection of occupations, receiving wages and remuneration, rest days and holidays, protection of occupational safety and health, the rights to social insurance and welfare, etc.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) which was implemented on 1 January 2008 and amended on 28 December 2012 stipulates that labor contracts must be executed in order to establish a labor relationship between the employer unit and the labor worker. When an employer unit is recruiting labor workers, it should inform the labor workers truthfully the content of work, working conditions, place of work, occupational hazards, safe production conditions, labor remuneration and other circumstances requested to be known by the labor workers.

The Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) implemented on 1 July 2011 stipulates that employer units must purchase social insurance for labor workers. Such insurance includes pension insurance, unemployment insurance, childbirth insurance, work injury insurance and medical insurance. When an employer unit fails to complete social insurance registration or does not pay the full amount of social insurance fees on time, it may be subject to administrative penalties such as order of correction within a specific timeframe, order of payment within a specific timeframe, or top-up, increase of penalty fees and fines by the social insurance administrative authorities.

The Administrative Provisions for Housing Provident Funds (《住房公積金管理條例》) promulgated on 3 April 1999, which became effective on 3 April 1999 and amended on 24 March 2002 stipulates that employer units must register housing provident fund deposits with the housing provident fund management center and set up housing provident fund accounts for its employees. Failure to do so may result in penalties such as order to register within a specific timeframe or fines by the housing provident fund management center. If an employer unit fails to make deposits after the due date, the housing provident fund management center may apply for enforcement with the People's Court.

BUSINESS DEVELOPMENT

Business History

The history of the Group's restaurant business can be traced to 1998 when Mr. Chan, one of the Controlling Shareholders, the executive Director, the Chairman of the Board and the chief executive officer of the Company, commenced the operation of the Group's first restaurant, the CWB Restaurant, under the brand Star of Canton Restaurant (利寶閣酒家) with the vision of providing high quality traditional Cantonese cuisine to its customers. The restaurant was operated by Solarday Investment, a member of the Group. For further background and relevant industry experience of Mr. Chan, please refer to the section headed "Directors and Senior Management" in this document. To expand the Group's operations, the Group established another three restaurants in Hong Kong under the brand Star of Canton Restaurant, namely the Olympian Restaurant in 2001, the I-Square Restaurant in 2010 (which has ceased operations in November 2015) and The One Restaurant in 2010. In 2012, the Group decided to take steps to further develop its business and diversify its restaurant portfolio by entering into the PRC market. The Group opened its first restaurant in the PRC, the Shenzhen Restaurant, which is located in the central business district of Futian District of Shenzhen, the PRC under the same brand name of Star of Canton. In 2015, the Group established the Sheung Wan Restaurant under the brand "Star of Canton" and its first restaurant under the brand "Beijing House", namely the Beijing House Restaurant in Hong Kong.

Business Milestones

The following set forth important milestones of our business developments:

1998	Opening of the Group's first restaurant, the CWB Restaurant at Lee Theatre Plaza, Causeway Bay
2001	Opening of the Olympian Restaurant at Olympian City 2, West Kowloon
2006	Opening of a restaurant under the business name "Star of Shandong" ("魯一居") at Megabox, Kowloon Bay (the "Kowloon Bay Restaurant")
2007	Opening of a restaurant under the brand name "Star of Canton" at East Point City, Tseung Kwan O (the "TKO Restaurant")
2010	Opening of the I-Square Restaurant at iSQUARE, Tsim Sha Tsui Opening of The One Restaurant at The ONE, Tsim Sha Tsui Closure of the TKO Restaurant
2013	Opening of the Shenzhen Restaurant at Futian District, Shenzhen Closure of the Kowloon Bay Restaurant
2015	Incorporation of the Company Opening of the Sheung Wan Restaurant and the Beijing House Restaurant at Infinitus Plaza, Sheung Wan Closure of the I-Square Restaurant at iSQUARE, Tsim Sha Tsui

CORPORATE DEVELOPMENT

The Company

The Company was incorporated in the Cayman Islands on 1 September 2015 as an exempted company under the Companies Law in anticipation of the [**REDACTED**]. Upon completion of the Reorganisation, the Company becomes the holding company of the Group, which comprises the following major subsidiaries and their respective corporate history is set out below.

Solarday Investment

Solarday Investment was incorporated under the laws of Hong Kong on 5 December 1997. It is principally engaged in the operation and management of the CWB Restaurant under the business name "Causeway Bay Star of Canton (銅鑼灣利寶閣)".

Upon its incorporation, one share of par value of HK$1.00 was allotted to each of Victon Secretary Limited and Victon Management Limited. On 28 April 1998, Victon Secretary Limited and Victon Management Limited transferred their respective shares in Solarday Investment to Supreme Pacific Limited, an Independent Third Party, and Mr. Chan respectively at par. On the same date, 4,999 shares, 1,999 shares and 3,000 shares in Solarday Investment were allotted and issued to Supreme Pacific Limited, Mr. Chan and Mr. Wong respectively at par. After the aforesaid transfer and allotment, Solarday Investment was owned as to 50%, 20% and 30% by Supreme Pacific Limited, Mr. Chan and Mr. Wong respectively. On 10 July 2000, Mr. Wong transferred 3,000 shares in Solarday Investment to Viggi Boutique Limited, a company owned as to 90% and 10% by Mr. Wong and his wife respectively at that time, at a consideration of HK$3,000 which was determined with reference to the then par value and was settled on or around the date of such transfer. After the aforesaid transfer, Solarday Investment was owned as to 50%, 20% and 30% by Supreme Pacific Limited, Mr. Chan and Viggi Boutique Limited respectively. On 21 July 2001, Mr. Chan transferred 2,000 shares in Solarday Investment to Bright Creator at a consideration of HK$2,000. After the aforesaid transfer, Solarday Investment was owned as to 50%, 20% and 30% by Supreme Pacific Limited, Bright Creator and Viggi Boutique Limited respectively. On 7 January 2004, Viggi Boutique Limited transferred 3,000 shares in Solarday Investment to Supreme Pacific Limited at a consideration of HK$1,818,000, which was arrived at after arm's length negotiations between the parties with reference to the net asset value of Solarday Investment at that time and was settled on or around the date of such transfer. On the same date, Supreme Pacific Limited transferred two shares in Solarday Investment to Ms. Ho Yuk Ping ("**Ms. Ho**"), an Independent Third Party, at a consideration of HK$1,112, which was determined with reference to the net asset value of Solarday Investment and was settled on or around the date of such transfer. After the aforesaid transfers, Solarday Investment was owned as to 79.98%, 20% and 0.02% by Supreme Pacific Limited, Bright Creator and Ms. Ho respectively. As evidenced by a declaration of trust dated 7 January 2004 and executed by Ms. Ho in favour of Supreme Pacific Limited, Ms. Ho held the two shares on trust for the benefit of Supreme Pacific Limited.

On 11 February 2004, the authorised share capital of Solarday Investment was increased from HK$10,000 to HK$1,000,000 by the creation of 990,000 ordinary shares of HK$1.00 each. On the same date, Supreme Pacific Limited transferred 7,998 shares in Solarday Investment to Bright Creator at a consideration of HK$4,870,782 and Ms. Ho transferred two shares in Solarday Investment to Bright Creator at a consideration of HK$1,218. The consideration of the aforesaid transfers was determined with reference to the net asset value of Solarday Investment and was settled on or around the date of such transfers. On the same date, 2,000 shares, 4,000 shares and 4,000 shares in Solarday Investment were allotted and issued to Bright Creator, Mr. Wong and Sun Foo Sing respectively at par. After the aforesaid transfers and allotment, Solarday Investment was owned as to 60%, 20% and 20% by Bright Creator, Mr. Wong and Sun Foo Sing respectively. On 11 February 2004, Bright Creator transferred 2,000 shares in Solarday Investment to Mr. Liu at a consideration of HK$617,400 which was determined with reference to the net asset value of Solarday Investment at that time and was settled on or around the date of such transfer. As evidenced by a trust deed dated 11 February 2004 and executed by Bright Creator in favour of Mr. Liu Ka Lit, Jimmy (" **Mr. Liu**") ("**Trust Deed A**"), Bright Creator held 2,000 shares in Solarday Investment on trust and for the benefit of Mr. Liu and accordingly, Solarday Investment was beneficially owned as to 50%, 20%, 20% and 10% by Bright Creator, Mr. Wong, Sun Foo Sing and Mr. Liu respectively.

On 22 June 2006, each of Bright Creator, Mr. Wong and Sun Foo Sing transferred 1,000 shares in Solarday Investment to Sky Gain at a consideration of HK$250,000, which was arrived at after arm's length negotiations among the parties with reference to the net asset value of Solarday Investment at that time and was settled on or around the date of such transfer. After the aforesaid transfers, Solarday Investment was beneficially owned as to 45%, 15%, 15%, 15% and 10% by Bright Creator, Mr. Wong, Sun Foo Sing, Sky Gain and Mr. Liu respectively. On 9 November 2010, Mr. Liu transferred 2,000 shares in Solarday Investment to Bright Creator at a consideration of HK$617,400, which was arrived at after arm's length negotiations between the parties and was settled on or around the date of such transfer and Trust Deed A was cancelled accordingly. After the aforesaid transfer, Solarday Investment was owned as to 55%, 15%, 15% and 15% by Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain respectively. On 25 October 2012, Bright Creator transferred 2,000 shares in Solarday Investment to Richmax at a consideration of HK$1,053,400, which was arrived at after arm's length negotiations between the parties with reference to the net asset value of Solarday Investment at that time and was settled on or around the date of such transfer. As evidenced by a trust deed dated 25 October 2012 and executed by Bright Creator in favour of Richmax ("**Trust Deed B**"), Bright Creator held 2,000 shares in Solarday Investment on trust and for the benefit of Richmax. After the aforesaid transfer, Solarday Investment was beneficially owned as to 45%, 15%, 15%, 15% and 10% by Bright Creator, Mr. Wong, Sun Foo Sing, Sky Gain and Richmax respectively. On 9 September 2015, Richmax transferred 2,000 shares in Solarday Investment to Bright Creator at a consideration of HK$726,160, which was arrived at after arm's length negotiations between the parties with reference to the net asset value of Solarday Investment at that time and was settled on 9 September 2015 and Trust Deed B was cancelled accordingly. After the aforesaid transfer, Solarday Investment was owned as to 55%, 15%, 15% and 15% by Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain respectively.

As part of the Reorganisation, on 18 September 2015, Solarday Investment became a direct wholly-owned subsidiary of Moon Fortune. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in this section.

Orient Century

Orient Century was incorporated under the laws of Hong Kong on 19 May 2000. It is principally engaged in the operation and management of the Olympian Restaurant under the business name "Olympian City Star of Canton (奧海城利寶閣)".

Upon its incorporation, one share of par value of HK$1.00 was allotted to each of Asia Secretaries Limited and Cartech Limited. On 28 July 2000, Asia Secretaries Limited and Cartech Limited transferred their respective shares in Orient Century to Supreme Pacific Limited and Viggi Boutique Limited respectively at par. On 29 July 2000, 4,999 shares, 2,999 shares and 2,000 shares in Orient Century were allotted and issued to Supreme Pacific Limited, Viggi Boutique Limited and Mr. Chan respectively at par. After the aforesaid transfer and allotment, Orient Century was owned as to 50%, 30% and 20% by Supreme Pacific Limited, Viggi Boutique Limited and Mr. Chan respectively. On 12 July 2001, Mr. Chan transferred 2,000 shares in Orient Century to Bright Creator at par. After the aforesaid transfer, Orient Century was owned as to 50%, 30% and 20% by Supreme Pacific Limited, Viggi Boutique Limited and Bright Creator respectively. On 7 January 2004, Viggi Boutique Limited transferred 3,000 shares in Orient Century to Supreme Pacific Limited at a consideration of HK$2,382,000. On the same date, Supreme Pacific Limited transferred two shares in Orient Century to Ms. Ho at a consideration of HK$1,662. The aforesaid transfers were arrived at after arm's length negotiations between the relevant parties with reference to the net asset value of Orient Century at that time and was settled on or around the date of such transfers. As evidenced by a declaration of trust dated 7 January 2004 and executed by Ms. Ho in favour of Supreme Pacific Limited, Ms. Ho held the two shares on trust for the benefit of Supreme Pacific Limited. After the aforesaid transfers, Orient Century was owned as to 79.98%, 20% and 0.02% by Supreme Pacific Limited, Bright Creator and Ms. Ho respectively.

On 11 February 2004, the authorised share capital of Orient Century was increased from HK$10,000 to HK$1,000,000 by the creation of 990,000 ordinary shares of HK$1.00 each. On the same date, Supreme Pacific Limited transferred 7,998 shares in Orient Century to Bright Creator at a consideration of HK$6,326,418 and Ms. Ho transferred two shares in Orient Century to Bright Creator at a consideration of HK$1,582. The consideration of the aforesaid transfers was arrived at after arm's length negotiations between the parties with reference to the net asset value of Orient Century at that time and was settled on or around the date of such transfers. On the same date, 2,000 shares, 4,000 shares and 4,000 shares in Orient Century were allotted to Bright Creator, Mr. Wong and Sun Foo Sing respectively at par which was settled on or around the date of such allotment. After the aforesaid transfers and allotment, Orient Century was owned as to 60%, 20% and 20% by Bright Creator, Mr. Wong and Sun Foo Sing respectively. On 11 February 2004, Bright Creator transferred 2,000 shares in Orient Century, to Mr. Liu at a consideration of HK$489,300 which was arrived at after arm's length negotiations between the parties with reference to the net asset of Orient Century at that time and was settled on or around the date of such transfer. As evidenced by a trust deed dated 11 February 2004 and executed by Bright Creator in favour of Mr. Liu ("**Trust Deed C**"), Bright Creator held 2,000 shares in Orient Century on trust and for the benefit of Mr. Liu.

On 22 June 2006, each of Bright Creator, Mr. Wong and Sun Foo Sing transferred 1,000 shares in Orient Century to Sky Gain at a consideration of HK$250,000, which was arrived at after arm's length negotiations between the parties with reference to the net asset value of Solarday Investment at that time and was settled on or around the date of such transfer. After the aforesaid transfers, Orient Century was beneficially owned as to 45%, 15%, 15%, 15% and 10% by Bright Creator, Mr. Wong, Sun Foo Sing, Sky Gain and Mr. Liu respectively. On 10 November 2010, Mr. Liu transferred 2,000 shares in Orient Century to Bright Creator at a consideration of HK$489,300, which was arrived at after arm's length negotiations between the parties and was settled on or around the date of such transfer and Trust Deed C was cancelled accordingly. After the aforesaid transfer, Orient Century was owned as to 55%, 15%, 15% and 15% by Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain respectively. On 25 October 2012, Bright Creator transferred 2,000 shares in Orient Century to Richmax at a consideration of HK$1,104,000, which was arrived at after arm's length negotiations between the parties with reference to the net asset value of Orient Century at that time and was settled on or around the date of such transfer. As evidenced by a trust deed dated 25 October 2012 and executed by Bright Creator in favour of Richmax ("**Trust Deed D**"), Bright Creator held 2,000 shares in Orient Century on trust and for the benefit of Richmax. After the aforesaid transfer, Orient Century was beneficially owned as to 45%, 15%, 15%, 15% and 10% by Bright Creator, Mr. Wong, Sun Foo Sing, Sky Gain and Richmax respectively. On 9 September 2015, Richmax transferred 2,000 shares in Orient Century to Bright Creator at a consideration of HK$1,568,710, which was arrived at after arm's length negotiations between the parties with reference to the net asset value of Orient Century at that time and was settled on 9 September 2015 and Trust Deed D was cancelled accordingly. After the aforesaid transfer, Orient Century was owned as to 55%, 15%, 15% and 15% by Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain respectively.

As part of the Reorganisation, on 18 September 2015, Orient Century became a direct wholly-owned subsidiary of First Bloom. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in this section.

Great Virtue

Great Virtue was incorporated under the laws of Hong Kong on 19 October 2009. It was principally engaged in the operation and management of the I-Square Restaurant under the business name "iSquare Star of Canton (尖沙咀iSquare利寶閣海景宴會廳)" up to November 2015 when the I-Square Restaurant has ceased operation since then, and it became dormant thereafter.

Upon its incorporation, 3,000 shares and 7,000 shares of par value of HK$1.00 were allotted to Richmax and Taste Creator respectively. After the aforesaid allotment, Great Virtue was owned as to 30% and 70% by Richmax and Taste Creator respectively.

As part of the Reorganisation, on 21 September 2015, Great Virtue became a direct wholly-owned subsidiary of Keen Nation. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in this section.

Great Virtue (HK)

Great Virtue (HK) was incorporated under the laws of Hong Kong on 29 July 2010. It is principally engaged in the operation and management of The One Restaurant under the business name "The One Star of Canton (尖沙咀The One利寶閣海景宴會廳)".

Upon its incorporation, 10,000 shares of par value of HK$1.00 were allotted to Great Virtue. After the aforesaid allotment, Great Virtue (HK) was wholly owned by Great Virtue.

As part of the Reorganisation, on 18 September 2015, Great Virtue (HK) became a direct wholly-owned subsidiary of Guang Jie. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in this section.

Excel Linker

Excel Linker was incorporated under the laws of Hong Kong on 23 January 2015. It is principally engaged in the operation and management of the Sheung Wan Restaurant under the business name "Sheung Wan Star of Canton (上環利寶閣)" and the Beijing House Restaurant under the business name "Beijing House (京香閣)".

Upon its incorporation, one share was allotted to Cartech Limited. On 17 July 2015, Cartech Limited transferred one share in Excel Linker to Mr. Chan at the nominal consideration of HK$1, following which Excel Linker was wholly owned by Mr. Chan.

As part of the Reorganisation, on 18 September 2015, Excel Linker became a direct wholly-owned subsidiary of Ding Xing. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in this section.

Smart Best

Smart Best was incorporated under the laws of Hong Kong on 5 December 2014. It is principally engaged in the ordering of food ingredients for the Group.

Upon its incorporation, one share was allotted to Cartech Limited. On 16 July 2015, Cartech Limited transferred one share in Smart Best to Bright Creator at the nominal consideration of HK$1.00. On the same date, 54 shares, 15 shares, 15 shares and 15 shares in Smart Best were alloted to Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain respectively at HK$1.00 for each share, following which Smart Best was owned as to 55%, 15%, 15% and 15% by Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain respectively.

As part of the Reorganisation, on 18 September 2015, Smart Best became a direct wholly-owned subsidiary of Auspicious. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in this section.

Star China

Star China was incorporated under the laws of Hong Kong on 4 November 2010. It is an investment holding company.

Upon its incorporation, one share of par value of HK$1.00 was allotted to Great Virtue. On 1 December 2012, 7,999 shares and 2,000 shares in Star China were allotted and issued to Great Virtue and Mr. Tsang respectively at par. After the aforesaid transfer and allotment, Star China was owned as to 80% and 20% by Great Virtue and Mr. Tsang respectively.

As part of the Reorganisation, on 18 September 2015, Star China became a direct wholly-owned subsidiary of Power Moon. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in this section.

Li Bao Ge Shenzhen

Li Bao Ge Shenzhen was established under the laws of PRC on 14 August 2013. It is principally engaged in the operation and management of the Shenzhen Restaurant under the tradename "Shenzhen Star of Canton (深圳利寶閣)". It is a direct wholly-owned subsidiary of Star China.

Li Bao Ge Shenzhen was established in the PRC as a wholly foreign-owned enterprise with a registered capital of HK$15,000,000 on 14 August 2013, when the local commerce department and the Market Supervision Administration Bureau of Shenzhen Municipality (深圳市市場監督管理局) approved and registered the establishment of Li Bao Ge Shenzhen and issued a business license to Li Bao Ge Shenzhen. At the time of its establishment, Li Bao Ge Shenzhen was wholly-owned by Star China.

As confirmed by three capital verification reports issued by independent public accountants, HK$5,000,000, HK$6,000,000 and HK$4,000,000 of the registered capital of Li Bao Ge Shenzhen were paid by Star China in cash on 4 September 2013, 11 October 2013 and 31 August 2015 respectively.

As part of the Reorganisation, on 18 September 2015, Li Bao Ge Shenzhen became an indirect wholly-owned subsidiary of Power Moon. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in this section.

Orient Shenzhen

Orient Shenzhen was established under the laws of PRC on 18 March 2013. It had no business operation as at the Latest Practicable Date. It is a direct wholly-owned subsidiary of Star China.

Orient Shenzhen was established in the PRC as a wholly foreign-owned enterprise with a registered capital of HK$8,000,000 on 18 March 2013, when the local commerce department and the Market Supervision Administration Bureau of Shenzhen Municipality (深圳市市場監督管理局) approved and registered the establishment of Orient Shenzhen and issued a business license to Orient Shenzhen. At the time of its establishment, Orient Shenzhen was wholly-owned by Star China.

As confirmed by a capital verification report issued by independent public accountants, HK$8,000,000 of the registered capital of Orient Shenzhen was paid by Star China in cash on 28 April 2013.

As part of the Reorganisation, on 18 September 2015, Orient Shenzhen became an indirect wholly-owned subsidiary of Power Moon. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in this section.

CONCERT PARTY DEED

Pursuant to the Concert Party Deed dated 25 September 2015 and entered into among Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui, Mr. David Chow and Mr. Anthony Chow, each of them confirmed that, among other things, (i) since 1 January 2013: (a) they had acted in concert and collectively for all material management affairs and the arrival and/or execution of all commercial decisions, including but not limited to financial and operational matters, of the Operating Companies (together with Star China and Orient Shenzhen); they had given unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of the Operating Companies (as well as Star China and Orient Shenzhen); (b) they had casted vote collectively for or against all resolutions in all shareholders' meetings of the Operating Companies (together with Star China and Orient Shenzhen); and (c) they had cooperated with each another to obtain and maintain and consolidate control of the Operating Companies (together with Star China and Orient Shenzhen); and (ii) in the course of the Reorganisation and until the date of any written termination by them, (a) they have acted and shall continue to act in concert and collectively for all material management affairs and the arrival and/or execution of all commercial decisions including but not limited to financial and operational matters, of the Group; (b) they have given and shall continue to give unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of the Group; (c) they have casted and shall continue to cast unanimous vote collectively for or against all resolutions in the shareholders' meetings and discussions of the Group; and (d) they have cooperated and shall continue to cooperate with each another to obtain and maintain and consolidate control of the Group.

EXCLUDED BUSINESS

Star Catering

Star Catering was incorporated in Hong Kong on 8 January 2007 and is, as at the Latest Practicable Date, owned as to 55%, 15%, 15% and 15% by Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain respectively. It is an investment-holding company holding a property in Hong Kong. As it has no other business or substantial operation, it is not included as part of the Group.

Hanman

Hanman was incorporated in Hong Kong on 28 August 2007 and is, as at the Latest Practicable Date, owned as to 55%, 15%, 15% and 15% by Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain respectively. The principal business of Hanman was the operation of a restaurant in Tseung Kwan O under the brand name "Star of Canton". In November 2010, it ceased business due to the mismatch of the Group's target customers and business expansion direction. Since then, Hanman had not carried on any other business until the Latest Practicable Date. As such, Hanman was not included in the Group.

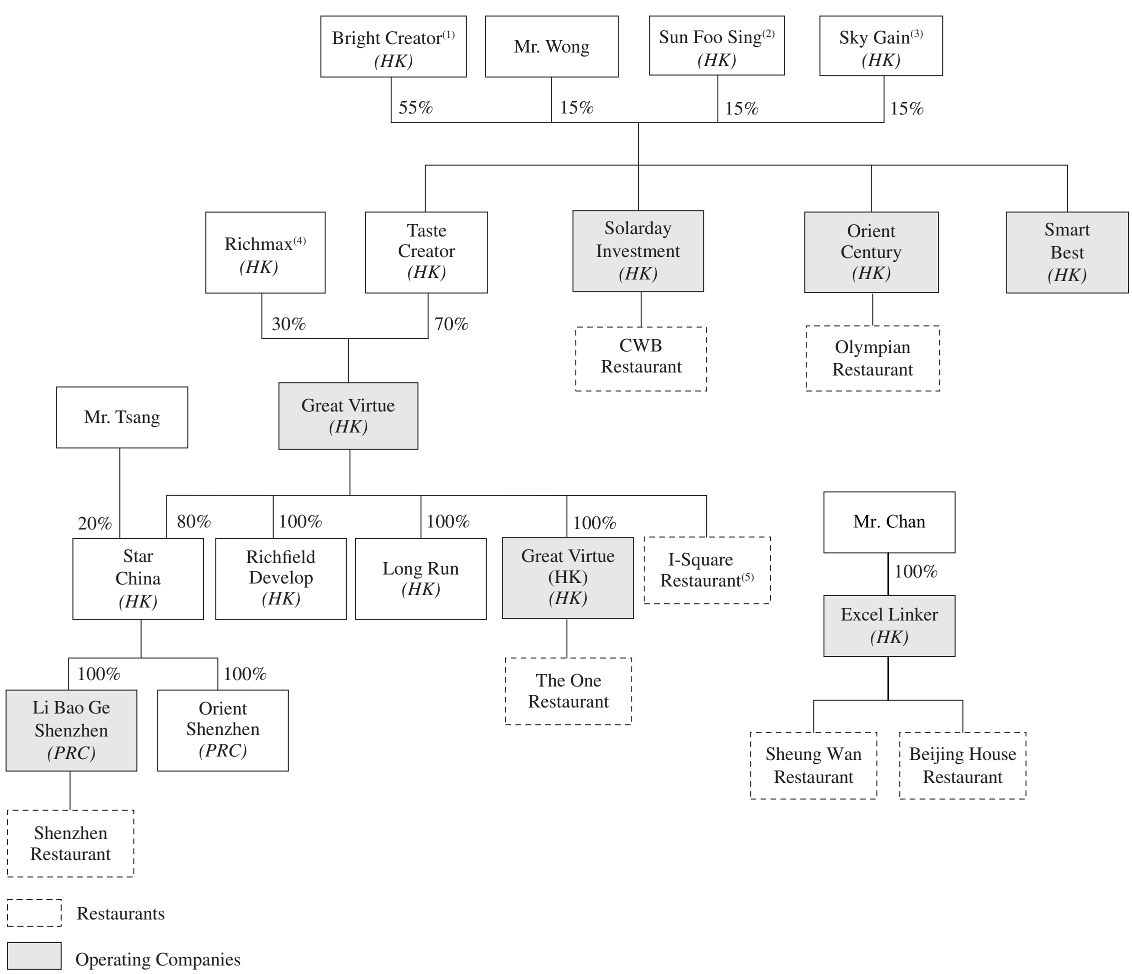
Poly Wealth

Poly Wealth was incorporated in Hong Kong on 15 March 2006 and is, as at the Latest Practicable Date, owned as to 55%, 15%, 15% and 15% by Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain respectively. The principal business of Poly Wealth was the operation of a restaurant in Mega Box, Kowloon Bay under the brand name "Star of Shandong" ("魯一居"). In March 2013, it ceased business due to the mismatch of the Group's target customers and business expansion direction. Since then, Poly Wealth had not carried on any other business until the Latest Practicable Date. As such, Poly Wealth was not included in the Group.

REORGANISATION

In preparation of the [**REDACTED**], the Group undertook the Reorganisation which comprises a series of restructuring steps taken place pursuant to which the Company became the holding company of the Group.

Prior to the implementation of the Reorganisation, the structure of the Group was as follows:



Notes:

1. Bright Creator is owned as to 50% and 50% by Mr. Chan and Mrs. Chan.

2. Sun Foo Sing is owned as to 50%, 25%, 10%, 7.5% and 7.5% by Mr. Ho, Mr. Tsui, Mr. Lam Kwok Leung Peter, Mr. Tsui Chi Kit and Ms. Tsui Yuk Yi respectively.

3. Sky Gain is owned as to 37.5%, 37.5% and 25% by Mr. David Chow, Mr. Anthony Chow and Mr. Tam Chie Sang respectively.

4. Richmax is owned as to approximately 46.67%, 40%, 6.67% and 6.67% by Mr. David Chu, Mr. Cheung Yuen Chau, Ms. Tsang Siu Lan and Ms. Katherine M T Ip respectively.

5. The I-Square Restaurant ceased operation in November 2015.

The Reorganisation consisted of the following steps:

(A) Incorporation of Hong Cui, Zhao Tian, Sincere, Universal and the Company

(i) Hong Cui was incorporated in the BVI on 8 July 2015 and 1 fully paid ordinary share of Hong Cui, representing the entire issued share capital of Hong Cui, was allotted and issued to Bright Creator on 26 August 2015.

(ii) Zhao Tian was incorporated in the BVI on 8 July 2015 and 5,500, 1,500, 1,500 and 1,500 fully paid ordinary shares of Zhao Tian, representing the entire issued share capital of Zhao Tian, were allotted and issued to Hong Cui, Mr. Wong, Sun Foo Sing and Sky Gain respectively on 26 August 2015.

(iii) Sincere was incorporated in the BVI on 1 July 2015 and one fully paid ordinary share of Sincere, representing the entire issued share capital of Sincere, was allotted and issued to Richmax on 26 August 2015.

(iv) Universal was incorporated in the BVI on 1 July 2015 and one fully paid ordinary share of Universal, representing the entire issued share capital of Universal, was allotted and issued to Mr. Tsang on 26 August 2015.

(v) The Company was incorporated on 1 September 2015 in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. One nil-paid Share was allotted and issued to the subscriber to the Memorandum and Articles, which was transferred to Zhao Tian on the same date.

(B) Incorporation of the holding companies of the Operating Companies

(i) Zhen Tong was incorporated in the BVI on 17 July 2015 and one fully paid ordinary share of Zhen Tong, representing the entire issued share capital of Zhen Tong, was allotted and issued to Zhao Tian on 26 August 2015. After the aforesaid allotment and issue of share, Zhen Tong became the direct wholly-owned subsidiary of Zhao Tian.

(ii) Moon Fortune was incorporated in the BVI on 17 July 2015 and one fully paid ordinary share of Moon Fortune, representing the entire issued share capital of Moon Fortune, was allotted and issued to Zhen Tong on 26 August 2015. After the aforesaid allotment and issue of share, Moon Fortune became the direct wholly-owned subsidiary of Zhen Tong.

(iii) First Bloom was incorporated in the BVI on 17 July 2015 and one fully paid ordinary share of First Bloom, representing the entire issued share capital of First Bloom, was allotted and issued to Zhen Tong on 26 August 2015. After the aforesaid allotment and issue of share, First Bloom became the direct wholly-owned subsidiary of Zhen Tong.

(iv) Keen Nation was incorporated in the BVI on 1 July 2015 and one fully paid ordinary share of Keen Nation, representing the entire issued share capital of Keen Nation, was allotted and issued to Zhen Tong on 26 August 2015. After the aforesaid allotment and issue of share, Keen Nation became the direct wholly-owned subsidiary of Zhen Tong.

(v) Guang Jie was incorporated in the BVI on 8 July 2015 and one fully paid ordinary share of Guang Jie, representing the entire issued share capital of Guang Jie, was allotted and issued to Zhen Tong on 26 August 2015. After the aforesaid allotment and issue of share, Guang Jie became the direct wholly-owned subsidiary of Zhen Tong.

(vi) Ding Xing was incorporated in the BVI on 17 July 2015 and one fully paid ordinary share of Ding Xing, representing the entire issued share capital of Ding Xing, was allotted and issued to Zhen Tong on 26 August 2015. After the aforesaid allotment and issue of share, Ding Xing became the direct wholly-owned subsidiary of Zhen Tong.

(vii) Power Moon was incorporated in the BVI on 17 July 2015 and one fully paid ordinary share of Power Moon, representing the entire issued share capital of Power Moon, was allotted and issued to Zhen Tong on 26 August 2015. After the aforesaid allotment and issue of share, Power Moon became the direct wholly-owned subsidiary of Zhen Tong.

(viii) Auspicious was incorporated in the BVI on 7 July 2015 and one fully paid ordinary share of Auspicious, representing the entire issued share capital of Auspicious, was allotted and issued to Zhen Tong on 26 August 2015. After the aforesaid allotment and issue of share, Auspicious became the direct wholly-owned subsidiary of Zhen Tong.

(C) Disposal of 100% interest in Richfield Develop and Long Run

Richfield Develop and Long Run are property-holding companies holding certain properties in Hong Kong. Other than holding properties, Richfield Develop and Long Run have no other business or substantial operation and will not be included as part of the Group. Therefore, Great Virtue (as vendor), Mr. Chan, Mr. Wong, Sun Foo Sing, Sky Gain and Richmax (as purchasers) and Elite Linker (as nominee of the purchasers) entered into a sale and purchase agreement on 18 September 2015, pursuant to which Elite Linker acquired the entire issued share capital of each of Richfield Develop and Long Run at an aggregate consideration of approximately HK$25.7 million which was determined with reference to the fair value of the net assets of each of Richfield Develop and Long Run and was settled on 23 September 2015.

(D) Acquisition of companies including the Operating Companies by Zhen Tong

(i) Acquisition of Solarday Investment

On 18 September 2015, Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain (as vendors), Zhao Tian (as nominee of the vendors), Zhen Tong (as purchaser) and Moon Fortune (as nominee of the purchaser) entered into a sale and purchase agreement, pursuant to which Moon Fortune acquired 11,000 shares, 3,000 shares, 3,000 shares and 3,000 shares in Solarday Investment, being its entire issued share capital, from Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain respectively. In consideration of the above and at the direction of Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain, Zhen Tong allotted 1,656 shares to Zhao Tian. After the aforesaid acquisition, Solarday Investment became a wholly-owned subsidiary of Moon Fortune.

(ii) Acquisition of Orient Century

On 18 September 2015, Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain (as vendors), Zhao Tian (as nominee of the vendors), Zhen Tong (as purchaser) and First Bloom (as nominee of the purchaser) entered into a sale and purchase agreement, pursuant to which First Bloom acquired 11,000 shares, 3,000 shares, 3,000 shares and 3,000 shares in Orient Century, being its entire issued share capital, from Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain respectively. In consideration of the above and at the direction of Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain, Zhen Tong allotted and issued 1,655 shares to Zhao Tian. After the aforesaid acquisition, Orient Century became a wholly-owned subsidiary of First Bloom.

(iii) Acquisition of Great Virtue (HK)

On 18 September 2015, Great Virtue (as vendor) and Guang Jie (as purchaser) entered into a sale and purchase agreement, pursuant to which Guang Jie acquired 10,000 shares in Great Virtue (HK), being its entire issued share capital, from Great Virtue at the nominal consideration of HK$1. After the aforesaid acquisition, Great Virtue (HK) became a wholly-owned subsidiary of Guang Jie.

(iv) Acquisition of Excel Linker

On 18 September 2015, Mr. Chan (as vendor) and Ding Xing (as purchaser) entered into a sale and purchase agreement, pursuant to which Ding Xing acquired one share in Excel Linker, being its entire issued share capital, from Mr. Chan at the nominal consideration of HK$1. After the aforesaid acquisition, Excel Linker became a wholly-owned subsidiary of Ding Xing.

(v) Acquisition of Star China

On 18 September 2015, Great Virtue and Mr. Tsang (as vendors), Zhao Tian (as nominee of Great Virtue), Universal (as nominee of Mr. Tsang), Zhen Tong (as purchaser) and Power Moon (as nominee of the purchaser) entered into a sale and purchase agreement, pursuant to which Power Moon acquired 8,000 shares and 2,000 shares in Star China, being its entire issued share capital, from Great Virtue and Mr. Tsang respectively. In consideration of the above and (i) at the direction of Mr. Tsang, Zhen Tong allotted and issued 521 Shares to Universal; and (ii) at the direction of Great Virtue, Zhen Tong allotted and issued 1,655 shares to Zhao Tian. After the aforesaid acquisition, Star China became a wholly-owned subsidiary of Power Moon.

(vi) Acquisition of Smart Best

On 18 September 2015, Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain (as vendors), Zhao Tian (as nominee of the vendors), Zhen Tong (as purchaser) and Auspicious (as nominee of the purchaser) entered into a sale and purchase agreement, pursuant to which Auspicious acquired 55 shares, 15 shares, 15 shares and 15 shares in Smart Best, being its entire issued share capital, from Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain respectively. In consideration of the above and at the direction of Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain, Zhen Tong allotted 1,655 shares to Zhao Tian. After the aforesaid acquisition, Smart Best became a wholly-owned subsidiary of Auspicious.

(vii) Acquisition of Great Virtue

On 21 September 2015, Richmax and Taste Creator (as vendors), Sincere (as nominee of Richmax), Zhao Tian (as nominee of Taste Creator), Zhen Tong (as purchaser) and Keen Nation (as nominee of the purchaser) entered into a sale and purchase agreement, pursuant to which Keen Nation acquired 3,000 shares and 7,000 shares in Great Virtue, being its entire issued share capital, from Richmax and Taste Creator respectively. In consideration of the above and (i) at the direction of Richmax, Zhen Tong allotted and issued 1,202 shares to Sincere; and (ii) at the direction of Taste Creator, Zhen Tong allotted and issued 1,655 shares to Zhao Tian. After the aforesaid acquisition, Great Virtue became a wholly-owned subsidiary of Keen Nation.

The consideration of the above transfers was determined in accordance with the Shareholders' attributable interests in the Operating Companies calculated with reference to the net asset value of the Operating Companies as at 30 June 2015. After the aforesaid sale, transfer and allotment of shares, Zhen Tong was owned as to 82.77%, 12.02% and 5.21% by Zhao Tian, Sincere and Universal respectively.

(E) Transfer of Shares in Zhao Tian from Mr. Wong, Sun Foo Sing and Sky Gain to Hong Cui and Shares in Zhen Tong from Sincere and Universal to Zhao Tian

To recognise Mr. Chan's effort in establishing and developing the Group's business over the years:

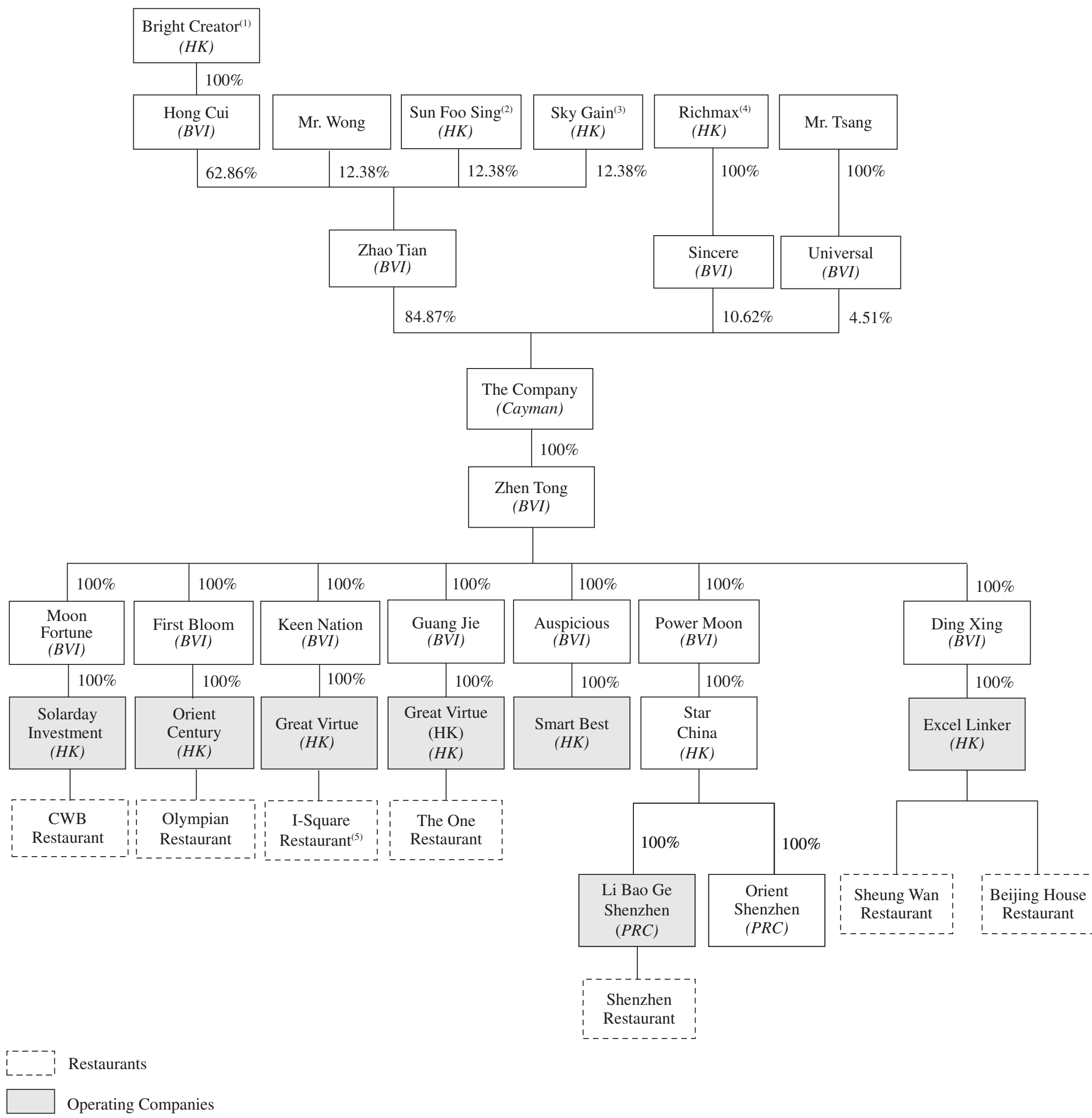
(i) on 22 September 2015, Mr. Wong, Sun Foo Sing and Sky Gain (as transferors) and Hong Cui (as transferee) entered into a share transfer agreement, pursuant to which each of Mr. Wong, Sun Foo Sing and Sky Gain transferred 262 shares in Zhao Tian to Hong Cui at a nominal consideration of US$262. After the aforesaid transfer, Zhao Tian is owned as to 62.86%, 12.38%, 12.38% and 12.38% by Hong Cui, Mr. Wong, Sun Foo Sing and Sky Gain; and

(ii) on 22 September 2015, Sincere and Universal (as transferors) and Zhao Tian (as transferee) entered into a share transfer agreement, pursuant to which Sincere transferred 140 shares and Universal transferred 70 shares in Zhen Tong to Zhao Tian at a nominal consideration of US$140 and US$70 respectively. After the aforesaid transfer, Zhen Tong is owned as to 84.87%, 10.62% and 4.51% by Zhao Tian, Sincere and Universal respectively.

(F) Acquisition of Zhen Tong by the Company

On [●] 2016, Zhao Tian, Sincere and Universal (as vendors) and the Company (as purchaser) entered into a sale and purchase agreement pursuant to which the Company acquired 10,000 shares in Zhen Tong, representing its entire issued share capital and in consideration thereof, (i) one nil-paid Share held by Zhao Tian was credited as fully-paid; and (ii) 8,486 Shares, 1,062 Shares and 451 Shares were allotted to Zhao Tian, Sincere and Universal respectively.

Following completion of the Reorganisation, the structure of the Group is as follows:



Notes:

1. Bright Creator is owned as to 50% and 50% by Mr. Chan and Mrs. Chan.

2. Sun Foo Sing is owned as to 50%, 25%, 10%, 7.5% and 7.5% by Mr. Ho, Mr. Tsui, Mr. Lam Kwok Leung Peter, Mr. Tsui Chi Kit and Ms. Tsui Yuk Yi respectively.

3. Sky Gain is owned as to 37.5%, 37.5% and 25% by Mr. David Chow, Mr. Anthony Chow and Mr. Tam Chie Sang respectively.

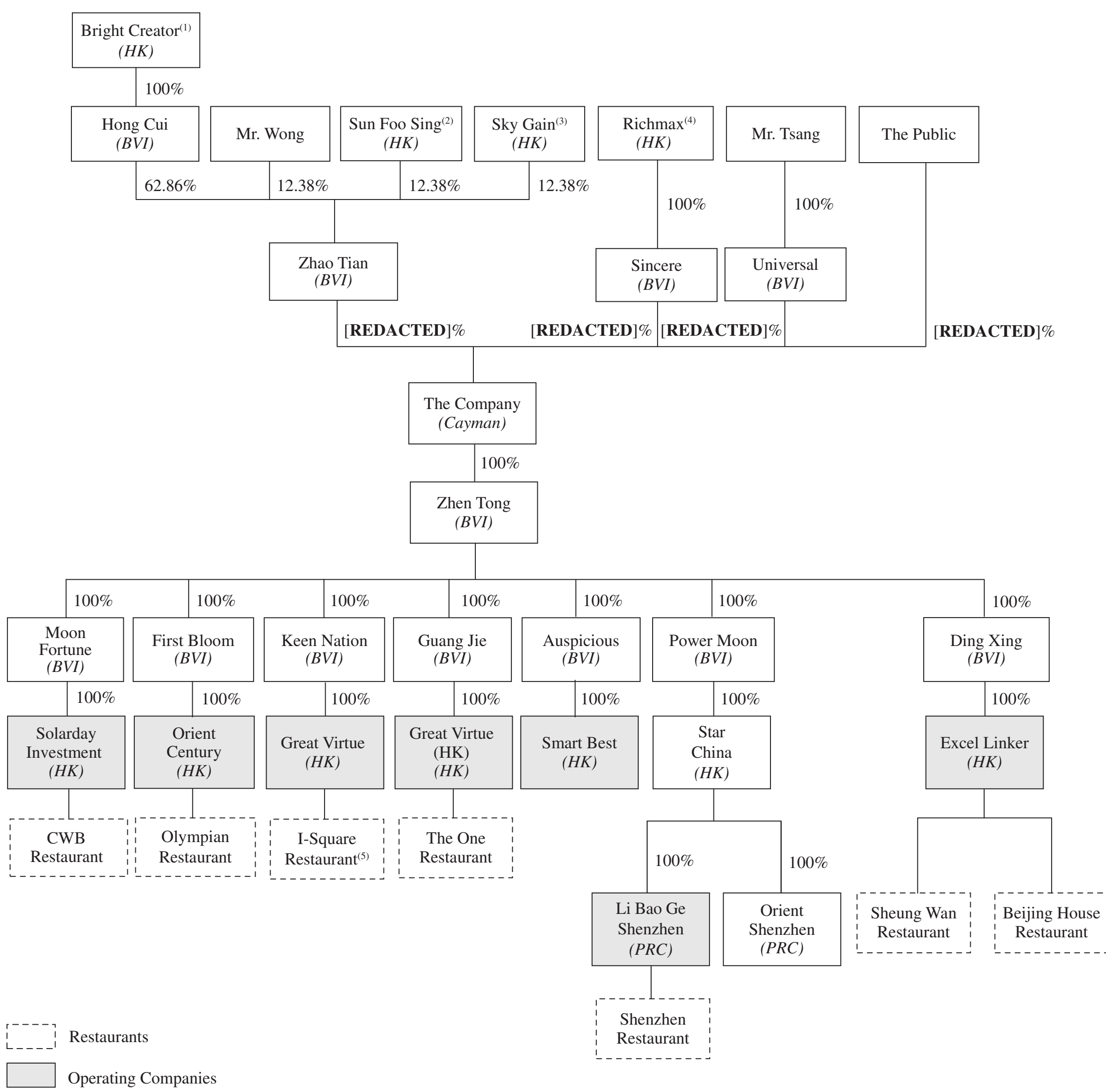
4. Richmax is owned as to approximately 46.67%, 40%, 6.67% and 6.67% by Mr. David Chu, Mr. Cheung Yuen Chau, Ms. Tsang Siu Lan and Ms. Katherine M T Ip respectively.

5. The I-Square Restaurant ceased operation in November 2015.

CAPITALISATION ISSUE AND [REDACTED]

The Company will issue certain new Shares under the [**REDACTED**], and certain new Shares to the existing shareholders of the Company pursuant to the Capitalisation Issue, resulting in not less than 25% of the enlarged issued share capital of the Company being offered under the [**REDACTED**] and the remaining 75% held by Zhao Tian, Sincere and Universal.

The following chart sets out the shareholding and corporate structure of the Group upon completion of the [**REDACTED**] and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme and the [**REDACTED**]):



Notes:

1. Bright Creator is owned as to 50% and 50% by Mr. Chan and Mrs. Chan, each of whom is one of the Controlling Shareholders.

2. Sun Foo Sing is owned as to 50%, 25%, 10%, 7.5% and 7.5% by Mr. Ho, Mr. Tsui, Mr. Lam Kwok Leung Peter, Mr. Tsui Chi Kit and Ms. Tsui Yuk Yi respectively. Each of Mr. Ho and Mr. Tsui is one of the Controlling Shareholders.

3. Sky Gain is owned as to 37.5%, 37.5% and 25% by Mr. David Chow, Mr. Anthony Chow and Mr. Tam Chie Sang respectively. Each of Mr. David Chow and Mr. Anthony Chow is one of the Controlling Shareholders.

4. Richmax is owned as to approximately 46.67%, 40%, 6.67% and 6.67% by Mr. David Chu, Mr. Cheung Yuen Chau, Ms. Tsang Siu Lan and Ms. Katherine M T Ip respectively.

5. The I-Square Restaurant ceased operation in November 2015.

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 maintains a business philosophy of offering quality food and services at reasonable prices under elegant and comfortable dining environment. It is committed to providing pleasant dining experiences to its customers by offering quality food dishes emphasising fresh ingredients at affordable prices.

The first restaurant of the Group was established in 1998 and the Group has been striving to produce traditional Cantonese cuisine which the Directors believe to be the most popular kind of Chinese cuisine in Hong Kong and Shenzhen, the PRC according to market share.

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

- serving Chinese cuisines 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.

As at the Latest Practicable Date, the Group's Cantonese restaurants in Hong Kong and Shenzhen, the PRC were operated under the same brand, namely, Star of Canton (利寶閣), to carry out the Group's Cantonese catering business of operation of Star of Canton Restaurants. In order to diversify the Group's catering business to accommodate customers with preference for other Chinese cuisines, the Group established a second brand, namely, Beijing House (京香閣) and operated a new restaurant at the end of October 2015 to provide Jingchuanhu cuisines. Upon the expiry of the tenancy of one of the restaurants in Tsim Sha Tsui, namely, the I-Square Restaurant, which ceased business in November 2015, and the opening of the two new restaurants, i.e. the Sheung Wan Restaurant and the Beijing House Restaurant, both located in Sheung Wan at the end of October 2015, the Group operated four Cantonese restaurants and one Jingchuanghu cuisine restaurant in Hong Kong, as well as one Cantonese restaurant in Shenzhen, the PRC as at the Latest Practicable Date.

All the Group's restaurants in Hong Kong under the brand of Star of Canton are equipped with banquet facilities and have a seating capacity of 29 to 39 banquet tables enabling them to serve up to approximately 350 to 470 guests on a single occasion based on the Group's internal seating plans. The Directors consider that the restaurants' banquet settings and dining environments are able to build up a sustainable customer base and enhance local reputation.

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.

To deliver high quality food, the Group endeavours to provide fresh, made-to-order cuisine emphasising on bringing out the flavour from fresh and quality food ingredients and seasonings. In this connection, the Group places high emphasis on identifying and ensuring a reliable supply of fresh and quality food ingredients and reviews the quality of food ingredients on a regular basis. In addition to using fresh and quality food ingredients, cooking techniques are just as important to the Group. Cooking technique for each dish is chosen carefully and the Group's chefs set high standards for quality execution. In order to highlight qualities of food ingredients on top of flavour, aroma, colour and texture, the Group also endeavours to use cooking methods and recipes which the Directors believe would preserve the nutritional value of food ingredients and allow dishes to be served at desired time and temperature. The Group also advocates healthy meals by offering dishes using less oil and salt for cooking without the use of monosodium glutamate. The Group is also keen on developing innovative and special Chinese cuisine utilising authentic recipes to attract customers and differentiate itself from competitors. The Directors believe that the Group's adherence to this philosophy has contributed to the success of its restaurants.

For the years ended 31 December 2013, 2014 and 2015, the Group's revenue amounted to approximately HK$174.6 million, HK$245.9 million and HK$256.9 million, respectively, and the profit attributable to owners of the Company amounted to approximately HK$4.2 million, HK$16.4 million and HK$3.7 million, respectively. The decrease in the Group's profit attributable to the owners of the Company for the year ended 31 December 2015 as compared to that of 2014 was mainly due to: (i) the charge of [**REDACTED**] of approximately HK$[**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.

COMPETITIVE STRENGTHS

The Directors believe that the following competitive strengths of the Group have contributed to its success and enabled it to compete effectively in the Chinese restaurant industry in Hong Kong and the PRC.

Successful business strategy of providing quality food at reasonable prices

The Directors believe that its adherence to delivering quality food at reasonable prices is a key to success of the Group's restaurant business.

As distinguished from some Chinese restaurant groups in Hong Kong and the PRC that, as the Directors are aware, operate mass production of low-priced foods with which emphasis is placed on price rather than quality, the Group endeavours to provide quality food with a strong focus on using fresh and quality food ingredients and seasonings. As such, the Group selects food ingredients carefully, often based on origin, nutritional value, freshness and consumption safety. For example, the Group's signature dish of braised abalone is produced using quality abalone, coupled with authentic cooking technique and recipe. The Group maintains a list of suppliers for most food types where each supplier has to be first approved by the Group's senior management and sources materials and food ingredients only from them. The freshness and quality of the raw materials and food ingredients provided by its suppliers are evaluated on a regular basis and the Group would cease to source from those suppliers who fail to provide quality food ingredients.

In addition to using fresh and quality ingredients, cooking techniques are just as important to the Group. The cooking technique used for each dish is chosen carefully and the Group's chefs set high standards for quality execution. In order to highlight qualities of food ingredients on top of flavour, aroma, colour and texture, the Group also endeavours to use cooking methods and recipes which the Directors consider would preserve the nutritional value of food ingredients and allow dishes to be served at desired time and temperature. The Group is also keen on developing innovative and special Chinese cuisine utilising authentic and ancient recipes to attract customers and differentiate itself from competitors. Further, all the head chefs of the Group's restaurants have substantial experience in cooking and serving Chinese cuisine. They often pass on their experience in traditional cooking methods and recipes to junior chefs. The Directors believe that their solid experiences and expertises contribute to the success of the Group in providing quality cuisine.

In deciding the price of each menu item, the Group takes into account the costs of raw materials and food ingredients, target profit margins, general market trends, spending patterns and purchasing power of customers and prices set by competitors. Given that the Group aims to maintain its positioning in the mid-to-high end market, it strives to provide quality cuisine at reasonable prices. The Directors believe that such pricing policy helps to create an attractive price-value proposition typically favoured by customers.

Well-planned multi-branding strategy and market initiatives

The Group's two brands, namely, "Star of Canton" and "Beijing House" feature distinctive brand images. Apart from offering different food themes or cuisine, restaurants under different brand names would have different styles of decoration, tableware and staff uniform, in order to provide different dining experiences to its customers. Besides, as food safety is an important issue in China, Shenzhen Restaurant promotes its brand of Star of Canton as a reputable brand in Hong Kong's Chinese restaurant market and uses the same Hong Kong celebrity as its spokesperson for those restaurants in Hong Kong in order to enhance customer confidence.

All the Group's restaurants target at mid-to-high end spending customers. In order to differentiate the Group's two brands in terms of the interior design of the restaurants, Star of Canton Restaurants were decorated in a way to provide a luminous and spacious environment suitable for festive occasions and celebratory events using its sizeable dining area which features, among others, high ceiling, luxurious chandeliers, shiny tableware and adequate lighting. Instead, the Beijing House Restaurant aims to create a warm and relatively quiet environment suitable for family and business dining gathering of smaller group in terms of number of patrons per table, and feature, among others, delicate tableware and warm lighting.

The Directors believe that this multi-branding strategy will facilitate the expansion of the Group's restaurants under different brand names and allows it to capture additional market share.

The Group also takes various marketing initiatives to promote its brands, including participation in cooking competitions. The obtainment by Star of Canton Restaurant of the Gold Award and The Most Creative Award for Chicken Dishes Group of The Sixth Open Fire Cooking Competition (第六屆明火食神爭霸戰雞組金獎) organised by the Metro Finance channel of Metro Broadcast Corporation Limited demonstrates the success of the Group in putting its marketing initiatives in practice. The Group also promotes its brand of Star of Canton by using a celebrity as its spokesperson to promote its signature dishes. The Directors believe that the Group's branding strategy and market initiatives enable the Group to develop its restaurant business in the long run.

High standard of quality control throughout all production processes

The Group places high emphasis on quality control in food preparation process and the Directors consider that it remains the cornerstone of the Group's reputation and helps the Group to maintain customer confidence. Each of the Group's restaurants conducts food preparation in its own kitchen. Some Chinese restaurant groups in Hong Kong centralise food preparation functions of restaurants in different locations in one single food processing centre to lower overall production costs. However, centralisation of food preparation would produce time gaps between food processing and meal service time which could adversely affect the freshness and quality of dishes served to the customers, especially for dim sum and steamed dishes which should be consumed within minutes after being cooked for the best quality. Further, food processing centre operations are likely to be associated with a higher risk of outbreak of food-related problems as the entire restaurant chain uses the same food processing centre as a sourcing destination, which would also result in difficulties in food recalls. As it is the Group's business strategy to attract customers by offering fresh and quality food, each of the Group's restaurants conducts its own quality control and food preparation functions, including fresh food ingredients procurement, preservation, preparation, processing and storage. With a decentralised food preparation process, the chefs and managers of the respective restaurants are able to closely monitor each step in the food preparation process, which helps to reduce the risk of outbreak of food-related problems and ensure timely delivery of freshly cooked food to customers.

Each restaurant has a food preparation division which focuses on kitchen operations. The food preparation division is divided into different sections based on food types, including main dishes section, dim sum section and barbecued food section, and is led by the main dishes section head chef. The main dishes section is led by the head chef and other sections are managed by their respective section head chefs. The section head chefs coordinate the work of small teams of chefs and assistants of their respective section. All the chefs and staff working in the kitchen are required to strictly adhere to the procedures and measures adopted by the senior management of the Group and, based on job duties, receive on-the-job training in relation to food ingredients preparation and preservation, flow of food production, hygiene conditions of the kitchen and quality control in different aspects of the operations of restaurants.

Sourcing capabilities supported by a strong profile of quality suppliers

The Directors believe that sourcing capabilities play an important role in the management of restaurant business, and one of the competencies essential to maximising sourcing capabilities is effective supplier selection. In this regard, the Group normally places purchase orders for raw materials, including food ingredients and other restaurant supplies, with suppliers approved by senior management based on a set of selection criteria, including but not limited to the type and quality of ingredients, cost, reputation, service, agility, delivery efficiency and past performance. Such supplier selection criteria aims to ensure that the Group can secure continual supply of ingredients of consistent quality, identify the source of supply promptly, maintain flexibility in stock levels and enjoy bulk purchase discounts. For supply of wines, the 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 Group has not entered into any long-term contract with its existing food suppliers. As such, none of the Group's restaurants is contractually bound to make purchases from a specific food supplier. This helps the Group in maintaining flexibility and agility in operations and pricing and thus enables the Group to adapt to changing market demand and economic circumstances. The Group has established and maintained long-term relationships with a number of its suppliers. The Group's top five suppliers for the Track Record Period have been supplying raw materials to the Group for approximately 1 to 8 years. In addition, in order to ensure stable supply of food ingredients and minimise the risk of non-delivery, sub-standard products and supplier's default, the Group generally sources major raw materials from more than one supplier. As the Group places high emphasis on the quality of its raw materials, it will closely monitor whether the suppliers can achieve the aforesaid criteria and engage a new supplier if necessary.

The practice of central procurement has also contributed to enhancing the Group's sourcing capabilities. In respect of the Hong Kong restaurants, the Group purchases certain selected raw materials, mainly non-perishable food ingredients such as chilled meats and expensive dried seafood, in bulk and centralises all such purchases to achieve economies of scale. The Directors consider that bulk purchase enables the Group to negotiate for bulk purchase discounts, which lowers the Group's costs of production and assists the Group in offering food at reasonable prices. Centralisation of purchases is intended to simplify work procedures, minimise the labour required to perform the task, and maximise the efficiency of the food preparation process. The Directors believe that this strategy assists the Group in controlling the quality and consistency of its production and inventory levels by having provided it with ready access to a stable supply of price competitive food ingredients. It also helps the Group to minimise the risk of price fluctuation of the food ingredients.

Reliable and professional services to customers

The Directors believe that the Group's reliable and professional services to its customers contribute to the establishment of its loyal patronage.

The Group strives to provide high quality dining environment to its customers. For example, the Shenzhen Restaurant has a spacious dining hall and dining rooms of various size, tableware with different patterns and fittings and decor, to accommodate the needs of Chinese banquets and dining services for large-scale events. On the other hand, the dining rooms of the restaurants in Hong Kong are set up by partitions and hence are easily adjustable in respect of their room sizes to accommodate the needs of customers and allow the restaurants to maximise their dining spaces. The restaurant situated in Tsim Sha Tsui, namely, The One Restaurant has spectacular view of the Victoria Harbour to attract customers, especially those customers who hold banquets and large-scale dinner gathering at night. In addition, all restaurant staff are required to be professionally uniformed during all working hours. The Group provides training and guidelines to its staff on service-related areas such as food handling and personal hygiene to enhance the quality of services provided to the customers. The Group aims to train all front-line service staff to be courteous, competent and responsive and to provide cordial hospitality to customers. The Group's restaurant heads hold daily briefing sessions with front-line service staff on the daily operations of restaurants. In these briefing sessions, the restaurant heads would review staff performance and reflect customers' feedbacks. The Directors believe that such daily performance reviews assist the front-line service staff in maintaining and improving service levels.

The Group strives to promote customer satisfaction through responding to their comments and feedbacks. All front-line service staff are expected to treat every request, enquiry or complaint by customers promptly and seriously. In case of any customer complaint in relation to food or quality of services, the restaurant managers would take initiatives to investigate and resolve the matter and attend to the customers promptly. The Directors believe that maintaining good customer satisfaction can assist the Group in strengthening its price-value proposition and building its brands and reputation.

Strong and experienced senior management team

The Group has a strong and experienced management team with extensive experience in and knowledge of the local restaurant industry and restaurant management. The Group was founded in 1997 by Mr. Chan, an executive Director, the chairman of the Board and the chief executive officer who continues to lead the Group's management team. Mr. Chan is an accomplished restaurateur with over 17 years of operating experience in the food and restaurant industry. Mr. Chan founded the Group and acquired fundamental and practical knowledge of food preparation and selection of quality raw materials which helped to establish a solid foundation for a successful career in the restaurant industry. Having been deeply and actively involved in restaurant operations for more than 17 years, Mr. Chan has acquired an in-depth knowledge of fresh food quality and is well-versed in the operations and mechanisms of food supply and has built up relationship with suppliers of various food ingredients. Mr. Yuen Shun Chuen, the executive chef of the Group, has over 30 years of experience in the Chinese restaurant industry and served the Group for more than 2 years. Mr. Kwok King Hung, the head chef of dim sum kitchen of the Group, has approximately 20 years of experience in the food industry and served the Group for more than 5 years. Other senior management members also have ample management and operational experiences in their respective fields. The Directors believe that the Group's senior management team has acquired sound knowledge and in-depth understanding of Chinese cuisine, including different food types and food ingredients, cooking methods and techniques, and traditional Chinese recipes. The Directors believe that this also gives the Group a distinct competitive edge over some of its competitors as the senior management team is able to maintain and enhance the Group's goodwill and reputation with a particular emphasis on quality food and services. For detailed information about the industry experience of the Group's senior management, please refer to the section headed "Directors and Senior Management" in this document.

With such broad restaurant industry and management experience, the Directors believe that the Group's senior management team is competent to lead the Group's operations in a professional manner with a view to maximising profits. The Directors believe that the cumulative experience of the management team will continue to attract new customers and retain existing customers.

Well-executed restaurant network expansion strategy

The Group's senior management team has executed the Group's restaurant network expansion through planned and stringent site selection criteria such as customer traffic, cost of rental and level of actual and potential competition, which helps the Group to capture its target customers with different preferences, spending patterns and needs.

Site selection is a critical consideration in the Group's restaurant network expansion strategy. An optimal site should be visible, accessible, convenient and attractive to the target customers. The Group would consider comprehensive data and relevant location requirements in selecting an optimal site. All of the Group's restaurants are located either in busy commercial districts, prominent shopping arcades or mid-class residential area to ensure a continuous and steady flow of potential customers. The Olympian Restaurant has a total saleable area of approximately 865 sq.m. and has a maximum seating capacity of 39 12-seat banquet tables enabling it to serve up to approximately 470 guests on a single occasion. As the Olympian Restaurant is situated in residential area, it is also the only restaurant of the Group which opens since early morning to cater for consumption needs of households. Besides, all of the Group's restaurants in Hong Kong and the PRC are located in districts with busy flow of passengers and well-developed transportation networks. In particular, The One Restaurant and the CWB Restaurant are situated in prime shopping districts with high tourist traffic, while the Sheung Wan Restaurant, the Beijing House Restaurant and the Shenzhen Restaurant are located in landmark commercial buildings with high traffic of working group. The restaurants are also situated in premises of either large commercial buildings or shopping arcades which are able to provide sound management services for tenants. The Directors believe that these factors would make it a preferred dining venue of its target customers, including but not limited to mid-to-high income households and tourists, as well as working population from prominent commercial areas.

The Directors believe that a well-executed restaurant expansion strategy helps to diversify the Group's restaurant portfolio and enables the Group to capture its target customers by providing food and services according to their preferences, spending patterns and needs.

BUSINESS STRATEGIES

The Group's objective is to become a reputable multi-brand restaurant group with a diverse customer base in Hong Kong and the PRC. To this end, the Group intends to implement the following strategies:

Expand in Hong Kong with multi-brand strategy

Leverage on the success of the brand of Star of Canton restaurants in Hong Kong to provide Cantonese cuisine, the Group established the second brand of Beijing House at the end of October 2015 in order to diversify its customer base and broaden its source of income. The major step included the opening of the Group's first non-Cantonese cuisine restaurant in Sheung Wan under the Beijing House brand to provide Jingchuanhu cuisines, targeting customers looking for mid-to-high end dining experience of Jingchuanhu cuisines. The Group will closely monitor the performance of the its Jingchuanhu cuisine restaurant and the brand of Beijing House in the market and develop a balanced resources allocation strategy to the two brands in order to maximize the Group's returns on investment.

Progressive expansion in the PRC market

Founded on the success of the Group's first restaurant in the PRC market, in particular, Shenzhen, the PRC, the Group intends to progressively expand into the PRC market. Shenzhen is chosen to be the target city for expansion due to its prominent position as a bridging between Hong Kong and mainland China with a higher percentage of high-income group, coupled with many people from Hong Kong visiting there for business and leisure purposes. The Group currently plans to open two restaurants serving Cantonese cuisine with a focus on the mid-to-high end income group during 2017. As at the Latest Practicable Date, the Group has entered into tenancy agreements for renting of premises situated at Qianhai and Futian District of Shenzhen for these two new restaurants.

These new restaurants will also be designed to be suitable venues for customers to hold celebratory and banquets, further enhancing the Group's brand awareness. The Directors are of the view that the increasing disposable income and an increasing urbanization rate in China have created an opportunity for the Group to cater to domestic clientele that are increasingly looking to frequent restaurants they deem as high quality but at affordable prices. The Directors believe the Group can leverage its existing experience and expertise in its the Shenzhen Restaurant's operation in providing value-for-money, quality food and services to cater to this clientele in the PRC market. To attract these target customers, the Group will maintain its value-for-money approach and strong commitment to food safety, a concern that resonates with mainland Chinese consumers.

As of the Latest Practicable Date, the buildings of the premises of the above-mentioned two restaurants were still under construction. According to the tenancy agreements, the total saleable areas of the two restaurants are approximately 2,803 sq.m. and 1,721 sq.m. respectively. The total planned capital expenditure for the Group's network expansion in the PRC market is expected to be approximately HK$[**REDACTED**] and HK$[**REDACTED**] for years ending 31 December 2016 and 2017 respectively, which will be funded partially by the net proceeds of the [**REDACTED**] and the remaining by internal resources generated from operating activities of the Group. As at the Latest Practicable Date, the Group paid an aggregate of approximately HK$2.1 million as rental deposits for its tentative restaurant premises for its network expansion in the PRC market.

Continue to promote brand image and recognition through marketing initiatives

The Group plans to promote its "Star of Canton" and "Beijing House" brands to differentiate itself from its competitors in the Chinese restaurant market in Hong Kong and the PRC as well as increasing customer traffic through its marketing and promotional initiatives. The Group's major marketing and promotional initiatives include the following:

– *Promote overall brand image:* As a group-wide marketing strategy, the Group will continue to build its brand image as a Hong Kong brand representing value-for-money, quality Chinese cuisine and a pleasant dining experience. The Group intends to strengthen its integrated marketing initiatives including internet platforms and conventional media channels, such as radio and magazines, and using a celebrity in the food and beverage industry as the Group's spokesperson in order to promote its overall brand image and build customer awareness.

– *Promote featured products or signature dishes to increase customer traffic:* The Directors believe its signature dish of braised abalone, which was promoted by the Group's spokesperson, who is a celebrity in the food and beverage industry, was successful in boosting customer traffic across its restaurants during the Track Record Period. The Group intends to continue to employ featured products or signature dishes marketing campaigns coupled with suitable spokespersons, with an aim to further increase customer traffic at its restaurants.

– *Adopt credit card promotional campaigns to increase customer traffic:* The Group will continue to collaborate with various banks to access their established membership network by offering promotions to their credit card members. The Directors believe these collaborative efforts enable the Group to direct its marketing efforts to a highly targeted group of potential customers in a cost-effective manner.

– *Enhance marketing initiatives in the PRC:* As food safety is an important issue in China, the Group will continue to promote its brand as a reputable brand in Hong Kong's Chinese restaurant market and emphasize to customers in the PRC its quality food ingredients and the stringent quality control used in its food preparation process. In addition, the Group plans to open new restaurants in landmark locations or high-traffic areas in Shenzhen, the PRC to promote brand awareness.

Enhancement of existing restaurant facilities

In addition to the quality of food and services, the Directors believe that ambience of the restaurants is also important to the customers' dining experience. In order to stay competitive in the market, the Group incurred approximately HK$8.4 million of renovation costs and equipment purchase costs to refurbish the Olympian Restaurant in 2013. The Group plans to refurbish The One restaurant with estimated renovation costs of HK$[**REDACTED**] by end of 2016, which will be funded by the net proceeds from the [**REDACTED**]. After [**REDACTED**], the Group will continue to enhance the facilities and equipment of its existing restaurants with the aim to provide its customers with comfortable dining environment.

Strengthening of staff training

The Group is committed to enhance the knowledge and qualifications of its staff. The Group has provided and shall continue to provide on-the-job trainings to employees in relation to food ingredients preparation and preservation, customer service, flow of food production, hygiene conditions of the kitchen and quality control in different aspects of the operations of restaurants based on their job duties in order to improve their practical business skills.

BUSINESS, RESTAURANTS AND CUSTOMERS

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.

As at the Latest Practicable Date, the Group operated four restaurants in Hong Kong and one restaurant in China under the same brand, namely, Star of Canton (利寶閣) to provide Cantonese cuisine, as well as a restaurant in Hong Kong under the brand of Beijing House (京香閣) to provide Jingchuanhu cuisine. During the Track Record Period, the business of I-Square Restaurant ceased in November 2015. Apart from the opening of the Shenzhen Restaurant in October 2013 and Sheung Wan Restaurant and Beijing House Restaurant at the end of October 2015, there was no other change or movement of the Group's restaurants during the Track Record Period.

The following table sets forth the general information of each of the Group's restaurants operated during the Track Record Period and up to the Latest Practicable Date:

								Year ended 31 December 2013					Year ended 31 December 2014					Year ended 31 December 2015				
	Name of restaurant	Brand	Location	Featured services/cuisine	Year of commencement of operation	Approximate total saleable area (sq.m.)	Estimated seating capacity (seats) *(Note 1)*	Estimated number of customer visits *(Note 2)*	Number of operation days	Average daily revenue *(Note 3)* *(HKD)*	Estimated seat turnover rate (times) *(Note 4)*	Estimated average spending per customer *(Note 5)* *(HKD)*	Estimated number of customer visits	Number of operation days	Average daily revenue *(HKD)*	Estimated seat turnover rate (times)	Estimated average spending per customer *(HKD)*	Estimated number of customer visits	Number of operation days	Average daily revenue *(HKD)*	Estimated seat turnover rate (times)	Estimated average spending per customer *(HKD)*
1	CWB Restaurant	Star of Canton	21st Floor, Lee Theatre Plaza, 99 Percival Street, Causeway Bay, Hong Kong	Provision of Cantonese cuisine and Chinese banquet and dining services for large-scale events	1998	757	250	172,316	365	92,599	1.9	196	167,529	365	98,950	1.8	216	168,162	365	103,011	1.8	224
2	Olympian Restaurant	Star of Canton	Shop UG01, Upper Ground Floor, Olympian City Two, 18 Hoi Ting Road, West Kowloon, Hong Kong	Provision of Cantonese cuisine and Chinese banquet and dining services for large-scale events	2001	865	320	299,619 *(Note 6)*	329 *(Note 7)*	131,783	2.8	145	436,501	365	154,734	3.7	129	412,760	365	143,937	3.5	127
3	I-Square Restaurant (ceased operations in November 2015)	Star of Canton	24th Floor, ISQUARE, 35-79 Nathan Road, Tsim Sha Tsui, Kowloon	Provision of Cantonese cuisine and Chinese banquet and dining services for large-scale events	2010	933	300	232,439	365	146,834	2.1	231	226,977	365	155,600	2.1	250	185,592	321	150,650	1.9	261
4	The One Restaurant	Star of Canton	17th Floor, The ONE, 100 Nathan Road, Tsim Sha Tsui, Hong Kong	Provision of Cantonese cuisine and Chinese banquet and dining services for large-scale events	2010	598	200	124,229	365	103,665	1.7	305	114,204	365	98,681	1.6	315	111,855	365	94,953	1.5	310
5	Shenzhen Restaurant	Star of Canton	Unit 1, Level 2, Tower 3, Kerry Plaza, No. 1-1 Zhong Xin Si Road, Futian District, Shenzhen City, China	Provision of Cantonese cuisine and Chinese banquet and dining services for large-scale events	2013	2,980	522	N/A *(Note 8)*	69	87,480	N/A *(Note 8)*	N/A *(Note 8)*	276,571 *(Note 9)*	365	165,748	1.5	219	309,679	365	202,186	1.6	238
6	Sheung Wan Restaurant *(Note 10)*	Star of Canton	2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong	Provision of Cantonese cuisine and Chinese banquet and dining services for large-scale events	2015	1,532	320	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	35,882	63	108,773	1.8	191
7	Beijing House Restaurant *(Note 10)*	Beijing House	*(Note 11)*	Provision of Jingchuanhu cuisine	2015	*(Note 11)*	200	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	15,591	63	48,858	1.2	197

Notes:

1. Estimated seating capacity represents the total number of seats available for regular dining service in the relevant restaurant, and is estimated by the Directors after taking into account the likely possible number of seats occupied by diners per table. The Directors consider that such estimation would best reflect the restaurant's capacity based on the fact that the seats in a single table may not be fully taken up in each table turnover as diners are generally not willing to share table with other diners.

2. Estimated number of customer visits represents the estimated total number of customer counts (including banquet customers) during the relevant period, with source data generated from the Group's computerised outlet management system.

3. Average daily revenue is calculated by dividing the total revenue of the relevant restaurant during the relevant period by number of operation days.

4. Estimated seat turnover rate is calculated by dividing the estimated number of customers visits by the outcome of multiplying the estimated seating capacity by the number of operation days.

5. Estimated average spending per customer is calculated by dividing the total revenue of the relevant restaurant during the relevant period by estimated number of customer visits.

6. For Olympian Restaurant, information on number of customer visits is only available since 8 May 2013 as those information prior to 8 May 2013 was no longer available due to the change of the software of the restaurant's computerised outlet management system during the relevant period from 2 April to 7 May 2013. Hence, the estimated number of customer visits for the year ended 31 December 2013 is derived from pro-rata estimation based on the number of customer visits of 216,746 during the period of 238 operation days from June to December 2013.

7. Olympian Restaurant was temporarily closed for renovation from 2 April to 7 May 2013.

8. For Shenzhen Restaurant, information on number of customer visits was not available before July 2014 as those information prior to July 2014 was no longer available due to the change of the software of the restaurant's computerised outlet management system in July 2014. Hence, information on estimated seat turnover rate and estimated average spending per customer for the year ended 31 December 2013 is not available.

9. For Shenzhen Restaurant, information on number of customer visits is only available since July 2014 as those information prior to July 2014 was no longer available due to the change of the software of the restaurant's computerised outlet management system in July 2014. Hence, the estimated number of customer visits for the year ended 31 December 2014 is derived from pro-rata estimation based on the number of customer visits of 139,422 during the period of 184 operation days from July to December 2014.

10. Sheung Wan Restaurant and Beijing House Restaurant were opened at the end of October 2015. Hence, no information on estimated number of customer visits, number of operation days, average daily revenue, estimated seat turnover rate and estimated average spending per customer is presented for the years ended 31 December 2013 and 2014. In respect of the information of estimated number of customer visits, estimated seat turnover rate and estimated average spending per customer of Sheung Wan Restaurant and Beijing House Restaurant for the year ended 31 December 2015, the Directors consider that such information based on approximately two months' operation since the soft opening of the restaurants at the end of October 2015 may not be meaningful for the purpose of comparison with other restaurants or informative for understanding the full-year operation situation of the restaurants.

11. Sheung Wan Restaurant and Beijing House Restaurant are located at shops adjacent to each other in the same premises and use the same address for business purpose. The two restaurants are under the same lease and the approximate total saleable area of 1,532 sq.m. is shared between the two restaurants.

The increase in estimated number of customer visits of the Olympian Restaurant for the year ended 31 December 2014 as compared to that of 2013 was mainly due to increase in customer traffic after the renovation of the restaurant in the second quarter of 2013. The Directors considered that the decreases in estimated number of customer visits of the CWB Restaurant, I-Square Restaurant (which ceased operations in November 2015) and The One Restaurant for the year ended 31 December 2014 as compared to that of 2013 were mainly due to the political event of "Occupy Central Movement" from early September to early December 2014 which seriously affected the customer traffic at Causeway Bay and Tsim Sha Tsui where these three restaurants operate, the effect of which was extended to early 2015.

Except for the Sheung Wan Restaurant and the Beijing House Restaurant which were newly opened at the end of October 2015, the estimated seat turnover rates of the Group's restaurants in Hong Kong for the year ended 31 December 2013, 2014 and 2015 ranged approximately from 1.7 times to 2.8 times, from 1.6 times to 3.7 times and from 1.5 times to 3.5 times respectively. The upper end of the range of the seat turnover rate during each of the above periods was attributable to the Olympian Restaurant, as its restaurant business hours is longer than that of other restaurants due to the opening of breakfast session of the restaurant, and the increase in its seat turnover rate from approximately 2.8 times for the year ended 31 December 2013 to approximately 3.7 times for the year ended 31 December 2014 was mainly due to the increase in customer traffic of the Olympian Restaurant after its renovation in May 2013 and the opening of breakfast session since then. The estimated seat turnover rates of other restaurants were relatively stable during the Track Record Period and ranged approximately from 1.8 times to 1.9 times for the CWB Restaurant, approximately from 1.9 times to 2.1 times for the I-Square Restaurant (which ceased operations in November 2015), and approximately from 1.5 times to 1.7 times for The One Restaurant. The Shenzhen Restaurant was open in October 2013, its estimated seat turnover rates for the two years ended 31 December 2015 were approximately 1.5 times and 1.6 times respectively. The estimated seat turnover rate of the Sheung Wan Restaurant for about two month's ended 31 December 2015 was approximately 1.8 times, which was comparable to that of the CWB Restaurant which was also located in commercial district of the Hong Kong Island. The Beijing House Restaurant, being a new brand of the Group providing Jingchuanhu cuisine, recorded a relatively lower estimated seat turnover rate of approximately 1.2 times during the initial period of operation of about two months' ended 31 December 2015. The Directors expect that the seat turnover rate of the Beijing House Restaurant will be gradually improved upon the enhancement of the Group's marketing and promotion activities on the new brand during the year ending 31 December 2016.

Except for the Sheung Wan Restaurant and the Beijing House Restaurant which were newly opened at the end of October 2015, the estimated average spending per customer of the Group's restaurants in Hong Kong for the year ended 31 December 2013, 2014 and 2015 ranged approximately from HK$145 to HK$305, from HK$129 to HK$315 and from HK$127 to HK$310 respectively. The lower end and upper end of the range of average spending per customer during the above periods were attributable to the Olympian Restaurant and The One Restaurant respectively. The fluctuation in estimated average spending per customer of each restaurant during the Track Record Period was affected by factors including, among others, general inflation, the number of banquets held during the relevant periods and the average spending of customers for large-scale banquets. As the average spending per banquet customer is higher than the average spending per normal dining customer, the increase in number of banquet during a period as compared to a previous period would contribute to the increase in average spending per customer for a restaurant. For the Olympian Restaurant, the decrease in average spending per customer for the year ended 31 December 2014 as compared to that of 2013 was mainly due to the opening of breakfast session since May 2013, where the spending for breakfast is normally less than the spending for lunch or dinner, and hence the full-year effect of the breakfast session during the year ended 31 December 2014 caused the decrease in average spending per customer as compared to the year ended 31 December 2013. For Shenzhen Restaurant, its estimated average spending per customer for the year ended 31 December 2014 and 2015 were approximately HK$219 and HK$238 respectively. Such increase was mainly due to the gradual put on track of the restaurant's operation since the commencement of its business in October 2013. The changes in average daily revenue of the restaurants during the Track Record Period were generally in line with the changes in estimated average spending per customer. The estimated average spending per customer of the Sheung Wan Restaurant and the Beijing House Restaurant for about two months' ended 31 December 2015 were approximately HK$191 and HK$197 respectively, which were comparable to that of the CWB Restaurant for the year ended 31 December 2015. In order to promote the opening of the Sheung Wan Restaurant and the Beijing House Restaurant and to attract new customers, the two restaurants offered certain special discounts to customers during their first month of operation. The Directors expect the estimated average spending per customer of these two restaurants to increase for the year ending 31 December 2016 as the special discount period expired at the end of 2015.

Restaurants under Star of Canton

Target customers

The restaurants in both Hong Kong and the PRC under Star of Canton target customers in the middle-to-high income group with a preference for Cantonese cuisine and quality food at reasonable prices, as well as an elegant and comfortable dining environment.

In March 2015, the Shenzhen Restaurant, one of the Group's restaurants, was awarded by a website, namely, dianping.com (大眾點評網), as a Five Star Merchant (五星商戶) of Year 2014, a distinction awarded to those quality merchants based on number of positive commentaries made by users of the website. Dianping.com was established in 2003 and operates as a commentary website providing merchant information and consumption concessions in respect of catering, shopping, leisure and entertainment, as well as acting as an interactive commentary platform for internet users.

Location and dining environment

All the restaurants in Hong Kong and the PRC are currently located in prominent commercial and shopping areas or shopping and residential complex which are filled with commercial, residential and tourist establishments and populated with households and white-collar class of middle-to-high income. All of the Group's restaurants are located either in busy commercial districts, shopping arcades or residential area to ensure a continuous and steady flow of potential customers.

The geographical data of the locations of the Group's restaurants are briefly described as follows:

Causeway Bay

Causeway Bay is one of Hong Kong's major shopping districts. It includes many commercial and shopping complex and is one of the most crowded areas in Hong Kong. Many shops and diners are open until well after midnight.

Olympian City

Olympian City is a shopping and residential complex built on reclaimed land in Tai Kok Tsui, Kowloon, Hong Kong, next to the Olympian Station of the Mass Transit Railway ("**MTR**"). It is one of the main shopping and residential areas in West Kowloon. There are large middle-class private housing estates and office towers in Olympian City which was developed in three phases. There are also many other residential estates surrounding Olympian City and Olympian Station of the MTR. It is adjacent to Mong Kok which is a busy commercial and shopping district with well-developed transportation network.

The Olympian Restaurant was under renovation during the period from early April to early May of 2013 and therefore suspended from operation during such period. The renovated environment provides a new and comfortable impression for customers. The restaurant is equipped with a huge-size television screen situated at the dining hall to provide television channel broadcasting for customers. The Group incurred a total amount of approximately HK$8.4 million for the renovation and installation of new equipment and facilities of the Olympian Restaurant.

Tsim Sha Tsui

Tsim Sha Tsui is a major tourist hub in metropolitan Hong Kong, with many shops and restaurants that cater to tourists. Many of Hong Kong's tourist spots are located in the area and it has the highest concentration of hotels in Hong Kong. The extensive pedestrian subway network connects various locations in the area.

The One Restaurant situated in Tsim Sha Tsui is attractive to customers for holding banquets and other large-scale dining events as the venues have spectacular night view of the Victoria Harbour.

Sheung Wan

Sheung Wan is located in the north-west of Hong Kong Island. It is part of the Central and Western District of Hong Kong. It comprises commercial and residential areas and is adjacent to the Central, the most prominent banking district of Hong Kong.

The Sheung Wan Restaurant and the Beijing House Restaurant were newly opened at the end of October 2015 with brand new decoration and design which attract potential customers wishing to visit new restaurants for dining. The Group incurred a total amount of approximately HK$19.7 million for the renovation and installation of new equipment and facilities for the Sheung Wan Restaurant and the Beijing House Restaurant which are located at shops adjacent to each other in the same premises.

Futian District (Shenzhen, the PRC)

Futian District is one of six districts of the city of Shenzhen, the PRC. It is home to many high-rises, with some of the most important commercial buildings in Shenzhen. The area comprises many shopping malls and newly built office towers. Its transportation systems include many stations of Shenzhen mass transit railway and major highways.

The Shenzhen Restaurant is located in one of the landmark commercial buildings in Futian District, which is attractive to the working population from nearby commercial areas.

Cuisine

The restaurants under Star of Canton offer dim sum during breakfast and lunch hours throughout the year. Each of them has a master menu serving various kinds of Chinese main dishes, a seafood menu serving fresh seafood delicacies and some special menus serving cuisine designed and promoted by individual restaurants. In addition, each Star of Canton Restaurant has a banquet menu to accommodate banquets and dining gathering parties. All the Star of Canton Restaurants strive to provide fresh seafood of good quality coupled with authentic cooking technique. The braised abalone is the signature dish of Star of Canton Restaurants and is popular due to its quality food ingredient and cooking technique.

Opening hours

Each restaurant is open for around 12 to 14 hours a day to serve a wide range of customers and provide day and night dining choices. As at 31 January 2016, the restaurants had a total of 194 and 176 employees in Hong Kong and China respectively, and the front-line service staff generally works in two shifts.

Beijing House Restaurant

Target customers

The restaurant in Hong Kong under the brand name Beijing House, which was opened at the end of October 2015, targets customers in the middle-to-high income group with a preference for Jingchuanhu cuisines and quality food at reasonable prices, as well as a warm and relatively quiet dining environment.

Location and dining environment

The venue of the Beijing House Restaurant is adjacent to that of the Sheung Wan Restaurant. Please refer to the sub-paragraph headed "Sheung Wan" of the sub-section headed "Business – Business, restaurants and customers – Restaurants under Star of Canton" in this document.

Cuisine

It provides specialty and innovative dishes such as roast duck and steamed pork dumpling to serve potential customers preferring Jingchuanhu cuisines.

Opening hours

The Beijing House Restaurant is open for around 12 hours a day to provide day and night dining choices. The front-line service staff generally works in two shifts.

SALES AND MARKETING

Sales

The table below sets forth the breakdown of the Group's turnover in respect of each of its restaurants and as a percentage of its total turnover during the Track Record Period:

	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*	
CWB Restaurant	33,798	19.4	36,117	14.7	37,599	14.6
Olympian Restaurant	43,357	24.8	56,478	23.0	52,537	20.5
I-Square Restaurant *(Note 1)*	53,594	30.7	56,794	23.1	48,359	18.8
The One Restaurant	37,838	21.7	36,018	14.6	34,657	13.5
Sheung Wan Restaurant *(Note 2)*	–	–	–	–	6,853	2.7
Beijing House Restaurant *(Note 2)*	–	–	–	–	3,078	1.2
Shenzhen Restaurant	6,036	3.4	60,498	24.6	73,798	28.7
	174,623	100.0	245,905	100.0	256,881	100.0

Notes:

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

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

Pricing policy

In deciding the price of each menu item, the Group takes into account the costs of raw materials and food ingredients, target profit margins, general market trends, spending patterns and purchasing power of customers and prices set by competitors. Given that the Group aims to maintain its positioning in the mid-to-high end market, it strives to provide quality cuisine at reasonable prices and an elegant dining environment. The Directors believe that even in times of cost pressures, the Group will be capable of adjusting the ingredients used, with an aim to maintain the portion size and quality of food. The Directors believe that such pricing policy helps to create an attractive price-value proposition typically favoured by customers.

The Group generally charges similar prices across all Star of Canton Restaurants in Hong Kong. The Group also allows for limited price adjustments in the menu items in response to promotion events launched by each restaurant. For the Shenzhen Restaurant, the Group generally charges lower prices as the prices of most food ingredients are generally lower in Shenzhen. However, the prices of certain dishes such as shark fins and sea cucumbers are higher in the Shenzhen Restaurant as the PRC government imposes import tax on such food ingredients, which result in higher procurement cost for such food ingredients.

Settlement and Cash Management

The vast majority of the Group's customers settle their dining bills by cash or credit cards. For patrons of the Group's dining services for banquets or celebratory events, customers can also settle bills by cashier orders. For the Shenzhen Restaurant, it also issued store-value membership cards to certain customers who wished to deposit a certain sum with the restaurant as prepayment for the sake of convenience of settlement after meals. In such cases, the customers can settle their bills by deducting the bill amount against their prepaid amount, and such settlement method is also regarded as settlement by cash from the restaurant's perspective.

As many customers pay cash for settlement of bills, the Group's restaurants handle considerable amounts of cash every day. To prevent any misappropriation of cash, the Group implements a cash management system with a set of cash handling and custody procedures that apply to all the Group's restaurants.

Orders placed by customers are all instantly recorded in an intranet system which is accessible by cashiers and various production units of the restaurants. All orders will only be processed by various production units of the restaurants based on orders in the intranet system. Based on the information recorded in the intranet system, bills are issued to customers accordingly. In order to prevent misappropriation and illegal uses of cash, the Group implements specific procedures on cash custody, such as segregation of duties and daily reconciliation of the cash receipt with the cash sales record to make sure that the cash is correctly stated and reported on a daily basis. The responsible cash register operators reconcile the day's cash sales records generated by the intranet system with the actual cash and credit card receipts on a daily basis to ensure the record in the restaurant is accurate and complete and matches with the cash deposited, and another accounting staff is responsible for ensuring that the daily sales and expenses have been properly recorded and accounted for at the close of business each day. The daily records and cash are then collected by the treasurer of the respective restaurant. The Group also adopts a cash management and delivery system in each of the restaurants. Each restaurant has designated staff to deposit the cash received on the previous day to the bank on a daily basis. In case the banks are closed for few non-business days, the cash collected in the previous days will be deposited to the bank on the following business day. The accounts department keeps records of the cash delivered to the bank.

Given that the bill amounts for banquets and other large-scale events are significant, the Group accepts cashier orders as an alternative payment option. For Shenzhen Restaurant, certain corporate customers with established relationships are generally allowed to settle accumulated bill amounts within 30 days, and such accumulated payments in arrears generally do not exceed RMB20,000 for those corporate customers.

In respect of the bills settled by credit cards, the Group did not have any significant amount of receivables from credit card companies throughout the Track Record Period as it generally receives remittance from credit card companies a few days after the day on which the credit card transaction is approved.

In order to avoid misappropriation of cash by the employees of the Group, the Group implements internal procedures to enhance the books and records system. Such measures include but not limited to the segregation of duties between the front-line service staff and cashier, pursuant to which the front-line service staff are responsible for placing food orders and arranging bill settlement by the customers, then the cashier will check and deposit the cash received from the customers. Any discrepancies of invoices with the ordering record or cancellation of invoices require the approval from the operation manager. The internal control policies of the Group include measures and procedures to prevent occurrence of fraud, theft, bribery, corruption and other misconduct involving employees, customers and other third parties, including for instance, illegitimate rebates from suppliers. For example, it is provided in the anti-fraud policy of staff manual of the Group that staff is strictly prohibited from receiving gifts from customers and suppliers. In the event that employees are skeptical on any inappropriate instances, they are encouraged to report to the senior management of the Group for further investigation.

To the best knowledge of the Directors, the Group did not experience any cash embezzlement by employees during the Track Record Period and the Group has not encountered any of the aforementioned instances including for instance, illegitimate rebates from suppliers, during the Track Record Period. The Group considers its internal control policies and procedures to be adequate.

Marketing

Instead of relying on traditional paid advertising in mass media such as television and newspapers, the Group has adopted a different and diversified marketing strategy.

Nowadays, many restaurant customers would, prior to deciding which restaurant to go, research on a restaurant's ratings posted by diners via internet, review comments from food critics in various media or consider word-of-mouth publicity. The Directors consider that traditional paid advertising can only generate limited exposure in the local restaurant industry. The internet, in particular, has become increasingly influential in establishing a restaurant's reputation as there is an increasing trend that opinions about a restaurant could be shaped by the ratings, recommendations and criticisms posted by diners or food critics on discussion forums, food blogs or food websites. Instead of incurring significant capital expenditures on traditional paid advertising, the Group devotes its resources to constantly improving quality levels in food and dining services offered at reasonable prices, which the Directors believe it could result in positive comments from diners and food critics, and hence bring in more sales.

The Directors consider that the recommendations and criticisms posted by diners or food critics on discussion forums, food blogs or food websites can deliver their comments on quality of the food and services of the Group to potential diners, which the Directors believe to be generally perceived as more relevant and reliable than traditional paid advertising. The Directors also consider such marketing channel to be able to tap into a broader level of potential diners who are conscious about food and service quality of the restaurants. The Group's marketing strategies are considered by the Directors to be effective with the award of

Five Star Merchant (五星商戶) of Year 2014 in March 2015 by Shenzhen Restaurant from an influential commentary website, namely, dianping.com (大眾點評網), which is a distinction awarded to those quality merchants which based on number of positive commentaries made by users of the website. Dianping.com was established in 2003 and operates as a commentary website providing merchant information and consumption concessions in respect of catering, shopping, leisure and entertainment, as well as acting as an interactive commentary platform for internet users. The Directors believe that the dianping.com is currently one of the most well-known and influential electronic consumption guides in China.

Besides, the Group launched its **www.starofcanton.com.hk** website to provide an electronic platform to promote its restaurants. It updates the website constantly so as to highlight the restaurants' promotions from time to time. Going forward, the Group would adopt a marketing strategy that leverages the increased publicity and consumer awareness generated by favourable comments and restaurant ratings on website which provide commentary electronic platform and discussion forum for catering industry. For more information, please refer to the paragraph headed "Intellectual property rights" in this section.

The Group regularly updates the main menus of its restaurants to introduce new dishes. It also makes variations to its dishes and food prices with the change of seasons and trends, conforming to modern dietetics. The Group posts eye-catching posters promoting popular dishes in its restaurants. The Group also places advertisement signs within the shopping arcades and commercial buildings in which its restaurants operate, as well as inside the premises of Huanggang Port which is a port of entry on the border between mainland China and Hong Kong. Promotional pamphlets are distributed in the Group's restaurants to promote new, seasonal or discounted dishes. In order to promote brand awareness, the Group distributes free coupons to customers after they spent certain amounts in its restaurants and sells discounted coupons through website operators.

In addition, the Shenzhen Restaurant has a designated marketing team to conduct regular visits to corporate customers to promote the image and popular dishes of the restaurant. The Directors believe such face-to-face promotion to be a successful marketing strategy.

Furthermore, the favourable comments on the Group's restaurants on magazines and newspaper and websites of Hong Kong and China, invitations to television and magazine interviews and the loyal patronage earned by the Group through word-of-mouth are also considered to be the results of the Group's marketing strategy. The Directors consider that the implication of the marketing strategy can be demonstrated by the overall increase in turnover of the Group's restaurants in Hong Kong and China during the Track Record Period. The Group would continue to evaluate the effectiveness of the marketing strategy on the Group's business and performance by monitoring the number of customer visits and average consumption amount of the customers in the restaurants of the Group.

The Directors also believe that the corporate image of the Group would be enhanced when the Company becomes a Hong Kong listed company.

For the years ended 31 December 2013, 2014 and 2015, the total marketing expenditure for advertising and promotions of the Group amounted to approximately HK$3.6 million, HK$4.4 million and HK$3.6 million respectively.

Brand management strategy

As at the Latest Practicable Date, the Group operated four restaurants in Hong Kong and one restaurant in China under the same brand, namely, Star of Canton (利寶閣) to provide Cantonese cuisine. The Group also operates a restaurant under a new brand name of Beijing House (京香閣) to provide Jingchuanhu cuisines. The two brands of the Group have different target market positions which the Directors consider the differentiation can address the different needs of customers and enlarge its market share in the Chinese restaurant industry in Hong Kong and China, which will further promote the Group's business. The market positions of the two brands of the Group are as follows:

- Star of Canton Restaurants target customers in the middle-to-high income groups which prefer Cantonese cuisine and require Chinese banquet and dining services for large-scale events, such as festive gatherings, rites and ceremonies and other celebratory events, at reasonable prices and under an elegant and comfortable dining environment; and

- Beijing House Restaurant targets customers in the middle-to-high income groups with a preference for quality Jingchuanhu cuisines at reasonable prices and under a warm and relative quite dining environment.

In order to differentiate the market positions of the brands, the restaurants under Star of Canton develop new menu items based on traditional Cantonese dish recipes and offer quality food at reasonable and affordable prices, while Beijing House Restaurant is more focused on serving specialty dishes of non-Cantonese style, in particular, Jingchuanhu cuisines which are customised for customers wishing to try other Chinese cuisines.

In addition, the Group also differentiates the brands in terms of the interior design of the restaurants, where Star of Canton Restaurants were decorated in a way to provide a luminous and spacious environment suitable for festive occasions and celebratory events using its sizeable dining area which features, among others, high ceiling, luxurious chandeliers and adequate lighting. Instead, Beijing House Restaurant aims to create a warm and relatively quiet environment suitable for family and business dining gathering of smaller group in terms of number of patrons per table, and feature, among others, delicate tableware and warm lighting.

The Directors consider that the Group's branding strategy is able to diversify the Group's Chinese catering business and capture different customer segments. The establishment of Beijing House Restaurant aims to expand the business of the Group into the provision of non-Cantonese cuisines in order to offer different dining choices for potential customers. Although the Sheung Wan Restaurant and the Beijing House Restaurant are located in the same commercial and shopping plaza and are adjacent to each other, the Directors believe potential customers of white-collar working group seeking luncheons during busy business hours and customers seeking business dinners in the district are abundant that the two restaurants providing different types of cuisine would not constitute direct competition, and instead, are complementary to each other to satisfy the different needs of potential customers.

Customers

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

RAW MATERIALS AND SUPPLIERS

The Group focuses on the quality of food ingredients and the food preparation process, including food ingredients procurement, preservation, preparation, processing and storage.

Raw materials

The major raw materials purchased by the Group are food ingredients, including but not limited to, vegetables, fresh meats, seafood, dried foods, chilled meats, beverages and seasonings, originating from countries such as China, Hong Kong, Japan, Vietnam and the United States of America. Except for the Shenzhen Restaurant which sources its food ingredients and other raw materials from local suppliers in China, the Group's restaurants in Hong Kong mainly source their food ingredients and other raw materials from local suppliers in Hong Kong. The Group would also centralise the procurement of certain selected food ingredients, mainly non-perishable food ingredients such as chilled meats and expensive dried seafood required by all the Group's restaurants in Hong Kong, which would allow the Group to achieve consistent quality, obtain bulk purchase discount and ensure that purchase prices remain at competitive levels. The Directors believe that the Group's suppliers would take into account the quality, demand, supply, specifications, duration of supply agreement, logistic arrangement, seasonal factor, source of supply and relationship with the Group when fixing the prices of their food ingredients. The Directors are of the view that the prices of the raw materials the Group obtained during the Track Record Period were consistent with prevailing market prices, and believe that the purchase prices of food ingredients will continue to follow market prices under normal operating and marketing conditions. Other key supplies required by the Group include kitchen and restaurant equipment and utensils are sourced from various suppliers.

According to the experience of the Directors and senior management, dried foods have a shelf life of approximately five to ten years, chilled meats have a shelf life of approximately one year, fresh seafood has a shelf life of approximately one week, and vegetables have a shelf life of approximately two days. The Group generally turnovers its inventories at a faster rate than their shelf lives, which the Group believes to be able to ensure the quality and freshness of the dishes. For average inventory turnover days of the Group's food ingredients, please see the sub-section headed "Financial Information – Analysis of various items from the combined statements of financial position – Inventories" in this document.

The Group's major food ingredients purchased during the Track Record Period experienced various degrees of price fluctuations as below:

– Fresh seafood: By comparing the average purchase price of the major types of fresh seafood the Group used in 2014, which were crab and a few types of grouper fish, the Group noted the average price changes ranged from a decrease of approximately 2.2% to an increase of approximately 27.8% in 2014 as compared to 2013. By comparing the average purchase price of the major types of fresh seafood the Group used in 2015, which were crab and a few types of grouper fish, the Group noted the average price changes ranged from a decrease of approximately 20.2% to an increase of approximately 7.1% in 2015 as compared to 2014.

– High-value dried foods: By comparing the average purchase price of the major types of high-value dried foods the Group used in 2014, which were two types of dried scallop, the Group noted the average price changes ranged from an increase of approximately 0.8% to an increase of approximately 7.4% in 2014 as compared to 2013. By comparing the average purchase price of the major types of high-value dried foods the Group used in 2015, which were canned six-head abalone, dried shark fin and a type of dried scallop, the Group noted the average price changes ranged from a decrease of approximately 10.2% to an increase of approximately 5.9% in 2015 as compared to 2014.

– Chilled and fresh meats: By comparing the average purchase price of the major types of chilled and fresh meats the Group used in 2014, which were chilled chicken, chilled beef steak and fresh pork, the Group noted the average price changes ranged from an increase of approximately 5.5% to an increase of approximately 18.1% in 2014 as compared to 2013. By comparing the average purchase price of the major types of chilled and fresh meats the Group used in 2015, which were chilled chicken, chilled beef steak and fresh pork, the Group noted the average price changes ranged from a decrease of approximately 6.3% to no change in 2015 as compared to 2014.

– Vegetables: By comparing the average purchase price of the major types of vegetables the Group used in 2014, which were Chinese kale, Chinese flowering cabbage and broccoli, the Group noted the average price changes ranged from an increase of approximately 9.2% to an increase of approximately 16.0% in 2014 as compared to 2013. By comparing the average purchase price of the major types of vegetables the Group used in 2015, which were Chinese kale, Chinese flowering cabbage and broccoli, the Group noted the average price changes ranged from a decrease of approximately 0.6% to an increase of approximately 8.2% in 2015 as compared to 2014.

Note: The average purchase price of each food ingredient specie used to calculate the ranges of average price change described above is based on sample purchase price of such food ingredient specie selected at quarterly intervals of March, June, September and December (as applicable) during the Track Record Period, except for high-value dried foods the sample purchase prices of which are based on all the months of purchase occurred due to their infrequency of purchase.

The fluctuations in the prices of the Group's major food ingredients during the Track Record Period were mainly due to fluctuations in market prices. For price indices of major food ingredients in Cantonese restaurants in Hong Kong and Shenzhen from 2010 to 2014, please see the sub-paragraphs headed "Industrial Overview – Hong Kong's full-service Cantonese restaurant market – Major cost components" and "Industry Overview – Shenzhen full-service Cantonese restaurant market – Major cost components" respectively in this document. Most of the Group's food ingredients are sourced from local suppliers who, in turn, to the best of the knowledge of the Directors, procure the food ingredients from various overseas countries, as well as from local sources in the market. The prices of food ingredients in the market have experienced volatility and are affected by various factors, such as weather, harvest conditions of the food ingredients, government policies and market competition. Food prices have been rising in general in recent years, but such trend was depressed in 2015. The general appreciation of RMB during the Track Record Period had also caused the increase in prices of food ingredients originating from China, except that the depreciation of RMB during the second half of 2015 started to cause the decrease in prices of food ingredients originating from China.

During the years ended 31 December 2013, 2014 and 2015, the costs of materials consumed, which primarily consisted of food ingredients consumed, accounted for approximately 29.5%, 29.9% and 27.7% respectively of the Group's revenue. The overall decrease in cost of materials consumed as a percentage of revenue for the year ended 31 December 2015 was mainly attributable to the Shenzhen Restaurant, which the Directors consider to be mainly due to the improvement of control on food costs. The Directors believe the fluctuations in prices of the major food ingredients during the Track Record Period were reasonable and did not have a material adverse effect on the Group's business, financial condition and results of operations.

Purchase Cost Control

The Group has not entered into any long-term contracts with its existing food suppliers. As such, none of the Group's restaurants is contractually bound to make purchases from a specific food supplier. This helps the Group in maintaining flexibility and agility in operations and pricing and thus enables the Group to adapt to changing market demand and economic circumstances. In addition, the Group will monitor the cost of food ingredients through comparing the price quotation from suppliers of the same food types, and review the monthly gross profit margin of the restaurants with the aim to react promptly to any material deviation from target profit margin.

Suppliers

The Directors believe that supplier selection plays an important role in the management of restaurant business and is one of the competencies essential to maximising sourcing capabilities. The Group has developed a supplier selection system based on its senior management's experience in the restaurant industry. For the supply of food ingredients, the Group's procurement team, comprising executive chef and head chefs from each of the Group's restaurants and headed by the chief executive officer, is responsible for selecting and liaising with potential suppliers. Food ingredient suppliers are chosen carefully based on a set of selection criteria which includes type and quality of ingredients, cost, reputation, service, agility, delivery efficiencies and past performance, and must be approved by the Group's chief executive officer and the executive chef. As the Group places high emphasis on the quality of its raw materials, it sources raw materials from suppliers of established reputation. The Group maintains a list of approved food ingredient suppliers and their relevant records under which their details, including name and prices, are recorded and updated regularly. The Group maintained a total of over 80 approved suppliers as at the Latest Practicable Date. Orders for most food ingredients and seasonings are normally placed with the Group's approved suppliers. The Group also keeps a list of food ingredient potential suppliers for contingency purposes. With such a supplier selection system, the Directors believe that the Group can secure continual supply of food ingredients of consistent quality, identify the source of supply promptly, maintain flexibility in stock levels and enjoy bulk purchase discounts. For the supply of ancillary equipment and utensils, the Group also only makes purchases from approved suppliers.

The Group has not entered into any long-term contracts with its existing suppliers for food ingredients. This is consistent with industry practice as food ingredient suppliers generally do not enter into long-term supply contracts. 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. Due to fluctuations in the pricing of food, it is difficult for the parties to fix an agreed price. Further, many food ingredients can be readily sourced from most suppliers and it would reduce flexibility in operations and pricing if the restaurant is contractually bound to make purchases from a specific food ingredient supplier for a specific term. This arrangement also helps the Group in maintaining flexibility and agility in operations and pricing and enables it to adapt to changing market demand and economic circumstances. The Group has established and maintained long-term relationships with a number of its suppliers. The Group's top five suppliers for the Track Record Period have been supplying raw materials to the Group for approximately 1 to 8 years. The Group's business with its suppliers has always been, and will aim to be, conducted on the basis of actual purchase orders placed by the Group from time to time. According to the best knowledge of the Directors, during the Track Record Period, none of the Group's key suppliers ceased or indicated that it would cease their supply to the Group, and the Group did not experience any material delay or interruption in securing the supply of food ingredients from its key suppliers. In view of this, the Directors believe that the Group will not experience any difficulty in securing the supply of food ingredients from its suppliers. In addition, in order to ensure the stable supply of food ingredients and minimise the risk of non-delivery, sub-standard products and supplier's default, the Group generally sources its major food ingredients from more than one supplier. For supply of wines, the 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.

For the years ended 31 December 2013, 2014 and 2015, the total purchases from the Group's five largest suppliers in aggregate accounted for approximately 50.0%, 40.1% and 37.3%, respectively, and its largest supplier, namely Ah Wong (which was an unincorporated sole proprietorship business owned by Ms. Chang Tam, a younger sister of Mr. Chan), accounted for approximately 25.7%, 23.7% and 14.1%, respectively, of its total purchases. The Directors confirm that the transactions with Ah Wong were conducted on normal commercial terms which are considered to be fair, reasonable and would not distort the Group's track record results of operations or make its historical results not reflective of its future performance. In preparation for [**REDACTED**], the Group discontinued its purchases of goods from Ah Wong in August 2015. There are many frozen meat suppliers similar to Ah Wong in Hong Kong and Shenzhen and therefore, the Group will not experience any difficulty in sourcing the supply of frozen meat.

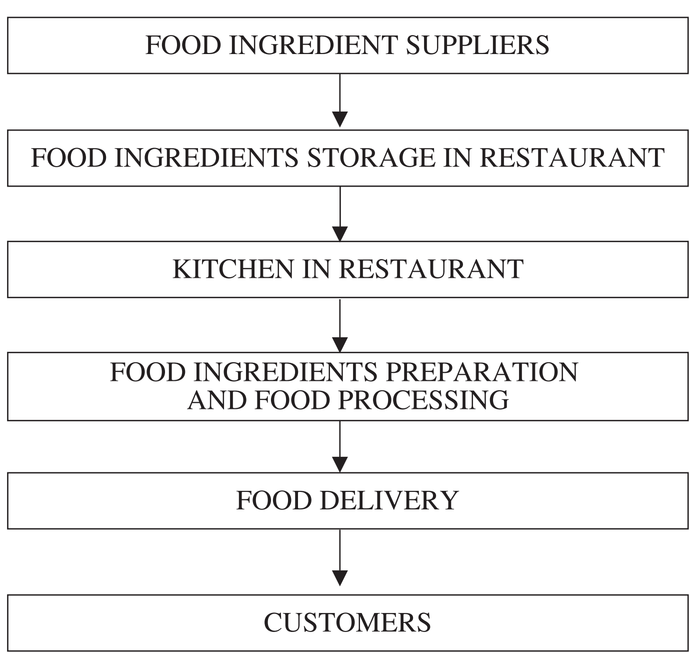
Save as the purchases from Ah Wong, none of the Directors, their respective associates or any Shareholder which to the knowledge of the Directors owns more than five per cent of the issued share capital of the Company had any interest in any of the Group's five largest suppliers for the Track Record Period. For more details to the Group's purchases from Ah Wong, please refer to the sub-section headed "Financial Information – Related party transactions" in this document.

Credit and payment terms

The Group's accounts department is responsible for processing all payments to suppliers. Payment would not be approved until both invoices from suppliers and delivery notes are signed and checked by restaurant managers and supervisors of the Group's restaurants and verified by the Group's accounts department. The accounts department will then arrange the settlement of invoices within the agreed credit periods. Payments to suppliers are generally made within 60 days after purchases. During the Track Record Period, most of the purchases from the Group's suppliers for the restaurants in Hong Kong were denominated and settled in HK dollars, while purchases from those suppliers for the Shenzhen Restaurant were denominated and settled in Renminbi as those purchases were conducted in China.

FOOD PREPARATION PROCESS

The diagram below illustrates the food preparation process of the Group:



Placement of purchase orders

The Group adopts the following order placement policies in relation to the following raw materials and supplies:

Food ingredients

Each restaurant generally divides its food preparation division into three sections, in particular, main dishes section, dim sum section and barbecued food section, with a head chef assigned to each section where the head chef of main dishes section also acts as the leader of other head chefs. The relevant head chefs of different food preparation sections monitor the level of supplies regularly and decide the type and quantity of food ingredients to be purchased based on their industry experience. The head chef of each section then places orders directly with the Group's suppliers. The designated kitchen staff is required to record the weight of the incoming food ingredients and the time of delivery and inspect of quality of the food ingredients, upon delivery of the food ingredients to the restaurants' kitchen areas by suppliers. The accounts department checks delivery records against invoices from time to time. The designated kitchen staff checks the information on the delivery notes against the orders before the restaurants confirming receipt of the food ingredients with suppliers. Invoices are delivered to the accounts department. All purchases are supported by invoices provided by the suppliers.

High value dried foods

In relation to high value dried foods such as abalones, shark fins and sea cucumbers, the Group adopts a more stringent order placement policy. Each restaurant head provides banquet bookings details to the head chef who is responsible for preparation of such high value dried foods for banquets. The head chef then confirms the amount of food ingredients needed and notifies the procurement team to place order with the Group's suppliers upon approval by the chief executive officer or his designated senior staff. The responsible staff of procurement team and the restaurant manager together inspect and weigh the food ingredients upon receipt. The procurement team acknowledges receipt after checking the details in the receipts (including descriptions and weight) against the orders and the invoices. The food ingredients are kept in a locked shelf in the restaurant's storage area with keys kept by the head chef of the main dishes section. Invoices are delivered to the accounts department.

Ancillary equipment and utensils

In relation to ancillary equipment and utensils, the responsible staff of procurement team requiring procurement first checks with the Group's existing suppliers in respect of the price and the quality of goods. For any items that exceed HK$10,000, at least two suppliers should be selected for comparison based on price and quality of goods, and orders should only be made after discussion with the Group's senior management. The responsible staff of procurement team contacts the selected suppliers to place orders. For inexpensive items, orders are directly made by section head chefs to suppliers. Goods are delivered by the suppliers to the relevant sections of the restaurants. The relevant section head chef signs and affixes the company chop on the goods delivery note to acknowledge receipt of goods. Invoices are sent to the accounts department by suppliers.

Apart from the above, on occasional demand for purchase of expensive or large quantity of stock items, the staff who raises the request is required to fill in a purchase requisition form with approval by the restaurant head who would ensure that the request is justified and the staff has to acknowledge receipt of the stock items on the form.

Storage and preservation

The section head chefs of each restaurant are responsible for ensuring that food ingredients are stored properly. Non-perishable food ingredients and other ancillary equipment and utensils are kept in the restaurant's storage areas. High value dried foods, such as shark fins, abalones and sea cucumbers, are kept in a locked shelf in the restaurant's storage area of the kitchen. Only the head chef of main dishes section responsible for high value dried foods has the key to the locked shelf. Wines are kept in wine cabinets. Live fish and seafood are kept in aquariums. All inventories of the restaurants in Hong Kong have been insured against theft and fire with insurance coverage ranging from HK$300,000 to HK$500,000 for respective restaurants, except for the Sheung Wan Restaurant and the Beijing House Restaurant where the insurance coverage for inventories is combined with that for other properties of the restaurant premises and amounted to HK$6.0 million in total. Inventories of the Shenzhen Restaurant have been insured against theft or fire with insurance coverage of RMB200,000. The head chefs of their responsible section would check the state of all fresh and perishable goods to avoid using stale or expired food ingredients.

Each restaurant of the Group has in place standardised preservation methods and recommended storage periods for different categories of foods, including unserved portions which will be utilised in the subsequent days. The Directors believe such practice promotes food quality, ensures food safety and prolongs the lifespan of food ingredients.

During the Track Record Period and up to the end of July 2015, the Group procured its warehouse and storage services from Richfield Develop, a wholly-owned subsidiary of Great Virtue before the Reorganisation, to stock selected raw materials sourced by the procurement team. The selected items were delivered and stored before distribution to individual Hong Kong restaurants of the Group. Since August 2015, in order to improve the logistics of delivery of those selected raw materials from suppliers, the Group requested those suppliers to deliver such raw materials directly to the respective restaurants.

Inventory control

The Group considers that the level of inventory will affect its overall profitability. The Group has implemented inventory control measures based on food types, consumption levels and prices.

The Group keeps its storage level of fresh and perishable food ingredients by not more than two days to reduce wastage, ensure freshness and quality of food and avoid excessive inventory level. For non-perishable food ingredients and other ancillary equipment and utensils, the Group maintains an adequate level based on operational needs. For high value inventories mainly purchased for consumption at banquets or large-scale gatherings, such as wine, shark fins, abalones and sea cucumbers, purchase orders would be approved by the chief executive officer based on the level of advance booking.

The central procurement policy also helps to control inventory levels. Orders for certain selected raw materials, mainly non-perishable food ingredients such as chilled meats and expensive dried seafood required by all the Group's restaurants in Hong Kong are centralised before placing with the approved suppliers. Bulk purchases would allow the Group to obtain bulk purchase discounts, which lower the Group's cost of production and achieve economies of scale. Centralised procurement also aims to ensure that purchase prices remain at competitive level and allow the Group to secure continual supply of quality and fresh food ingredients and maintain flexibility in stock levels. However, in order to ensure the freshness of perishable food ingredients such as vegetables (which have a much shorter shelf life of approximately two days), the orders placed with suppliers are normally one day before delivery. Hence, it is not practical for the Group to arrange for centralised bulk purchase of perishable food ingredients for all restaurants in Hong Kong. Instead, each restaurant directly places its order with the suppliers based on its own operational needs. Nevertheless, as the suppliers have been basically pre-approved by the senior management of the Group which has negotiated with the suppliers for arrangement of regular price quotations on Group basis, the suppliers would recognise that the orders placed directly by different Star of Canton Restaurants belonging to the same restaurant group. The Directors believe that the Group could therefore also enjoy bulk purchase discounts to the extent that their price quotations shall have taken into account the aggregate purchasing power of all the restaurants of the Group in Hong Kong.

Prices of food ingredients may fluctuate and bring an adverse impact on the costs of production. In order to minimise such impact, regular advance quotations from suppliers are obtained to allow the Group to respond promptly to market changes.

Food preparation

In order to ensure all dishes are freshly prepared, each of the Group's restaurants conducts its food preparation functions in its own kitchen. Each restaurant has a leader head chef, being head chef of the main dishes section, who is responsible for the overall operation of the kitchen of that restaurant. Each restaurant has a food preparation division which focuses on kitchen operations. The food preparation division is led by the head chef of the main dishes section and is divided into different sections based on food types, including main dishes section, dim sum section and barbecued food section. Each section is led by its head chef. The section head chefs coordinate the work of small teams of chefs and assistants of each section. The chefs and assistants of each section are responsible for different food preparation processes, including chopping, portioning, pan-frying, steaming and sauce making. In order to ensure the consistence of food quality level of all restaurants in Hong Kong, the Group has an executive chef who is responsible for overall management of the food preparation functions of all restaurants in Hong Kong.

With respect to food preparation for banquets and dining services for large-scale events, the head chef of main dishes section would be the key person for the overall planning of food preparation and allocation of kitchen works. Based on party size and the number and complexity of menu items, the head chef would allocate different work tasks to chefs and assistants, such as scheduling the preparation and meal service time of each menu items, and closely monitor the works of the kitchen staff to ensure timely production.

RESTAURANT MANAGEMENT AND FUTURE PLANS

Management

The Group's management structure is divided into two levels: corporate management level and restaurant level. Corporate management level comprises the Group's senior management team, which is responsible for the development the long-term business strategies of the Group, evaluation of the implementation of business plans, oversight of quality control, staff management and new restaurant development. Restaurant level comprises individual management teams of each of the Group's restaurants, which are responsible for implementing the decisions of the senior management team, reporting operations to the senior management team on a regular basis and reflecting the needs and trends of customers to senior management team. The individual management team of each restaurant is headed by the restaurant head who is familiar with the operations of the restaurant where he or she stations and is experienced in the food and beverage industry. The restaurant head is responsible for overseeing the operations of the two main divisions of each restaurant: the food preparation division and the sales and floor division. The food preparation division focuses on kitchen operations and is divided into different sections based on food types, including main dishes section, dim sum section and barbecued food section. Each section is led by a section head chef while the head chef of the main dishes section also acts as the leader of other section head chefs. The section head chefs coordinate the work within the small teams of chefs and assistants of each section. The sales and floor division is mainly responsible for overseeing the operations relating to seafood, alcohol and beverages, sales and marketing and floor staff. In order to ensure the consistent level of services quality is upheld in the Group's Star of Canton Restaurants in Hong Kong, the Group has two district managers, one of them is responsible for overall monitoring of the operations of the Olympian Restaurant and The One Restaurant, and the other is responsible for overall monitoring of the operations of the CWB Restaurant and the Sheung Wan Restaurant; while the Beijing House Restaurant, being a Jingchuanhu cuisine restaurant under the new brand of Beijing House, is directly monitored by the chief executive officer. The two district managers also act as the communication link between restaurant managers and the senior management team.

Staff hiring, training and monitoring

The Directors believe that success in hiring, training and monitoring a large number of experienced employees is critical to its ability to provide reliable and professional services to its customers.

Each restaurant head is responsible for the recruitment of its restaurant staff. The Group seeks to hire employees with relevant experience in the restaurant industry. The Group generally offers internal promotion opportunities and competitive compensation and benefits. Various fringe benefits are also provided to its employees, including free meals, discretionary bonus to promote work incentives. Shenzhen Restaurant also provides staff quarter for restaurant staff. The Group provides on-the-job training to staff in relation to food ingredients preparation and preservation, flow of food production, hygiene conditions of the kitchen and quality control in different aspects of the operations of restaurants based on their job duties to improve their practical business skills and practices. It also distributes guidance materials and manuals on food handling, food and personal hygiene, food safety and quality control to ensure that its operations are run in a safe and proper manner. Each restaurant holds daily briefing sessions with all front-line service staff on the daily operations of the restaurant. During briefing sessions, the restaurant heads also review staff performance and reflect customers' feedbacks. Such daily performance reviews aim to assist the front-line service staff in maintaining and improving service levels.

The Directors believe that the stability of a reliable and skilled workforce is critical to the success of its business and understand that the effectiveness and productivity of its staff are highly driven by tenure. It offers competitive remuneration packages to its staff with discretionary bonuses.

RESTAURANT NETWORK EXPANSION

Site selection criteria

The Group's senior management team is responsible for expanding the Group's restaurant network through well-planned and stringent site selection criteria, which help the Group to capture its target customers with different preferences, spending patterns and needs. Site selection is a critical consideration in the Group's restaurant network expansion strategy. A desired site should be visible, accessible, convenient and attractive to the target customers. The Group would consider comprehensive data and relevant location requirements in selecting a desired site. The senior management team maintains a restaurant opening manual setting out the Group's major site selection criteria in determining a desired location before opening a new restaurant, which include:

- the flow and level of target customer traffic (e.g. the existence of favourable demographics of the area and accessibility to target customers);
- the flow and level of pedestrian traffic (e.g. proximity to present and planned transportation systems, private and public housing estates, shopping malls, supermarkets, education institutions and other commercial, business and residential establishments);
- initial capital outlay including cost of rental and other operating costs and expenses;
- size, safety and any special appeal of the site;
- projection on time and size of investment return;
- the level of actual and potential competition;
- the presence of other food and beverage operators to help the area to achieve a food-related reputation;

- local landmarks and planned developments; and
- the existence of favourable factors tied with the Group's restaurant network expansion strategy (e.g. large floor areas are generally preferred for restaurants providing banquets).

All of the Group's restaurants are strategically opened in prime locations with heavy target customer traffic. For site information of the Group's restaurants, please refer to the paragraph headed "Business, restaurants and customers" in this section.

Restaurant opening

After a potential site is identified, the Group's senior management would commence comprehensive due diligence procedures, including seeking opinions from the experienced restaurant head and head chefs, consulting internal and engaging external professional on compliance with legal and regulatory requirements, engaging external legal advisers to advise on leasing matters, studying the feasibility and effect of installing the desired equipment and renovations and assessing the total capital investment required and time and size of investment return.

Upon satisfactory results of due diligence, negotiations with the relevant landlord in securing the lease would commence. The Group would also appoint an independent professional license consultant to provide assistance in handling issues in respect of the application of the relevant restaurant opening license when necessary. A professional interior design firm would be engaged to renovate the site based on the types of services offered, target customer groups and associated brand features based on the request of the Group's senior management. For each new restaurant, the Group seeks to maximise efficiency in layout, functionality and usable space while taking into account safety requirements and the aesthetic aspects. The management team of the restaurant would be responsible for liaising with suppliers on sourcing restaurant kitchen equipment and utensils. New staff would be recruited and staff from existing restaurants of the Group would be seconded to the new restaurant to provide assistance in the initial stage, if available. Based on past experience and current estimation, the Directors considered that it generally takes four to five months for a restaurant to launch upon signing of the lease. The costs of opening a restaurant depend upon, among other things, rental costs, type of renovations and equipment required.

Newly opened restaurants are expected to purchase food ingredients from existing suppliers of the Group, except as otherwise approved by the chief executive officer and executive chef of the Group.

Closure of the I-Square Restaurant

The tenancy of the I-Square Restaurant expired on 24 November 2015. The Group did not renew the tenancy of I-Square Restaurant upon its expiry. The main reason for the closure is that the Directors had been considering opening up Beijing House Restaurant at a shop adjacent to that of a Star of Canton Restaurant for the sake of achieving economies of scale of operation by sharing the same kitchen area, however the Group was constrained by the size of its existing restaurants. Before the expiry of the I-Square Restaurant, the Group identified a Sheung Wan site and the Directors consider that the Sheung Wan site is an ideal location to open up both the Sheung Wan Restaurant and Beijing House Restaurant. The area of the Sheung Wan site is almost twice that of the I-Square Restaurant and it targets to capture mid-to-high end spending customers and corporate customers in the Central or Sheung Wan areas. In addition, as the competition for leases in Tsim Sha Tsui among retailers is fierce, the Directors expected that such situation would also lead to considerable increase in rental cost for restaurant premises in Tsim Sha Tsui. Hence, the Group had decided not to renew the I-Square Restaurant tenancy.

Furthermore, in order to retain experienced staff, a portion of the restaurant staff of I-Square Restaurant, especially certain senior kitchen staff, was transferred to the Sheung Wan Restaurant and Beijing House Restaurant upon closure of the I-Square Restaurant. For the remaining staff of I-Square Restaurant, no additional provision is considered necessary by the reporting accountants in respect of the severance payments due to the fact that such amount of payments is expected to be insignificant after netting off with the contribution made by the I-Square Restaurant in the past under the Mandatory Provident Fund scheme.

Nevertheless, except for the provision of HK$645,000 for reinstatement cost upon the closure of premises occupied by the I-Square Restaurant, which had been made prior to the Track Record Period, the Group provided an additional amount of reinstatement cost of approximately HK$252,000 for the year ended 31 December 2015, based on the latest available quotations from independent contractors and estimation by the Directors.

New restaurants

Hong Kong – Sheung Wan Restaurant and Beijing House Restaurant

In 2015, encouraged by the success of the restaurants under Star of Canton Restaurants in Hong Kong and China and the established reputation of the Group in providing Cantonese cuisine which is one of the major types of Chinese cuisines, the Group decided to take steps to further develop its business and diversify its restaurant portfolio by adopting a new branding strategy. The major step included the opening of the Group's first non-Cantonese cuisine restaurant in Sheung Wan under the brand name of Beijing House at the end of October 2015 to provide Jingchuanhu cuisines, which became the second brand established by the Group, targeting customers looking for mid-to-high end dining experience of Jingchuanhu cuisines. The Group also opened a restaurant under the brand name of Star of Canton, namely, the Sheung Wan Restaurant at the end of October 2015 to provide Cantonese cuisine, which is located at shops adjacent to the Beijing House Restaurant.

The Group incurred a total of approximately HK$19.7 million for the renovation and installation of new equipment and facilities for the Sheung Wan Restaurant and the Beijing House Restaurant. The capital expenditure was funded by internal resources and a bank loan of HK$15.0 million of the Group. Although the contract payment terms of the main contract for the renovation works require the Group to fully settle the contract price, which was finalised at approximately HK$9.5 million, within 90 days of the completion of the renovation works in October 2015, the Group obtained a written consent from the main contractor allowing the Group to progressively settle the full amount by the end of 2016. The Sheung Wan Restaurant and Beijing House Restaurant have obtained the provisional general restaurant licence and liquor licence. For the water pollution control licence, according to the relevant EPD's guide to application of a license granted under the WPCO, the Sheung Wan Restaurant and Beijing House Restaurant will only apply for the water pollution control license after a few months' operation of the restaurants as it is necessary to submit the three most recent water bills or estimated water consumption information to the EPD for assessment of the discharge of effluents by the relevant restaurants.

Shenzhen, China – two Cantonese restaurants

The Group also plans to open two Cantonese restaurants in China, namely, the Shenzhen Uniwalk Restaurant and the Shenzhen One Avenue Restaurant. Shenzhen Uniwalk Restaurant will be located in a landmark shopping mall which is undergoing construction and situated at Qianhai, a future commercial district of Shenzhen City, while Shenzhen One Avenue Restaurant will be located in a prime shopping and commercial complex which is also undergoing construction and situated at the CBD of Futian District of Shenzhen City. The Group has signed tenancy agreements in respect of leasing of the aforesaid premises. Depending of the formal handover of the restaurant premises by the landlords upon completion of construction of the shopping and commercial buildings and the renovation of the restaurants thereafter, the Shenzhen Uniwalk Restaurant and the Shenzhen One Avenue Restaurant are currently expected to commence business in the second half of 2017.

In line with the Group's business philosophy and brand management strategies, the two new restaurants in Shenzhen, the PRC will also be positioned as mid-to-high end Chinese restaurants, targeting customers in the middle-to-high income groups who require such dining services for business, social and family gatherings. Based on the terms of the tenancy agreements, it is currently expected that the total saleable areas of the Shenzhen Uniwalk Restaurant and the Shenzhen One Avenue Restaurant will be approximately 2,803 sq.m. and 1,721 sq.m. respectively. The Group currently plans to invest approximately HK$[**REDACTED**] and HK$[**REDACTED**] for the Shenzhen Uniwalk Restaurant and the Shenzhen One Avenue Restaurant respectively as capital expenditure. The Group plans to satisfy such capital expenditure by the proceeds from the [**REDACTED**] and the internal working capital of the Group. For details of the use of proceeds of the Group, please refer to the paragraph headed "Future Plans and Use of Proceeds – Business strategies" in this document. As at the Latest Practicable Date, the Group incurred a total of approximately HK$[**REDACTED**] as deposit payments for the two new restaurants premises.

Although the Shenzhen Restaurant recorded an operation loss for the period from the commencement of its operation in October 2013 to 31 December 2013 and for the year ended 31 December 2014, such loss situations were mainly due to the facts that: (i) the Shenzhen Restaurant was under its initial stage of operation in the last quarter of 2013, during which the restaurant was yet to generate a normal revenue adequate to cover certain material fixed costs such as rental expense and staff costs, before its operation was gradually put on track in 2014; and (ii) the positive operating profit before interest, taxation, depreciation and allowance ("**EBITDA**") of approximately HK$0.3 million for the year ended 31 December 2014 was offset by the depreciation charge of the year. In this regard, the Directors consider that depreciation charge shall be regarded as a factor affecting the assessment of the investment payback period, while EBITDA shall be considered as the more relevant financial indicator to assess the profitability performance of a restaurant's operation as it closely reflects the operating cash flows before changes in working capital. Therefore, the Directors consider the record of the positive EBITDA of approximately HK$11.8 million generated by the Shenzhen Restaurant during the year ended 31 December 2015 can substantiate the ability of a new restaurant in Shenzhen to achieve investment payback in a few years, and hence provides a solid commercial rationale for the Group to further expand its restaurant network in Shenzhen. In addition, according to the Ipsos Report, the growth potential of Cantonese restaurant market in Shenzhen is better than that in Hong Kong, in terms of forecast CAGR of revenue generated from Cantonese restaurant industry from 2015 to 2019 in these two markets. In view of the above, the Directors believe that Shenzhen is a market with huge growth potential for the long-term development of the Group's restaurant business.

Operating breakeven period and investment payback period of new restaurants

According to the past experience of the Group and future expectation, the Directors consider that it would normally take approximately two months for a new restaurant in Hong Kong and approximately three months for a new restaurant in the PRC to achieve breakeven, in terms of EBITDA. Based on past experience and current estimations of the Group, the Directors also expect it would normally take approximately 24 months for a new restaurant in Hong Kong and approximately 36 months for a new restaurant in the PRC to reach investment payback points, which the Directors consider when the accumulated net profit from a restaurant exceeds the costs of opening and operating the restaurant, including incurred capital expenditures and ongoing operating expenses.

The following sets out the approximate historical operating breakeven period and investment payback period of the Group's restaurants which were opened in recent years, based on the unaudited management accounts of the relevant operating subsidiaries:

	Historical operating breakeven period *(Note 1)*	**Historical investment payback period** *(Note 2)*
I-Square Restaurant *(Note 3)*	4 months	24 months
The One Restaurant	2 months	24 months
Shenzhen Restaurant	3 months	N/A *(Note 4)*

Notes:

1. Operating breakeven period is regarded as the period needed for a restaurant to record a positive monthly EBITDA (which closely reflects the operating cash flows before changes in working capital) for the first time following the month of commencement of business of the restaurant.

2. Investment payback period is regarded as the period needed for the investment cost in a restaurant's fixed assets to be fully covered by its accumulated EBITDA since the commencement of business of the restaurant.

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

4. Shenzhen Restaurant commenced operation since October 2013 and is yet to reach investment payback point.

As the estimated total saleable area of the Sheung Wan Restaurant and Beijing House Restaurant is about twice of that of the I-Square Restaurant, the Directors expect that the loss of contribution of revenue and operating profit to the Group from the I-Square Restaurant upon its closure in November 2015 will soon be compensated by that of the Sheung Wan Restaurant and Beijing House Restaurant which was opened at the end of October 2015.

Moreover, the Directors consider that the capital expenditure requirement for the Group's expansion plan of opening new restaurants in Hong Kong and the PRC, which was/will be financed by internal resources generated from operations and bank borrowings of the Group, as well as the net proceeds from the [**REDACTED**], and the operation of the Sheung Wan Restaurant and Beijing House Restaurant in place of the I-Square Restaurant, would not have material adverse impact on the liquidity position or cash flow position of the Group.

As at the Latest Practicable Date, the Group had not identified any acquisition target for its expansion plan.

FOOD SAFETY AND QUALITY CONTROL

The Group strives to provide high quality Chinese cuisine and services to its customers. The Group has a quality control system in place covering food production process, food and services provided to the customers and dining environments of all its restaurants, with a particular focus on food hygiene and safety and sanitation and cleanliness standards of restaurant premises. Food safety policies and procedures prepared in accordance with the standards required by the relevant government authorities have been established. The restaurant head is responsible for reviewing the operations and performance of the restaurant to ensure that they are in compliance with the guidelines and policies.

Each restaurant head is responsible for checking and monitoring the quality of food and services and the dining environments of the relevant restaurant. The restaurant head directly reports to the senior management of the Group and would make suggestions on remedial actions if the Group's restaurant for which he is responsible has underperformed.

Except for the newly opened Sheung Wan Restaurant, each of the Group's restaurants under Star of Canton Restaurants in Hong Kong was accredited as a Qualified Restaurant (優質餐館) by the Hong Kong Tourism Board in 2015, recognising the restaurants' commitment to offering qualified services in the restaurant industry. The validity period of the accreditation is from 1 April 2014 to 31 March 2015. The Group plans to apply for renewal of the accreditation for all of its restaurants in Hong Kong in subsequent years in due course.

Quality control on food production

The Group strive to maintain a strict quality control system and adopt high hygiene standards throughout the entire food production process, starting from the procurement of the food ingredients to food delivery to customers covering the following aspects:

Control on source of food ingredients and seasonings

The Group maintains a food control team which is responsible for monitoring the source of food ingredients and seasonings. The chief executive officer and the executive chef shall select food ingredients carefully, often based on origin, nutritional value, freshness, chemical content and consumption safety. The freshness and quality of the raw materials and food ingredients provided by its suppliers are evaluated on a regular basis and the Group would cease to source from those suppliers who fail to provide quality food ingredients. Orders for most food ingredients and seasonings are normally placed with the Group's approved suppliers.

Furthermore, the head chef of main dishes section and senior kitchen staff (i.e. head chopper) shall 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.

Response to "Gutter oil" Incident

In early September 2014, the widely reported "gutter oil" incident affected food businesses in Taiwan, Hong Kong and Macau. As soon as the Group became aware of the incident, it has informed all restaurant heads and managers of all its restaurants to be aware of any usage of contaminated lard products that were investigated by the government authorities.

In order to increase customers' comfort on the foods provided by the Group's restaurants, the Group's restaurants in Hong Kong participated in the Hong Kong Cooking Oil Registration Scheme (the "**Scheme**") launched by Hong Kong Quality Assurance Agency of the Hong Kong government, as Scheme Companions. According to the Scheme, participating restaurants, as Scheme Companions, have to observe various conditions in their operations, including but not limited to, keeping of adequate records of cooking oils purchased and used in order to ensure their sources and place of origins can be traced, assuring the cooking oils used are purchased from reliable sources, allowing the collection of waste cooking oil by eligible collectors, as well as allowing for inspection of relevant records upon demand by the authority.

Inspection of food ingredients and seasonings upon delivery

Different inspection procedures are adopted for different types of raw materials sourced by the Group. For the delivery of the food ingredients, the designated kitchen staff (i.e. second chopper) is required to record the weight of the incoming food ingredients and the time of delivery and inspect of quality of the food ingredients, upon delivery of the food ingredients to the restaurants' kitchen areas by suppliers. The designated kitchen staff checks the information on the delivery notes against the orders before confirming receipt of the food ingredients. For high value dried foods, the head chef of main dishes section or the head chopper will inspect and weigh the food ingredients together with the restaurant head upon receipt. For ancillary equipment and utensils, the relevant section head chef signs and affixes the company chop on the goods delivery note to acknowledge receipt of goods. All these procedures are carried out before invoices are sent to the accounts department by the suppliers.

Use of cooking methods and techniques

The Group endeavours to provide quality food that brings out the flavour from quality food ingredients and seasonings. In addition to using fresh and quality ingredients, cooking techniques are just as important to the Group. Each technique for each dish is chosen carefully. In order to highlight qualities of food ingredients on top of flavour, aroma, colour and texture, the Group also uses cooking methods and recipes which the Directors believe would preserve the nutritional value of food ingredients and allow dishes to be served at desired time and temperature.

In addition, the section head chefs would provide guidance to other chefs and assistants on preparing foods in accordance with established standards, including conforming to the specifications reflected in photographs of menu items, maintaining the desirable characteristics of a given standard, preparing consistent and appropriate serving sizes and developing cooking methods to reduce food waste.

Storage of food ingredients

All food ingredients once delivered to the restaurants are stored in respective designated areas in the kitchen and refrigerating facilities as some of them are perishable in nature. To avoid contamination, all food ingredients are required to be kept in areas with appropriate temperature and humidity, depending on their nature.

Hygiene and safety

To ensure the hygiene condition of the food ingredients, the restaurant chefs check the fresh food ingredients on a daily basis and other food ingredients and seasonings, in particular, the chilled food stored in the refrigerating facilities on a regular basis.

A set of procedures have been put in place to ensure the observance of personal hygiene by food handlers. For example, all the restaurants shall ensure food handlers are not suffering from discharging wounds or sores on any exposed parts of their bodies; and that bandages or dressings should preferably not be in flesh-colour so that they can be easily detected on falling off.

All kitchen areas and equipment and utensils used are required to be disinfected and cleaned up at the end of each business day. All kitchen staff are required to keep the kitchen floors free of obstacles that may result in falls or injuries and dry to avoid the growth of bacteria. Food waste and expired dishes are required to be properly discarded.

In addition, the Group has developed a set of procedures on inspection of kitchen areas and equipment. Regular inspection of the kitchen areas is carried out to check that different parts of the kitchen areas, including stoves, basin, utensils, floors, ceiling and ventilating system, are up to the hygiene standard. The restaurant head is responsible for ensuring compliance of these procedures and making recommendations to the Group's senior management in this aspect.

Employee Safety

The Group is committed to providing a safe working environment for its employees. The Group has developed safety procedures and guidelines which set out work safety policies and promote safety on work sites. In addition, the Group's kitchen operation manual provides clear guidance on various occupational and restaurant safety matters which restaurant-level staff is required to follow. The Directors believe these measures help reduce the number and seriousness of work-related injuries of its staff and are adequate and effective to prevent serious work injuries.

When an accident occurs in the Group's restaurant, the restaurant head will report the accident to the administration department as soon as possible. The Directors confirm that there was no material accident at its restaurants during the Track Record Period. Based on the Group's internal record, the Directors confirm that the Group recorded no work-related injuries of its employees during the Track Record Period where compensation paid for each is above HK$0.13 million, and the total compensation paid for all of these worked-related injuries was approximately HK$0.4 million in aggregate. Please refer to the sub-paragraph "Business – Internal control measures to prevent the recurrence of non-compliance incidents – Employees-related non-compliance matter" for compliance policy in relation to work-related injuries and accidents.

All refrigerating facilities of the Group's restaurants are required to be cleaned on a regular basis for ensuring their cleanliness and high hygiene standard as required by the Group. Further, all refrigerating facilities are maintained and checked on a regular basis for ensuring that they operate effectively and efficiently.

Training to staff

The Group provides on-the-job training to staff in relation to food ingredients preparation and preservation, flow of food production, hygiene conditions of the kitchen and quality control in different aspects of the operations of restaurants based on their job duties to improve their practical skills and practices. The Group also distributes guidance materials and manuals on food handling, food and personal hygiene, food safety and quality control to ensure that its operations are run in a safe and proper manner.

Based on the above aspects which are related to assurance of food safety, as at the Latest Practicable Date, there are a total number of 38 staff of different levels involved in implementing various quality control measures on food production, including, among others, checking the quality upon purchase of raw materials, receipt of food ingredients, cooking and serving of foods.

Quality control on customer service

The Group provides training and guidelines to its staff on service-related areas such as food handling and personal hygiene to enhance the quality of services provided to the customers. The Group endeavours to train all front-line service staff to be courteous, competent and responsive and to provide cordial hospitality to customers. The restaurant staff are required to be professionally uniformed during all working hours. The Group's restaurant heads hold daily briefing sessions with all front-line service staff on the daily operations of restaurants. In these briefing sessions, the restaurant heads or restaurant managers would review staff performance and reflect the customers' feedbacks. Such daily performance reviews assist the front-line service staff in maintaining and improving service levels. The Group strives to promote customer satisfaction through responding to their comments and feedbacks. All front-line service staff are required to treat every request, enquiry or complaint by customers promptly and seriously. In case of any customer complaint in relation to food or quality of services, the restaurant heads would take initiative to investigate and resolve the matter and attend to the customers promptly. The Directors believe that maintaining good customer satisfaction can assist the Group in strengthening its price-value proposition and building its brands and reputation.

Quality control on dining environments and kitchen areas

The Group is committed to providing comfortable dining environments and maintaining the high hygiene standard of the kitchen areas. The Group has engaged a professional carpet cleaning company to perform carpet regular cleaning for its restaurants while an aquarium management company is engaged to perform regular maintenance and cleaning work for the aquariums of its restaurants. Further, the restaurant manager will monitor the dining environment and provide immediate feedback to the floor staff.

COMPLAINTS

Whenever a complaint from a customer is received in a restaurant, the relevant restaurant head or restaurant manager will try to resolve the matter to the customer's satisfaction. If the customer is satisfied, the restaurant head will fill in a customer complaint record form with details of the complaint and send the form to the Group's administrative department for record. If the restaurant head is unable to resolve the matter to the customer's satisfaction, the complaint case will be referred to the administration department for further handling. Whenever the Group receives a customer complaint from the compliant hotline of the Group, the administration department is responsible for follow up actions.

To the best knowledge of the Directors, the Group is not aware of any incident of customer complaint claiming material compensation that could have a material adverse effect on its business, results of operations or financial condition during the Track Record Period and up to the Latest Practicable Date. As soon as any restaurant of the Group receives a customer complaint referred from the Consumer Council or Hong Kong Tourism Board, the administration department will handle the customer complaint. The Directors confirmed that, to the best of their knowledge, during the Track Record Period and up to the Latest Practicable Date, there was one incident in which one of the Group's restaurants was subject to a deduction of 5 demerit points by the FEHD under the demerit points system due to non-compliance with the provision relating to food not of the substance demanded by the customer (in particular, a piece of dim sum provided by the relevant restaurant contained a small piece of plaster) of the Public Health and Municipal Services Ordinance, and the relevant restaurant pled guilty under such ordinance and was fined HK$3,405. Nevertheless, the Directors confirmed that the customer who lodged the complaint did not make any monetary claims against the Group. Save for the aforementioned compliant, which was followed up by the FEHD, the Group's restaurants have not been subject to any other investigations regarding the hygiene of its food by any government authorities or relevant consumer protection organisations during the Track Record Period.

During the Track Record Period and as at the Latest Practicable Date, none of the Group's restaurants had been subject to suspension from operations because of similar incidents and the Directors are of the view that the above incident would not have any material adverse effect on its business and financial position. The control measures implemented to prevent reoccurrence of similar incidents have been set out in the sub-paragraphs headed "Food safety and quality control – Quality control on food production – Use of cooking methods and techniques, and Hygiene and safety" in this section. In particular, all the restaurants shall ensure food handlers are not suffering from discharging wound or sores on any exposed parts of their bodies; and that bandages or dressings should preferably not be in flesh-colour so that they can be easily detected on falling off. Please also see the section headed "Risk Factors – Risk Relating to the Group's Business – Failure to deal with customer complaints for adverse publicity involving the Group's products or services could materially and adversely impact the Group's business and operation results." and "Risk Factors – Risk Relating to the Group's Business – Any negative publicity or complaints on food contamination could adversely impact the Group's reputation, business and operation results and even subject the Group to significant liability claim."

AWARDS AND CERTIFICATIONS

The following table sets out the various awards and certifications obtained by the Group during the Track Record Period and up to the Latest Practicable Date:

Year of Grant	Restaurant Awarded	Awards/ Certification	Awarding Body	Validity Period
2008	Star of Canton Restaurant	Gold Award for Chicken Dishes Group of The Sixth Open Fire Cooking Competition (第六屆明火食神爭霸戰雞組金獎)	Metro Finance channel of Metro Broadcast Corporation Limited	Not applicable
2008	Star of Canton Restaurant	The Most Creative Award for Chicken Dishes Group of The Sixth Open Fire Cooking Competition (第六屆明火食神爭霸戰雞組最具創意獎)	Metro Finance channel of Metro Broadcast Corporation Limited	Not applicable
2015	Star of Canton Restaurants	Qualified Tourism Services Scheme – accredited restaurants	Hong Kong Tourism Board	1 April 2014 – 31 March 2015

LICENSES AND APPROVALS

Regulatory regime of Hong Kong

In order to operate the Group's restaurants in Hong Kong and to sell liquor at its restaurant premises, the following three types of licenses are required to be obtained and maintained:

(a) a general restaurant license granted by the DFEH of the FEHD;

(b) a water pollution control license granted by the DEP of the EPD; and

(c) a liquor license granted by the LLB.

However, in some cases the DEP of the EPD may grant an exemption of the requirement to obtain a water pollution control license for a restaurant if it considers the premises in which the relevant restaurant is situated meets the water pollutions control requirements of the EPD. In this regard, the Olympian Restaurant is exempted from the requirement to obtain a water pollution control license as permitted by the DEP of the EPD.

Please refer to the section headed "Laws and Regulations" in this document for details of the relevant regulatory requirements regarding the above licenses.

Regulatory regime of China

In accordance with the laws and regulations of China, the Group is required to maintain various approvals, licenses and permits in order to operate its restaurant in China. Shenzhen Restaurant is required to obtain, among others, the relevant pollutant discharge license and dining service license. These licenses and registrations are achieved upon satisfactory compliance with, amongst others, the applicable food safety, hygiene and environmental protection laws and regulations. All of these licenses are subject to periodic or aperiodic examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation.

The PRC Legal Adviser confirmed that as at the Latest Practicable Date, the Group had obtained all the licenses and permits required for operation of its Shenzhen Restaurant and all of these licenses or permits were valid, and that the Group was not in contravention of the applicable PRC laws and regulations in any material respect.

Licenses of the Group

Restaurants in Hong Kong

The table below sets out details of the general restaurant licenses, liquor licenses and water pollution control licenses, in respect of each of the Group's restaurants operating in Hong Kong:

			General restaurant license			Liquor license *(Note 2)*			Water pollution control license *(Note 3)*		
Name of restaurant	**Operating capacity**	**Address of the restaurant as shown in the general restaurant license**	**Holder**	**License number**	**Validity period of the current license**	**Holder**	**License number**	**Validity period of the current license**	**Holder**	**License number**	**Validity period of the current license**
CWB Restaurant	Solarday Investment	21/F, Lee Theatre Plaza, 99 Percival Street, Causeway Bay, Wanchai, Hong Kong	Solarday Investment	2212126617	8 January 2016 – 7 January 2017	Chan Chun Kit	5212002125	20 January 2016 – 19 January 2018	Solarday Investment	WT00022762-2015	9 November 2015 – 30 November 2020
Olympian Restaurant	Orient Century	Shop UG01, UG/F, Olympian City Two, 18 Hoi Ting Road, West Kowloon, Kowloon	Orient Century	2262262950	6 June 2015 – 5 June 2016	Pang Shu Wan	5262001710	11 June 2015 – 10 June 2016	N/A	N/A	N/A
The One Restaurant	Great Virtue (HK)	17/F, The ONE, 100 Nathan Road, Tsim Sha Tsui, Kowloon	Great Virtue (HK)	2261807017	20 April 2015 – 19 April 2016	Chow Chor Ting, Anthony	5261821692	8 November 2015 – 7 November 2016	Great Virtue (HK)	WT00022554-2015	2 November 2015 – 30 November 2020
Sheung Wan Restaurant and Beijing House Restaurant	Excel Linker	2/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong	Wong Chi Leung	3818810034 *(Note 1)*	30 October 2015 – 29 April 2016	Yung Siu-wa	5218828217	30 October 2015 – 29 April 2016	N/A	N/A	N/A

Notes:

1. As Sheung Wan Restaurant and Beijing House Restaurant were newly opened at the end of October 2015, a provisional general restaurant license with a validity period of six months was issued instead of a formal one, which is expected to be granted upon application for renewal of the license.

2. All the holders of liquor licenses of the Group's restaurants are either employees of the Group or the Directors.

3. In respect of the water pollution control license, the Olympian Restaurant is exempted from the requirement to obtain a water pollution control license as the premises in which the restaurant is situated is considered by the EPD to meet the water pollution control requirements of the EPD. Sheung Wan Restaurant and Beijing House Restaurant will only apply for the water pollution control license after a few months' operation of the restaurants as it is necessary to submit the three most recent water bills or estimated water consumption information to the EPD for assessment of the discharge of effluents by the relevant restaurants. Please also refer to the paragraph headed "Non-compliance – Water pollution control-related non-compliance matter" in this section for details.

The expiry dates of the existing general restaurant licenses and liquor licenses fall between April 2016 and January 2018. The Group has not encountered any difficulty or rejection in obtaining or renewing the licenses in the past and thus the Directors do not foresee any impediments in renewing all such licenses.

During the Track Record Period, the general restaurant licenses of the CWB Restaurant and The One Restaurant were held by Mr. Chan, one of the Controlling Shareholders and an executive Director, as he was the founder of the said restaurants who has all along been responsible for the operation and management of the said restaurants since their respective openings. In order to enhance control of the said restaurants by the Group, the Group has transferred these licenses to the Group.

As disclosed above, the liquor licenses of the Group's restaurants are held by the Controlling Shareholders, director of subsidiaries and senior management of the Group. Please refer to the section headed "Risk Factors" for the risks associated with such arrangement. To protect the Shareholders' interests, each of the holders holding the liquor licenses for the Group has executed all relevant prescribed forms and documents related to the transfer of the liquor license(s) in escrow so that the Group can timely submit these prescribed forms to the LLB to effect the transfer of the liquor license to the new holder designated by the Group from time to time and/or upon notice of the termination of employment with those holders holding the liquor licenses for the Group.

Restaurant in China

The information below sets out details of the licenses and permits, in respect of the Group's sole restaurant operating in China, i.e. the Shenzhen Restaurant operated by Li Bao Ge Shenzhen:

Dining service license 《餐飲服務許可證》

- License number: Yue Can Zheng Zi No. 201344030002196 (粵餐證字201344030002196號)
- Validity of the current license: 21 October 2016

Guangdong Province pollutant discharge license《廣東省污染物排放許可證》

- License number: 31901
- Validity of the current license: 11 April 2019

City water discharge license 《城市排水許可證》

- License number: 14004307
- Validity of the current license: 30 June 2019

The Group has implemented a set of internal compliance guidelines in order to comply with the relevant laws and regulations in relation to the opening of new restaurants, with the assistance of external professionals if necessary. For example, in Hong Kong, the Group has engaged an external consultant for its new restaurant to render consultancy services covering the preparation of application form and layout for applying for the general restaurant license and providing assistance to FEHD, the Buildings Department and the Fire Services Department upon submission of the said license application. For both Hong Kong and Shenzhen restaurants, the respective administration staff is also responsible for monitoring the licenses required by the related rules and regulations in the industry and monitoring the application or renewal of licenses. The Legal Compliance Committee is formed for overseeing compliance with laws and regulations relevant to operations as well as the adequacy and effectiveness of regulatory compliance procedures and system. The Legal Compliance Committee comprises the compliance officer of the Board, executive Directors, financial controller, company secretary and independent non-executive Directors. The Group would procure to obtain the relevant required licenses prior to the expected opening date of the restaurant.

In respect of the existing licenses and approvals of the Group's restaurants, a full record detailing the validity periods of each license and approval would be maintained and reviewed by the Directors monthly to ensure that all licenses and approvals are valid and subsisting and that renewals of such licenses are made in a timely manner.

PRODUCT DEVELOPMENT

The Group appreciates the importance of introducing creative dishes regularly to attract a broader customer base and its operating results. In view of it, the Group would update its menus regularly in response to the changing tastes of the customers and general sentiment. In developing new menu items, the head chefs of each of the Group's restaurants consider the market trend, seasonal factor and feedback from the customers who frequently visit the Group's restaurants. They also make variations to the existing dishes according to season and trend, conforming to modern dietetic. All the head chefs of the Group's restaurants have substantial experience in cooking and serving Chinese cuisine and therefore, the Directors are of the view that all the head chefs have sufficient knowledge of local taste and preference and can create dishes that suit the customer needs. Before launching any new dishes, the chief executive officer and all the head chefs gather for tasting the new dishes and they are responsible for making the final approval of any new dishes, their ingredients and prices.

In view of the Directors, in recent years, there is a steady and rapid economic growth in China and the local residents have higher consumption power and demand for quality Chinese food and services than before. In connection with this, the Group's restaurant in China, namely, Shenzhen Restaurant, employed its head chefs from Hong Kong who are experienced in the Cantonese restaurant industry in Hong Kong, with the aim to provide high-quality and modern-style Cantonese dim sum and dishes for its customers.

Moreover, in order to substantiate the cooking techniques and product innovation abilities of the head chefs of the Group's restaurants, the Group urged its head chefs to participate in cooking competitions. In this regard, a head chef of Star of Canton Restaurant won the Gold

Award and The Most Creative Award for Chicken Dishes Group of The Sixth Open Fire Cooking Competition (第六屆明火食神爭霸戰) organized by the Metro Finance channel of Metro Broadcast Corporation Limited in 2008.

COMPETITION

The restaurant industry in Hong Kong and China is keen and highly competitive. There are many Chinese restaurants offering different kinds of Chinese cuisine and providing Chinese banquet and dining services for large-scale events. Different Chinese restaurants operators target different customers whose spending power and demands vary. In addition, there are many restaurants in Hong Kong offering non-Chinese cuisine, such as Asian cuisine and international cuisine, while there are many restaurants in China offering various types of Chinese cuisine, such as Jingchuanhu cuisines.

The restaurant industry in Hong Kong and China is also fragmented and diverse. According to the Ipsos Report, barriers to entry into the restaurant business in Hong Kong include a new entrant's ability to hire experienced chefs possessing authentic cooking techniques, and to afford high rent of restaurant premises in times of limited supply of rental space coupled with sustained high rent price situation in the market; while barriers to entry into the restaurant business in the PRC market include a time honoured brand, ability of a new entrant to manage the human resources including maintaining a low staff turnover rate and meeting of initial capital requirement. The size, number, and strength of the competitors in this industry vary widely and there is no significant player dominating the whole industry. Though different segments of the restaurant industry have their own leading players, their individual market share varies from one segment to the other. Thus, the Directors consider that none of the operators in one segment can be treated as a direct competitor of another operator in a different segment.

Generally, competition in the restaurant industry is based on, among other things, quality of food, quality of services, price, location, dining environment and reputation. The Directors believe that it is in an advantaged position in the local Chinese restaurants market compared with many of its competitors and it can maintain such position as it has the following advantages:

- the Group places high emphasis on the quality of food and services to customers;
- the Group preserves traditional Chinese cooking and recipes and continuously introduce creative dishes;
- the Group offers quality food at reasonable prices;
- the Group has an established reputation for quality food;
- the Group has adopted a restaurant network expansion strategy for capturing target customers;

- the Group has an experienced senior management team; and
- the Group provides comprehensive training to its staff.

INSURANCE

The Group maintains insurance for employees' compensation liability for personal injury and occupational disease, public liability to cover the Group against any claims of illness, injuries or damage to personal property by the customers, commercial general liability insurance to cover any liability for damages arising out of the business operation, cash policy for loss of money at the business premises, fire insurance, insurance for the properties, plant and equipment in the restaurants.

The Directors are of the view that the aforesaid insurance coverage is sufficient and the nature of coverage is in line with normal commercial practice in Hong Kong and China.

ENVIRONMENTAL MATTERS

During the food preparation process and operations of the restaurants, certain sewage, used oils and garbage would be produced and maintained by the Group. Apart from the daily cleansing procedure adopted by the Group, the Group also procured external cleansing companies, which are Independent Third Parties, from time to time, if necessary, to provide pest control and cleaning services including but not limited to carpet cleaning, aquarium cleaning and oil tank cleaning to the restaurants of the Group.

The Group's restaurant operations in Hong Kong and China are subject to environmental protection laws and regulations promulgated by the governments of Hong Kong and China respectively. The Group will devote operating and financial resources to environmental compliance whenever it is required by Hong Kong or China laws to do so in the future.

During the Track Record Period, the Group recorded amounts of approximately HK$190,000, HK$251,000 and HK$255,000 for the three years ended 31 December 2015 respectively in compliance with applicable rules and regulations for environmental matters.

EMPLOYEES

As at 31 January 2016, the Group had a total of 370 full-time employees. The following table shows the breakdown of the employees by functions as at the Latest Practicable Date:

	Number of employees
Management	5
Finance and accounting	10
Administrative and marketing	5
Purchasing and logistics	7
Personnel	6
Operations	337
Total	370

The Group seeks to create a distinct corporate culture that promotes responsibility, achievement, cooperation, team work and career development of employees. It advocates a fair, healthy, caring and balanced corporate culture that will inadvertently create a synergistic result to facilitate employee retention and improve productivity. The Group is also committed to promoting employee engagement to improve the efficiency and sustainability of the organization. The Group intends to continue assessing our employees' engagement and creating a responsive environment to create a high engagement workplace within the Group.

The salary level of employees in the restaurant industry in Hong Kong and China has been steadily increasing in recent years due to changes in labor law and local labor market trends. The Group offers competitive wages and other benefits to its restaurant staff, and makes salary adjustments in response to the local labor market conditions. The lowest starting salaries offered by the Group's restaurants to its restaurant staff in Hong Kong steadily rose upward during the Track Record Period, and were higher than the then applicable minimum wage requirements in Hong Kong. The Directors expect the Group's labor costs to continue to increase as inflationary pressures in Hong Kong and China drive up wages.

During the Track Record Period, the Group did not receive or experience material labor disputes with its employees.

PROPERTY

Owned property

As at the Latest Practicable Date, the Group did not own any property.

Leased properties

As at the Latest Practicable Date, the Group leased the following properties in Hong Kong and Shenzhen, the PRC for use as its existing restaurant premises, planned restaurant premises (subject to completion of construction and renovation), offices, storage and staff quarters.

Hong Kong

CWB Restaurant

In May 2014, Solarday Investment entered into a lease with an Independent Third Party for the use of a property situated at 21st Floor, Lee Theatre Plaza, 99 Percival Street, Causeway Bay, Hong Kong with a total saleable area of approximately 757 sq.m. as the restaurant premises of CWB Restaurant. The terms of the lease will expire on 31 August 2017.

Olympian Restaurant

In February 2014, Orient Century entered into a lease with an Independent Third Party for the use of a property situated at Shop UG01, Upper Ground Floor, Olympian City Two, 18 Hoi Ting Road, West Kowloon, Hong Kong with a total saleable area of approximately 865 sq.m. as the restaurant premises of Olympian Restaurant. The terms of the lease will expire on 31 March 2018.

The One Restaurant

In September 2013, Great Virtue (HK) entered into a lease with an Independent Third Party for the use of a property situated at 17th Floor, The ONE, 100 Nathan Road, Tsim Sha Tsui, Hong Kong with a total saleable area of approximately 598 sq.m. as the restaurant premises of The One Restaurant. The terms of the lease will expire on 31 August 2016. In October 2015, Great Virtue (HK) entered into a lease with the same Independent Third Party to extend the lease term of The One Restaurant to 31 August 2019.

Sheung Wan Restaurant and Beijing House Restaurant

In July 2015, Excel Linker entered into a lease with an Independent Third Party for the use of a property situated at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong with a total saleable area of approximately 1,532 sq.m. as the restaurant premises of the Sheung Wan Restaurant and the Beijing House Restaurant. The terms of the lease will expire on 10 August 2018.

Office in Hong Kong

In August 2015, Solarday Investment Limited entered into a lease with an Independent Third Party for the use of a property situated at Unit No. 2, Level 27, Tower B, Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong with a total saleable area of approximately 2,622 square feet as the office premises of the Company. The terms of the lease will expire on 16 August 2018.

Shenzhen, the PRC

Shenzhen Restaurant

In December 2012, Mr. Chan entered into a lease with an Independent Third Party for the use of a property situated at Unit 1, Level 2, Tower 3, Kerry Plaza, No. 1-1 Zhong Xin Si Road, Futian District, Shenzhen City, the PRC with a total saleable area of approximately 2,980 sq.m. as the restaurant premises of Shenzhen Restaurant. The terms of the lease will expire on 31 July 2019. Pursuant to a deed of novation dated 25 October 2013 and signed between Li Bao Ge Shenzhen, Mr. Chan and Kerry Development (Shenzhen) Co., Ltd., all rights and obligations under the subject lease for the remaining term had been transferred to Li Bao Ge Shenzhen on 25 October 2013 with Mr. Chan being the guarantor for the observance of obligations of the terms of the lease.

Shenzhen Uniwalk Restaurant (the building in which the restaurant premises will be located is still under construction)

In 2014, Orient Shenzhen entered into a lease agreement with an Independent Third Party for the use of a property, which is still under construction, situated at Shops 003A and 005, Level L4, Uniwalk Shopping Mall (壹方城購物中心), Qianhai, Baoan District, Shenzhen City, the PRC with a tentative total saleable area of 2,803 sq.m. as the restaurant premises of Shenzhen Uniwalk Restaurant. The terms of the lease is 10 years commencing from the expiry of a 210-day renovation period, which is yet to be determined depending on the formal handover of the restaurant premises to Orient Shenzhen upon completion of construction.

Shenzhen One Avenue Restaurant (the building in which the restaurant premises will be located is still under construction)

In 2015, Orient Shenzhen entered into a lease agreement with an Independent Third Party for the use of a property, which is still under construction, situated at Shops CL5002 and CL5003, Level L5, One Avenue (中央大街) (tentative name of the construction project subject to final approval by the relevant local government department), Futian District, Shenzhen City, the PRC with a tentative total saleable area of 1,721 sq.m. as the restaurant premises of Shenzhen One Avenue Restaurant. The terms of the lease is 9 years commencing from the earlier of the expiry of a 180-day renovation period or the opening day of the restaurant, which is yet to be determined depending on the formal handover of the restaurant premises to Orient Shenzhen upon completion of construction.

Office in the PRC

In September 2015, Orient Shenzhen entered into a lease agreement with an Independent Third Party for the use of a property situated at Room 04-L, Level 13, Tower 3, Kerry Plaza, No. 1-1 Zhong Xin Si Road, Futian District, Shenzhen City, the PRC as the office premises of Orient Shenzhen. The terms of the lease will expire on 17 September 2016.

Storage in the PRC

In September 2013, Li Bao Ge Shenzhen entered into a lease agreement with an Independent Third Party for the use of a property situated at Store Room No. 03, Level B1M, Tower 3, Kerry Plaza, No. 1-1 Zhong Xin Si Road, Futian District, Shenzhen City, the PRC as the storage of Li Bao Ge Shenzhen. The terms of the lease will expire on 31 July 2019.

Staff quarters in China

Li Bao Ge Shenzhen entered into 20 leases with Independent Third Parties for the use of certain properties situated at Futian Districts, Shenzhen City, the PRC as staff quarters of Li Bao Ge Shenzhen, where some of the leases were signed by staff with rental payments borne by Li Bao Ge Shenzhen and directly paid by Li Bao Ge Shenzhen to the landlords. The terms of the leases will expire from May 2016 to October 2016.

The Directors confirm that all the above-mentioned leases agreements were negotiated on an arm's length basis with reference to the prevailing market rates.

The following table sets out the details of the Group's existing operating leases for its restaurants, including those planned to be opened in 2017:

	Name of restaurant	Location	Lease term	Estimated saleable area (sq.m.) *(Note 1)*	Monthly basic rent	Approximate monthly basic rent per sq.m. *(Note 3)*	Monthly turnover rent	Notice period for early termination	Option for renewal
	Hong Kong								
1	CWB Restaurant	Lee Theatre Plaza, Causeway Bay	1 September 2014 – 31 August 2017	757	HK$430,100	HK$568	the amount by which 13% of the restaurant's monthly gross turnover exceeds the monthly basic rent	6 months' prior notice *(Note 4)*	No
2	Olympian Restaurant	Olympian City Two, West Kowloon	1 April 2013 – 31 March 2018	865	HK$600,000 for the first year, with annual increment of HK$25,000 in subsequent years	HK$694 (illustrated for the first year only)	the amount by which 12% of the restaurant's monthly gross turnover exceeds the monthly basic rent	6 months' prior notice *(Note 4)*	No

	Name of restaurant	Location	Lease term	Estimated saleable area (sq.m.) *(Note 1)*	Monthly basic rent	Approximate monthly basic rent per sq.m. *(Note 3)*	Monthly turnover rent	Notice period for early termination	Option for renewal
3	The One Restaurant	The ONE, Tsim Sha Tsui	1 September 2013 – 31 August 2016	598	HK$540,000	HK$903	the amount by which 11% of the restaurant's monthly gross turnover exceeds the monthly basic rent	3 months' prior notice *(Note 4)*	No
4	The One Restaurant	The ONE, Tsim Sha Tsui	1 September 2016 – 31 August 2019	598	HK$650,000	HK$1,087	the amount by which 13% of the restaurant's monthly gross turnover exceeds the monthly basic rent	3 months' prior notice *(Note 4)*	Renewable for further 2 years, at: (i) a new monthly basic rent to be agreed by both parties or based on the then prevailing market rent; plus (ii) a turnover rent, being the amount by which 13% of the restaurant's monthly gross turnover exceeds the new monthly basic rent

	Name of restaurant	Location	Lease term	Estimated saleable area (sq.m.) *(Note 1)*	Monthly basic rent	Approximate monthly basic rent per sq.m. *(Note 3)*	Monthly turnover rent	Notice period for early termination	Option for renewal
5	Sheung Wan Restaurant and Beijing House Restaurant	Infinitus Plaza, Sheung Wan	11 August 2015 – 10 August 2018	1,556	HK$1,188,000	HK$763	the amount by which 10% of the restaurant's monthly gross turnover exceeds the monthly basic rent	6 months' prior notice *(Note 4)*	Renewable for further 3 years, at a monthly rental being the higher of (i) basic rent in the range of HK$1,188,000 to HK$1,425,060 (to be agreed by both parties); and (ii) 10.5% of gross turnover
	Shenzhen, the PRC								
6	Shenzhen Restaurant	Kerry Plaza, Futian District	1 August 2013 – 31 July 2019	2,980	RMB302,105 for the first two years, with annual increment of approximately 9.1% to 25.0% in subsequent years	RMB101 (illustrated for the first year only)	the amount by which 8% (for 1st year)/11% (for 2nd to 4th years)/12% (for 5th to 6th years) of the restaurant's monthly gross turnover exceeds the monthly basic rent	*(Note 5)*	Renewable for further 3 years, with rental to be agreed by both parties
7	Shenzhen Uniwalk Restaurant	Uniwalk Shopping Mall, Qianhai, Baoan District	10 years from the expiry of renovation period *(Note 2)*	2,803	Nil for the first three months, RMB305,760 for 3rd to 24th month, with annual increment of approximately 6.5% to 9.2% in subsequent years	RMB109 (illustrated for the first year only)	the amount by which 7% (for 1st to 2nd years)/8% (for 3rd to 4th years)/9% (for 5th to 6th years)/10% (for 7th to 10th years) of the restaurant's monthly gross turnover exceeds the monthly basic rent	*(Note 5)*	Renewable with first right of refusal

	Name of restaurant	Location	Lease term	Estimated saleable area (sq.m.) *(Note 1)*	Monthly basic rent	Approximate monthly basic rent per sq.m. *(Note 3)*	Monthly turnover rent	Notice period for early termination	Option for renewal
8	Shenzhen One Avenue Restaurant	One Avenue, Futian District	9 years from the earlier of the expiry of renovation period or the restaurant opening day *(Note 2)*	1,721	RMB309,780 for the first year, with annual increment of approximately 4.9% to 11.1% in subsequent years	RMB180 (illustrated for the first year only)	the amount by which 8% (for 1st to 3rd years)/9% (for 4th to 6th years)/10% (for 7th to 9th years) of the restaurant's monthly gross turnover exceeds the monthly basic rent	*(Note 5)*	Renewable with first right of refusal

Notes:

1. The estimated saleable area is for reference only and is not indicated in the lease agreements of Hong Kong restaurants, nor does it represent the same measurement standard as those indicated in the lease agreements of the PRC restaurants.

2. As the building in which the restaurant will be situated is still under construction, the commencement date of the lease term is to be determined upon the formal handover of the restaurant premises to the tenant after the completion of construction.

3. The approximate monthly basic rent per sq.m. is for illustration purpose only and does not represent the basis of monthly basic rent charged under the relevant lease agreement.

4. The prior notice period refers to the right of the landlord to early terminate the lease in case of sale, redevelopment, refurbishment or similar events of the restaurant premises or the relevant building by the landlord. Except as aforesaid and other than exceptional circumstances such as default of payment or breach of warranties by tenant, resumption of premises by the government, and occurrence of events beyond the control of both parties, which are expressly stated in the lease, under no circumstances could the landlord or the tenant terminate the lease without the parties' mutual consent.

5. Other than exceptional circumstances such as default of payment or breach of warranties by tenant, resumption of premises by the government, and occurrence of events beyond the control of both parties, which are expressly stated in the lease, under no circumstances could the landlord or the tenant terminate the lease without the parties' mutual consent.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, the Group owned: (i) two registered trademarks in China, which are registered under the name of Star China and being used by the Group; and (ii) two registered trademarks in Hong Kong, which are registered under the name of Solarday Investment and being used by the Group.

The Group made application for the registration of two trademarks in Hong Kong under class 43 to the Trade Marks Registry in Hong Kong. The applications were still being processed as at the Latest Practicable Date.

The Group has registered the following domain name: **www.starofcanton.com.hk**.

Information relating to the Group's intellectual property rights is set out in the paragraph headed "Statutory and General Information – B. Further Information about the Business – 2. Intellectual property rights of the Group" in Appendix IV to this document.

During the Track Record Period and up to the Latest Practicable Date, the Group had not received any claim against it for infringement of any trademark nor was it aware of any pending or threatened claims in relation to any such infringement; and the Group had not made any claims against third parties with respect to the infringement of intellectual property rights owned by the Group. The Directors are not aware of any legal impediment which may prevent the Group from having the above trademarks registered in Hong Kong.

INVESTMENT AND TREASURY POLICIES

The Group invested in and traded in equity securities listed on the Stock Exchange during the Track Record Period. The Group has fully disposed of such investments in securities in August 2015 and recorded a net loss on disposal of financial assets at fair vale through profit or loss of approximately HK$2.5 million for the year ended 31 December 2015. Such investments were made by Orient Century and were authorized by Mr. Chan as director of Orient Century.

It is the intention of the Directors that the Group will not invest in financial or derivative securities (including entering into foreign currency derivative arrangements), other than for the purpose of hedging of financial or business risk of the Group, group reorganisation, repurchase of the Company's shares or acquisition of interest in other business that is made in accordance with the GEM Listing Rules. Except for those circumstances as aforesaid, any surplus funds of the Group will only be deposited in licensed banks in Hong Kong or the PRC as general working capital. The Directors confirm that, since the Track Record Period and up to the Latest Practicable Date, the Group did not enter into any transaction for hedging purpose.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, the Group was not involved in any litigation or arbitration proceedings pending or, to the Company's knowledge, threatened against the Group or any of the Directors that could have a material adverse effect on the Group's business, reputation, financial condition or results of operations.

Indemnity from the Controlling Shareholders

The Controlling Shareholders [have] entered into the Deed of Indemnity in favour of the Group to provide, subject to the terms and conditions of the Deed of Indemnity, indemnities on a joint and several basis in respect of, among other matters, any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by the Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature against any member of the Group in relation to any act, non-performance, omission or otherwise of any member of the Group on or before the date on which the [**REDACTED**] becomes unconditional. Please refer to the section headed "Statutory and General Information – E. Other information – 1. Tax and other indemnities" in Appendix IV to this document for details of the Deed of Indemnity.

NON-COMPLIANCE

The Directors confirm that save as disclosed below, the Group has complied in all material respects with the applicable laws and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

Employees-related Non-compliance Matter

Particulars of the non-compliance	Reasons for the non-compliance	Remedial actions	Potential maximum penalty/fine	Analysis of the risk to the Company	Internal control measures
During the Track Record Period, the Group did not file the necessary Form 2 (Notice by Employer of the Death of an Employee or of an Accident to an Employee Resulting in Death or Incapacity) to the Commissioner of Labour within 14 days after the accidents which resulted in the injuries of the employees for 13 instances for the period from February 2013 to December 2014, which contravened section 15 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "ECO"). The 13 instances of	(i) The non-compliance was not an intentional act to deprive the relevant employees from compensation in accordance with the ECO but was due to the Group's reliance on its human resources and administrative staff for the filing of the required forms who did not have adequate understanding of the relevant requirements under the ECO. (ii) There was lack of sufficient procedures to keep track of the compliance status with respect to the reporting of work injury cases as required under the ECO.	The Group has filed all the relevant Form 2 not later than 45 days after each of the accidents.	Under section 15(6) of the ECO, if there is no reasonable excuse, failure to give such notice will result in criminal liability on the part of the companies and they are liable to a maximum fine of HK$50,000 for each offence. As at the Latest Practicable Date, the Group has not received any notice, warning, order or prosecution from the Labour Department.	As advised by the Legal Counsel, since the number of instances of the non-compliance is not particularly high and the duration of lateness is not particularly serious, such non-compliances are quite minor and benign in nature and do not warrant definite prosecution. The chance for prosecution is very low.	Starting from the end of August 2015, the Group has implemented enhanced procedures for the timely and due reporting of all work-related accidents, including: (i) upon occurrence of a work-related accident, the involved workers shall promptly report the accident to the human resources manager in each restaurant; (ii) the human resources manager in each restaurant is responsible to file the prescribed form in accordance with the ECO and upon occurrence of a work-related accident, he or she shall complete the form within seven days after the accident; (iii) such form will be passed to the restaurant manager for review, who shall submit the form within ten days after the accident; (iv) the copies of the required forms should be sent to the human resources and administration officer every week and filed at the head office. The finance manager is responsible to review the forms monthly; and

Particulars of the non-compliance	Reasons for the non-compliance	Remedial actions	Potential maximum penalty/fine	Analysis of the risk to the Company	Internal control measures
accidents resulted in minor injuries of the employees of the Group, of which: (i) four resulted in cuts in fingers; (ii) six resulted in twists or strains; (iii) two resulted in scalds; and (iv) one resulted in bruise.					(v) regular trainings will be provided to the workers of the restaurants on at least an annual basis as to the procedures for the reporting of work-related accidents.

Buildings Ordinance-related Non-compliance Matter

Particulars of the non-compliance	Reasons for the non-compliance	Remedial actions	Potential maximum penalty/fine	Analysis of the risk to the Company	Internal control measures
During the Track Record Period, the Group used a unit of a building located in Kwai Chung, Hong Kong (the "**Premises**") for storage of frozen meat and offices, which did not comply with the relevant occupation permit. As the Buildings Authority was not notified regarding the change of user, there was a breach of the conditions imposed by the relevant occupation permit and section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong).	In reliance on its administrative staff who were not aware of the laws pertaining to the use of properties, the Group did not seek professional advice from any external professional parties prior to the commencement of the use of any property.	In September 2015, the Group had ceased to use the Premises for the storage of frozen meat and offices and relocated to another property for offices.	Under section 40(2) of the Buildings Ordinance, the Group is liable to a maximum fine of HK$100,000 and the relevant directors of the members of the Group are also liable to a maximum fine of HK$100,000 and imprisonment for 2 years maximum if any offence is committed by a body corporate with the consent or connivance of, or to be attributable to any neglect or default on the part of them. As at the Latest Practicable Date, the Group has not received any notice, warning, order or prosecution from the Buildings Authority.	As advised by the Legal Counsel, since the breaches of the occupation permit are past breaches and there was no breach as at the Latest Practicable Date, there is no basis to suggest that the Group will commit further breach in the future and the chance of prosecution is very low.	Starting from the end of September, the following measures have been implemented to address the underlying reasons for the non-compliance: (i) the executive Directors and senior management have been designated to handle and monitor the process of occupation of properties for restaurant, storage and office uses, including ascertaining the legal use of properties and obtaining any necessary approvals where applicable; (ii) prior to commencing the occupation or changing the usage of any properties, the Group will seek legal advice from external legal advisers; (iii) regular training sessions will be provided by external legal advisers to the Directors as well as the administrative staff on at least an annual basis on major legal issues in relation to the occupation of properties; and (iv) the Legal Compliance Committee is responsible for overseeing the compliance with laws and regulations in relation to the occupation of properties.

Fire Services-related Non-compliance Matter

Particulars of the non-compliance	Reasons for the non-compliance	Remedial actions	Potential maximum penalty/fine	Analysis of the risk to the Company	Internal control measures
During the Track Record Period, the Group failed to maintain means of escape in the Group's restaurants free from obstruction for four instances, which contravened section 14 of the Fire Services (Fire Hazard Abatement) Regulation (Chapter 95F of the Laws of Hong Kong).	The Group required the restaurant managers to check the means of escape but there was lack of continuing supervision as to whether the checking was completed and detailed implementation of the frequency of checking.	The Group completed all rectification works as required by the Fire Services Department and fines in an aggregate amount of HK$153,000 imposed by the magistrates' courts were paid.	None. As the fines were settled by the Group, the Group is not subject to the maximum penalty or fine under the Fire Services (Fine Hazard Abatement) Regulation.	As advised by the Legal Counsel, since the Group was sentenced already and the fines were settled, the Group is no longer exposed to any risk.	Starting from mid-October, the following measures have been implemented to address the underlying reasons for the non-compliance: (i) the Group has designated a staff in each restaurant to check the means of escape are free from obstruction three times a day and each staff is required to record his/her time of checking to ensure full compliance; (ii) the restaurant manager of each restaurant is required to check such record every day to ensure the checking is done three times a day; and (iii) regular training sessions will be provided by external legal advisers to the staff of the Group's restaurants on at least an annual basis on the safety related laws and regulations in the operation of restaurants.

Water pollution control-related Non-compliance Matter

Particulars of the non-compliance	Reasons for the non-compliance	Remedial actions	Potential maximum penalty/fine	Analysis of the risk to the Company	Internal control measures
During the Track Record Period, the Group did not obtain the relevant water pollution control licenses for its business operations, in breach of sections 8 and 9 of the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong).	The Group relied on the advice by its external license consultant on license requirements and the external license consultant advised that no application for water pollution control licenses is required for the Group's restaurants unless requested by the relevant authority in writing. As such, the scope of services of the external license consultant only covered the operation of the restaurants but did not take into account those license requirement(s) incidental to the operation of the restaurants.	On 10 September 2015, the Group applied for the water pollution control licenses for all its restaurants in Hong Kong. Save for the I-Square Restaurant which ceased operations in November 2015, the Sheung Wan Restaurant, the Beijing House Restaurant and the Olympian Restaurant which is exempted from obtaining such license, the Group has obtained the necessary water pollution control licenses for all of its restaurants as at the Latest Practicable Date. As advised by the Legal Counsel, the application for the water pollution control license shall include information shown in the last received water bill. As the Sheung	Under section 11 of the WPCO, the maximum sentence for contravention of section 9(1) of the WPCO is imprisonment for 6 months and for a first offence a fine of HK$200,000, for a second or subsequent offence, a maximum fine of HK$400,000 and for continued offence, a maximum daily fine of HK$10,000. The Group is a body corporate so it can only be sentenced to pay fines but the responsible officers in principle can be sentenced to imprisonment. As at the Latest Practicable Date, the Group has not received any notice, warning, order or prosecution from the EPD.	Considering that the Group has taken remedial measures and that the non-compliances were not willful since the Group had all along been relying on the external professional licensing consultant, the Legal Counsel has advised that those non-compliances do not warrant definite prosecution, and the chance of prosecution is very low.	Starting from mid-October, the following measures have been implemented to address the underlying reasons for the non-compliance: (i) the Company has extended the scope of services of its external license consultant which includes the application for all required licenses according to the operation of the Group's restaurants and those incidental to the Group's operation; (ii) The Group will engage an additional external license consultant for second opinion on the license requirements of any new restaurants of the Group in the future; (iii) the human resources and administrative officer is responsible for monitoring the licenses required by the related rules and regulations in the industry. The restaurant manager is responsible for monitoring the expiry date of existing licenses. He or she is required to ask the human resources and administrative officer to renew the licenses four months before expiry. The human resources and administrative officer shall complete the renewal 15 days before expired and send the original copies to the related branches seven days before the current licenses expire. The restaurant manager should then update the licenses upon receipt of the renewed licenses; and

Particulars of the non-compliance	Reasons for the non-compliance	Remedial actions	Potential maximum penalty/fine	Analysis of the risk to the Company	Internal control measures
		Wan Restaurant and the Beijing House Restaurant have not received any water bill yet as at the Latest Practicable Date, they have not applied for the water pollution control license(s). The Group shall apply for the water pollution control license(s) for the Sheung Wan Restaurant and the Beijing House Restaurant immediately upon receipt of the first water bill. The Group shall obtain the water pollution control license(s) for the Sheung Wan Restaurant and the Beijing House Restaurant after the [**REDACTED**]. The Group has received replies from the EPD that it is unnecessary to apply for water pollution control license for the Olympian Restaurant.			(iv) the Legal Compliance Committee is responsible for ensuring the implementation of the above internal procedures and overseeing the compliance with laws and regulations in relation to licensing requirements.

General Non-compliance Matter

Particulars of the non-compliance	Reasons for the non-compliance	Remedial actions	Potential maximum penalty/fine	Analysis of the risk to the Company	Internal control measures
1. Late filing – during the Track Record Period, the Group did not file corporate forms regarding change of information and particulars of directors and secretaries of the Group such as appointments, resignations and change of addresses of the directors and secretaries with the Companies Registry on time on 11 occasions, which contravened sections 158(4) and 158(4AA) of the Predecessor Companies Ordinance and sections 645 and 652 of the Companies Ordinance.	The non-compliances were due to: (i) inadvertent oversight on the part of the Group's human resources and administrative staff for filing of company records who did not have adequate understanding of the relevant requirements under the Companies Ordinance and the Predecessor Companies Ordinance; and (ii) lack of sufficient procedures to ensure strict compliance with the Companies Ordinance and the Predecessor Companies Ordinance.	1. The Group has made all necessary filings by September 2015.	1. Under section 158(8) of the Predecessor Companies Ordinance, breach of sections 158(4) and 158(4AA) of the Predecessor Companies Ordinance renders the company and every officer in default liable to a maximum principal fine of HK$10,000 and a maximum daily default fine of HK$300 for each offence. Under the sections 645(6) and 652(3) of the Companies Ordinance, the company and every responsible person is liable to a maximum principal fine of HK$25,000 and a maximum daily default fine of HK$700 for each offence for breach of sections 645 and 652 of the Companies Ordinance.	1. As advised by the Legal Counsel, the offences are minor and technical offences. Given that the natures of the offences themselves are not particularly serious, the chance of prosecution is very low.	Starting from September 2015, the following measures have been implemented to address the underlying reasons for the non-compliance: (i) regular training sessions will be provided by external legal advisers to the Directors as well as the human resources and administrative staff on at least an annual basis on the compliance with the Companies Ordinance; (ii) the financial controller and company secretary, Ms. Hui Wai Shu Jessica (whose qualifications and experience are set out in the section headed "Directors and senior management" in this document) is responsible for (a) keeping the filing register up to date on a monthly basis to ensure ongoing compliance; and (b) preparation of financial statements of the members of the Group in a timely manner and ensure that the financial statements are sent to the members and properly laid before the annual general meetings of the members of the Group in accordance with the Companies Ordinance; and

Particulars of the non-compliance	Reasons for the non-compliance	Remedial actions	Potential maximum penalty/fine	Analysis of the risk to the Company	Internal control measures
2. Failing to send copies of financial statements and lay audited financial statements – during the Track Record Period, the Group failed to send copies of financial statements to members before at least 21 days before the annual general meeting, which contravened section 129G of the Predecessor Companies Ordinance and section 430 of the Companies Ordinance. The Group failed to lay financial statements before the company in annual general meeting, which contravened section 122 of the Predecessor Companies Ordinance and section 429 of the Companies Ordinance.		2. N/A	2. (A) Regarding the contravention of section 430 of the Companies Ordinance and section 129G of the Predecessor Companies Ordinance, (a) it is a criminal offence rendering the company and every responsible person liable to a maximum fine of HK$50,000. for each offence under section 433 of the Companies Ordinance; and (b) the company and every officer of the company who is in default shall be liable to a maximum fine of HK$10,000 under the Twelfth Schedule of the Predecessor Companies Ordinance. (B) Regarding the contravention of section 429 of the Companies Ordinance and section 122 of the Predecessor Companies Ordinance, the maximum penalty is HK$300,000 and 12 months' imprisonment for each offence for wilful breach under both the Twelfth Schedule of the Predecessor Companies Ordinance and section 429(4) of the Companies Ordinance. The court cannot order prison sentence for non-wilful breach.	2. As advised by the Legal Counsel, as these are not the worst type of cases since it is not a failure to prepare accounts at all, the chance of prosecution is relatively low.	(iii) the Legal Compliance Committee is responsible for ensuring the implementation of the above internal procedures and overseeing the non-compliance of the members of the Group with the Companies Ordinance.

Particulars of the non-compliance	Reasons for the non-compliance	Remedial actions	Potential maximum penalty/fine	Analysis of the risk to the Company	Internal control measures
			As at the Latest Practicable Date, the Group has not received any notice, warning, order or prosecution in respect of the violation of the Predecessor Companies Ordinance or the Companies Ordinance.		

Store-value Cards-related Non-Compliance Matter

Particulars of the non-compliance	Reasons for the non-compliance	Remedial actions	Potential maximum penalty/fine	Analysis of the risk to the Company	Internal control measures
During the Track Record Period, the Shenzhen Restaurant had issued store-value membership cards (the "**Store-value Cards**") without filing particulars of such membership cards with the local commerce department and the applicable card rules and custodian account arrangement thereof did not fully comply with the applicable laws and regulations in the PRC.	The Group relied on its staff in the Shenzhen Restaurant who was not aware of the applicable legal requirements on the Store-value Cards in the PRC.	The Shenzhen Restaurant has: (i) completed the filing procedure with the local authority; (ii) set up a custodian bank account and deposited necessary fund therein; and (iii) revised the applicable rules for the membership cards in accordance with the application laws and regulations in the PRC.	As advised by the PRC Legal Adviser, the Shenzhen Restaurant may be required by the relevant authority to rectify the non-compliance within a prescribed period of time, and if the rectification is not completed within the prescribed period, the Shenzhen Restaurant will be subject to a fine between RMB10,000 and RMB30,000, and such penalties may be announced through public media, pursuant to the Administrative Measures for Single-Purpose Commercial Prepaid Cards (for Trial Implementation)* (單用途商業預付卡管理辦法(試行)) (the "**Administrative Measures**").	As advised by the PRC Legal Adviser, given that: (i) the non-compliance has been duly rectified before the relevant authority required rectification; (ii) the current arrangement of the membership cards of the Shenzhen Restaurant complies with all applicable laws and regulations in the PRC in material respects; and (iii) after consulting the relevant local authority, it was confirmed that the Shenzhen Restaurant will not receive administrative penalty for the previous non-compliance if the non-compliance has been voluntarily rectified and the local authority received no complaint before the rectification, the Shenzhen Restaurant will not receive any administrative penalty for the previous non-compliance.	Starting from the end of October, the following measures have been implemented to address the underlying reasons for the non-compliance: (i) the Group has designated an administrative staff in the Shenzhen Restaurant to ensure compliance of the Store-value Cards with the applicable laws and regulations in the PRC; (ii) regular training sessions will be provided by external legal advisers to the staff of the Group's restaurant(s) in the PRC on at least an annual basis on the relevant laws and regulations in relation to the operation of restaurants in the PRC; and (iii) the Legal Compliance Committee is responsible for overseeing the operation of the Group's restaurant(s) in the PRC and ensuring continuous compliance with the applicable laws and regulations in the PRC including but not limited to the Administrative Measures.

No provision

No provision was made in the financial statements of the Group in respect of the aforementioned non-compliance incidents as the Directors have taken into consideration the following: (i) as confirmed by the Directors, save as to the non-compliances which have been convicted, the Group had not received any notices for any fines or penalties in relation to the aforementioned non-compliance incidents up to the Latest Practicable Date; (ii) as mentioned above, the Legal Counsel advised that the chance of prosecution in respect of the aforementioned non-compliance incidents is quite remote, unlikely, not high or the Group is no longer exposed to any risk; and (iii) the Controlling Shareholders shall indemnify the Group as mentioned below in relation to the aforementioned non-compliance incidents.

Based on the advice of the Legal Counsel on each of the non-compliances as abovementioned, the Directors are of the view that there would be no material impact on the Group's operation or financial positions as a result of the above instances of non-compliance.

Indemnity given by the Controlling Shareholders

The Controlling Shareholders, collectively as the indemnifiers, [have] entered into the Deed of Indemnity in favour of the Company, under which the indemnifiers jointly and severally covenant and undertake with the Company to indemnify the Group against losses, liabilities, damages, costs, claims and expenses incurred by the Group in relation to these non-compliance matters on or before the date on which the [**REDACTED**] becomes unconditional. More details of the Deed of Indemnity are set out in the section headed "Statutory and General Information – E. Other information – 1. Tax and other indemnities" in Appendix IV to this document.

Internal control measures to prevent the recurrence of non-compliance incidents

In order to continuously improve the Group's corporate governance and to prevent recurrence of the abovementioned non-compliances in the future, in addition to the aforementioned internal control measures, the Group has, after taking into account the recommendations made by CT Partners, adopted the following measures:

Establishment of the Legal Compliance Committee

Upon [**REDACTED**], the Company will establish the Legal Compliance Committee for the purpose of assisting in overseeing compliance with laws and regulations relevant to operations as well as the adequacy and effectiveness of regulatory compliance procedures and system. The Legal Compliance Committee will comprise: (i) Mr. Lam Kwok Leung Peter, the compliance officer of the Company and an executive Director; (ii) Ms. Hui Wai Shu Jessica, the financial controller and company secretary of the Company; (iii) Mr. Liu Chi Keung, an independent non-executive Director; (iv) Prof. Wong Lung Tak Patrick, an independent non-executive Director; and (v) Mr. Tam Tak Kei Raymond, an independent non-executive Director. While Mr. Lam Kwok Leung Peter has been one of the investors of the Group through his interest in Sun Foo Sing, he did not actively participate in the daily management of the

Group but only involved in the overall strategic development of the Group. He became a director of each of Solarday Investment and Orient Century with an aim to safeguarding his position as an investor. Upon [**REDACTED**], Mr. Lam Kwok Leung Peter will take an active role in the daily management of the Group. Being an executive Director, the compliance officer of the Company and a member of the Legal Compliance Committee, he shall be responsible for, among other things, ensuring the compliance of the Group with all applicable laws and regulations and implementation of the relevant internal control measures. Mr. Lam Kwok Leung Peter has expertise in leasing arrangements as he held various senior roles in few property developers in Hong Kong and is a member of the Royal Institution of Chartered Surveyors. Given his educational qualifications and managerial experience in certain private companies in Hong Kong and together with the support and guidance from CT Partners and other external professional parties, the Directors are of the view that he is suitable and capable, and will be well-equipped for the role of compliance officer of the Company. Ms. Hui Wai Shu Jessica, the financial controller and company secretary of the Company, is another member of the Legal Compliance Committee. Prior to joining the Group, she was the Financial Controller of a catering group company, whereby she gained experience in ensuring compliance with the Companies Ordinance and the accounting standards. She was responsible for checking records of directors' meetings and annual general meetings; assisting the company secretary to arrange for the annual general meetings; coordinating the required forms to be filed at the Companies Registry of Hong Kong; and preparing the management accounts in accordance with the accounting standards. She was also responsible for internal control matters including reporting any irregularities found in the management accounts of the companies to the directors; ensuring that the manager in charge bank-in all cash that matches the cash sales slips from cashiers; ensuring that the relevant forms and tax returns were submitted to the Inland Revenue Department within the time limit and carrying out sample checking; and setting up schedules to tie up figures to ensure accuracy. Her ample experience in accounting, company secretarial and internal control matters shall assist the Group in complying with the Companies Ordinance and accounting standards, as well as implementing the internal control measures, in all respects. Please refer to the section headed "Directors and Senior Management" in this document for further details on the qualifications and experience of the members of the Legal Compliance Committee. The Legal Compliance Committee shall:

- review the effectiveness of the Group's regulatory compliance procedures and system, including operational and compliance procedures and risk management functions;

- assess and review the adequacy of resources, staff qualifications and experience, and training programmes in relation to the Group's regulatory compliance functions;

- assist the Audit Committee in overseeing the Group's corporate governance functions, which includes (i) developing and reviewing the policies and practices on corporate governance and making recommendations to the Audit Committee on a quarterly basis; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; and (iv) reviewing the compliance with the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules and the disclosure in the Corporate Governance Report;

- receive and handle any actual or suspected non-compliance matters reported by the employees of the Group and engage external professional advisers, such as legal advisers and accountants, to assist in the preparation of reports and recommendations in respect of such actual or suspected non-compliance matters; and

- review the effectiveness of the Group's ongoing measures to prevent future non-compliance incidents and provide updates on the applicable laws related to the Group's business operations with the assistance of external professional parties including legal advisers as to Hong Kong law and PRC law, compliance adviser, and internal control consultant from time to time.

General internal control measures

1. In September 2015, the Directors attended training sessions conducted by the legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.

2. The Company will engage CT Partners to have an annual review on the adequacy and effectiveness of our internal control system for the years ending 31 December 2016 and 2017, including areas of financial, operational, compliance and risk management. The Directors shall decide from time to time whether to engage CT Partners or other professional parties for review of its internal control system subsequently.

3. [On [●] 2016, the Company established the Audit Committee which comprises all independent non-executive Directors, namely Mr. Liu Chi Keung, Prof. Wong Lung Tak Patrick and Mr. Tam Tak Kei Raymond. The Audit Committee has adopted its terms of reference which sets out clearly its duties and obligations including, among other things, overseeing the internal control procedures and accounting and financial reporting matter of the Group, and ensuring compliance with the relevant laws and regulations.]

4. [The Company has engaged Ample Capital as its compliance adviser and will, upon [**REDACTED**], engage legal advisers as to Hong Kong laws and PRC laws, which will advise and assist the Board on compliance matters in relation to the GEM Listing Rules and/or other relevant laws and regulations applicable to the Group and its business.]

5. Regular training sessions to be given by external legal advisers will be arranged for all of the Directors on at least an annual basis in order to develop and refresh their relevant knowledge and skills in relation to compliance matters.

6. When considered necessary and appropriate, the Company will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to its internal controls and legal compliance.

Review by CT Partners

In preparation for the [**REDACTED**], in July 2015, the Company engaged CT Partners, an independent internal control adviser, to perform an evaluation under the Committee of Sponsoring Organisations of the Treadway Commission's 2013 framework of the adequacy and effectiveness of the Group's internal control system including the areas of financial, operation, compliance and risk management.

CT Partners is a company rendering internal control review services, which has been previously engaged in internal control review projects for a number of companies listed on the Stock Exchange. Besides, the engagement team of CT Partners includes members of the Hong Kong Institute of Certified Public Accountants, a Certified Internal Auditor, a member of the Society of Chinese Accountants & Auditors, a fellow member of the Associations of Chartered Certified Accountants, an associate member of the Association of International Accountants, a member of Certified General Accountants Association of British Columbia, and an associate of the Taxation Institute of Hong Kong and a Certified Tax Adviser (HK).

CT Partners performed the internal control evaluation in July to August 2015. In relation to the non-compliance incidents mentioned above, CT Partners has reviewed and provided recommendations to the Group's internal control designs for preventing the recurrence of the aforementioned non-compliance incidents. Key measures adopted by the Group pursuant to the recommendations of CT Partners are disclosed above.

In relation to other weaknesses in the Group's internal control system, CT Partners has completed the follow-up review in September 2015 and February 2016. As at the Latest Practicable Date, the Group has adopted all of the major internal control measures and has been rectifying the major weaknesses in its internal control system as recommended by CT Partners. Major internal control measures suggested by CT Partners and adopted by the Group are as follows:

- The Company has been updating its website and social media account on a timely basis. The Company has assigned responsible staff to monitor and keep record on the information that has been posted on the website and social media account.
- The Company has prepared a complaint hotline and comment cards for customers in all restaurants.
- The Company has arranged with a server provider to set up a server to backup all system data in all restaurants.
- The Company has set up whistleblowing policies which enable the internal staff, customers and external business partners to notify the management if there is any inappropriate action found.
- The Company has prepared a formal performance appraisal form for reviewing the staff performance and providing feedback to the staff for further improvement.

- The Company has prepared a checklist for the content of the staff permanent file to ensure the completeness and accuracy of staff information.

Having considered that:

(i) the findings (other than the past non-compliance incidents of the Group) identified by CT Partners during its evaluation of the internal control system of the Group in July to August 2015 are, in the opinion of CT Partners, not material in terms of the combined effect of likelihood and seriousness and therefore do not reflect negatively on the adequacy and effectiveness of the Group's internal control system in any material respect;

(ii) based on the follow-up review completed by CT Partners in September 2015 and February 2016, CT Partners concluded that the Group had properly implemented the recommended internal control improvement measures;

(iii) regarding the past non-compliance incidents of the Group, CT Partners has provided recommendations to the internal control measures for prevention of the recurrence of the non-compliance incidents (as mentioned in the paragraph headed "Internal control measures to prevent the recurrence of non-compliance incidents" above), which are fully adopted by the Group; and

(iv) there has not been any recurrence of similar non-compliance incident after the implementation of the recommended internal control improvement measures up to the Latest Practicable Date.

CT Partners is of the view, and the Directors and the Sponsor concur, that there are no material deficiencies in the adequacy and effectiveness of the Group's internal control system.

Views of the Directors and the Sponsor

Having considered that:

(i) the aforesaid non-compliances were not particularly serious in nature given the facts that:

  (a) the non-compliances with the Predecessor Companies Ordinance and the Companies Ordinance mainly involved inadvertent administrative mistakes, omissions or oversights in relation to the preparation and filing of the relevant documents required under the Predecessor Companies Ordinance and the Companies Ordinance, which, in the opinion of the Legal Counsel, are minor and technical in nature and the chance of prosecution is very low or relatively low;

  (b) the non-compliance with the Employees' Compensation Ordinance relates to the Group's late reporting of certain employees' work injury cases to the

Commissioner of Labour, which was not an intentional act to deprive of the relevant employees' compensations under the Employees' Compensation Ordinance but was due to the lack of timely and professional advice at the material time, and as advised by the Legal Counsel, the chance of prosecution is very low;

(c) the non-compliance with the Buildings Ordinance relates to the Group's failure to comply with the relevant occupation permit which was just one-off and was due to inadvertent mistakes of the Group and the Group has already ceased such breach, and as advised by the Legal Counsel, the chance of prosecution is very low;

(d) the non-compliance with the Water Pollution Control Ordinance relates to the failure to apply for the necessary water pollution control licenses which was due to the Group's reliance on the then external license consultant and the Group has already made the necessary applications to apply for the required water pollution control licenses, and as advised by the Legal Counsel, the chance of prosecution is very low;

(e) the non-compliance with the Fire Services (Fire Hazard Abatement) Regulation relates to the failure to maintain means of escape in the Group's restaurants free from obstruction which has been settled and as advised by the Legal Counsel, the Group is no longer exposed to any risk; and

(f) the non-compliance with the Administrative Measures relates to the Group's failure to comply with the applicable laws and regulations in the PRC in relation to the Store-value Cards issued by the Shenzhen Restaurant due to the unawareness of the Group's staff in the Shenzhen Restaurant and the Group has completed all necessary actions to comply with such laws and regulations and as advised by the PRC Legal Adviser, the Shenzhen Restaurant will not receive any administrative penalty;

(ii) having taken into account that:

(a) pursuant to the Stock Exchange's guidance letter HKEx-GL63-13, systemic non-compliances generally refer to non-compliance incidents which reflect negatively on the listing applicant's or its directors' or senior management's ability or tendency to operate in a compliant manner;

(b) the underlying reasons for the Group's past non-compliances principally stem from its inadequate understanding of the requirements under the relevant laws and regulations, and did not involve any intentional misconduct, fraud, dishonesty or corruption on the part of the Directors and senior management;

(c) having regard to the nature of and the circumstances pertaining to the non-compliance incidents as discussed above, the non-compliances were not willful and there was no indication that the Directors and senior management had a willful tendency to operate the business in a non-compliant manner;

(d) after becoming aware of the non-compliances and after considering the advice of the Legal Counsel, the Directors have taken relevant remedial actions where necessary and appropriate; and

(e) after becoming aware of the requirements under the relevant laws and regulations, the Directors and senior management have demonstrated their ability to adopt and implement enhanced internal control measures as set out above in order to prevent recurrence of similar non-compliances and to operate the business in a compliant manner going forward, and there have not been any recurrence of similar non-compliance incidents after the adoption and implementation of the enhanced internal control measures up to the Latest Practicable Date;

the Directors and the Sponsor consider that the non-compliances do not reflect in any material respect negatively on the ability and tendency of the Company and the Directors and senior management to operate in a compliant manner and therefore the Directors and the Sponsor consider that the non-compliances were not systemic non-compliances;

(iii) having regard to the nature of and the circumstances pertaining to the non-compliance incidents as discussed above, the non-compliance incidents were not willful and did not involve any intentional misconduct, fraud, dishonesty or corruption on the part of the Directors;

(iv) at the material time when the Group's non-compliance incidents took place, the Directors were not familiar with and were not made aware of the relevant law and regulations due to the absence of timely and professional advice at the material time and the Directors had no willful involvement in the non-compliance incidents;

(v) although the lack of proper system and control to keep track of the compliance status with respect to the various matters was one of the underlying reasons for the Group's past non-compliances, during CT Partners' evaluation of the Group's internal control system in July to August 2015, CT Partners did not identify any findings of the highest grading of risk in terms of the combined effect of likelihood and seriousness in relation to the Group's internal control system that had been in place covering areas including but not limited to the Group's sales and receipts cycle, purchase and payment cycle, inventory control, branch management, financial control and management procedures, and other various control and monitoring procedures;

(vi) after discovery of the non-compliance incidents, the Directors have perused (a) the legal opinions issued by the Legal Counsel concerning the non-compliance incidents with the aim of familiarizing themselves with the relevant laws and regulations; and (b) the internal control report prepared by CT Partners with the recommendations made by CT Partners to prevent recurrence of the non-compliance incidents;

(vii) the Company have adopted enhanced internal control measures as set out above pursuant to the recommendations of CT Partners in order to prevent recurrence of the non-compliance incidents, including, in particular, the specific internal control measures for addressing the underlying reasons for each of the non-compliance incidents as mentioned above;

(viii) based on the follow-up review completed by CT Partners in September 2015 and February 2016, CT Partners concluded that the Group had properly implemented the enhanced internal control measures;

(ix) up to the Latest Practicable Date, there has not been any recurrence of similar non-compliance incidents after the adoption and implementation of the enhanced internal control measures; and

(x) the Directors have attended directors' training session conducted by the Group's legal advisers as to Hong Kong law on, among other matters, the responsibilities of a director of a company listed on the Stock Exchange including the requirements under the GEM Listing Rules,

the Directors and the Sponsor are satisfied that (a) the aforesaid non-compliances do not reflect a material defect in the character, integrity or competence of the Directors; (b) the Directors have the standard of competence commensurate with their positions as directors of a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules; and (c) the aforesaid non-compliances do not affect the Group's suitability for [**REDACTED**] under Rule 11.06 of the GEM Listing Rules.

CONTROLLING SHAREHOLDERS OF THE COMPANY

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

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

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

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

(a) Different operation

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

(b) Different target customers

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

(c) Different management

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

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

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

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

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

(a) Different geographical locations

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

(b) Different operation

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

(c) Different target customers

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

(d) Different management

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

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

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

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

INDEPENDENCE OF THE GROUP

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

Management and administrative independence

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

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

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

Financial independence

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

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

Operational independence

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

(i) the Group has established its own organizational structure made of individual departments, each with specific areas of responsibilities;

(ii) the Group did not share its operational resources, such as contractors, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their close associates during the Track Record Period;

(iii) the Group has also established a set of internal control measures to facilitate the effective operation of its business;

(iv) the Group's customers and suppliers are all independent from the Controlling Shareholders;

(v) the Group does not rely on the Controlling Shareholders or their close associates and has its independent access to customers and suppliers; and

(vi) the Group is the holder of all relevant licenses material to the operation of the restaurant business and has sufficient capital, equipment and employees to operate the business independently.

Management Independence

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

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

(ii) all members of the senior management are full-time employees of the Group and most have, during the entire or most of the Track Record Period, undertaken senior management supervisory responsibilities in the business. The responsibilities of the senior management team include managing operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategies of the Group. This ensures the independence of the daily management and operations of the Group from those of its Controlling Shareholders;

(iii) each of the Directors is aware of his fiduciary duties as a Director, which require, among other things, that he acts for the benefit and in the best interests of the Shareholders as a whole and does not allow any conflict between his duties as a Director and his personal interests to affect the performance of his duties as a Director;

(iv) connected transactions (if any) between the Company and companies controlled by its Controlling Shareholders are subject to the rules and regulations under the GEM Listing Rules including rules relating to announcement, reporting and independent Shareholders' approval requirements (where applicable); and

(v) a number of corporate governance measures are in place to avoid any potential conflict of interest between the Company and its Controlling Shareholders, and to safeguard the interests of the independent Shareholders.

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

EXCLUDED BUSINESS

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

RULE 11.04 OF THE GEM LISTING RULES

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

NON-COMPETITION UNDERTAKINGS

Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui, Mr. David Chow and Mr. Anthony Chow (each the "**Covenantor**" and collectively the "**Covenantors**") entered into a deed of non-competition dated [●] 2016 in favour of the Company and its subsidiaries (the "**Deed of Non-competition**"). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of its subsidiaries) that, save and except as disclosed in this document, during the period that the Deed of Non-competition remains effective, she/he/it shall not, and shall procure that her/his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group within Hong Kong and such other parts of the world where any member of the Group may operate from time to time, save for the holding of not more than 5% shareholding interests (individually or with her/his/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with her/his/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with her/his/its close associates).

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

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

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

(a) the independent non-executive Directors shall review on an annual basis the above undertakings from the Covenantors and to evaluate the effective implementation of the Deed of Non-competition;

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

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

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

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

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

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

CORPORATE GOVERNANCE MEASURES

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

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

(b) the independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by the Controlling Shareholders;

(c) the Controlling Shareholders undertake to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;

(d) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of the Controlling Shareholders in the annual reports of the Company;

(e) the Controlling Shareholders will make an annual declaration on compliance with the Deed of Non-competition in the annual report of the Company;

(f) the independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his close associates to involve or participate in any business in competition with or likely to be in competition with the existing business activity of any member of the Group within Hong Kong and such other parts of the world where any member of the Group may operate from time to time and if so, any condition to be imposed; and

(g) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-competition or connected transaction(s) at the cost of the Company.

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

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

DIRECTORS

The Board currently consists of seven Directors comprising four executive Directors and three independent non-executive Directors. The following table sets out the information regarding the Directors:

Name	Age	Present Position	Date of appointment	Date of joining the Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Chan Chun Kit (陳振傑)	60	Chairman of the Board, chief executive officer and executive Director	September 2015	April 1998	Overall management, strategic development financial management and major decision-making of the Group	Nil
Mr. Lam Kwok Leung Peter (林國良)	56	Executive Director and compliance officer	September 2015	February 2004	Management of leases and administrative matters	Nil
Mr. Wong Ka Wai (王家惠)	53	Executive Director	September 2015	January 2004	Management of control of food quality and administrative matters of the Group	Nil
Mr. Chow Yiu Pong David (周耀邦)	30	Executive Director	September 2015	September 2015	Marketing and promotions of the Group's operations	Nil
Mr. Liu Chi Keung (廖志強)	64	Independent non-executive Director	[●] 2016	[●] 2016	Overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company	Nil

Name	Age	Present Position	Date of appointment	Date of joining the Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Prof. Wong Lung Tak Patrick (黃龍德)	67	Independent non-executive Director	[●] 2016	[●] 2016	Overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company	Nil
Mr. Tam Tak Kei Raymond (譚德機)	52	Independent non-executive Director	[●] 2016	[●] 2016	Overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company	Nil

Executive Directors

Mr. Chan Chun Kit (陳振傑), aged 60, is the chairman of the Board, the chief executive officer, the executive Director and one of the Controlling Shareholders. Mr. Chan is responsible for the Group's overall management, strategic development, financial management and major decision-making of the Group. Mr. Chan was appointed as a Director on 1 September 2015 and re-designated as an executive Director on 23 September 2015. He is also a director of each of Solarday Investment, Orient Century, Great Virtue, Great Virtue (HK), Star China, Excel Linker, Li Bao Ge Shenzhen, Orient Shenzhen, Smart Best, Moon Fortune, First Bloom, Keen Nation, Guang Jie, Ding Xing, Power Moon and Auspicious.

From December 2012 to May 2014, Mr. Chan completed 13 courses including construction and operation management of catering corporations of chain-store franchise system* (餐飲企業連鎖體系建設與運營管理) held by the Graduate School at Shenzhen, Tsinghua University in order to enhance the brand management of the Group.

Mr. Chan has over 17 years of experience in the restaurant business. He is currently the vice chairman of the Association of Restaurant Managers. Mr. Chan is also the committee member of the training committee of Chinese Cuisine Training Institute.

Mr. Chan has not held any directorship in any public listed company in the past three years.

Mr. Lam Kwok Leung Peter (林國良), aged 56, was appointed as an executive Director and the compliance officer of the Company on 23 September 2015 and [●] 2016, respectively. Mr. Lam is mainly responsible for the management of leases and administrative matters of the Group. He is also a director of each of Solarday Investment, Orient Century and Smart Best.

Mr. Lam has over 10 years of experience in retail and commercial leasing as well as property development in Hong Kong. He had held various senior roles in renowned property developers including Hang Lung (Real Estate Agencies) Limited from December 1984 to March 1988, Lai Fung Holdings Limited from July 1988 to January 1998 and Henderson Real Estate Agency Limited from February 1998 to October 1998. Mr. Lam joined the Group in 2004 as a director of each of Solarday Investment and Orient Century.

Mr. Lam obtained a diploma in housing from the University of Hong Kong in August 1998. He further obtained a master's degree of arts in public policy and management from the City University of Hong Kong in November 2007.

Mr. Lam is a fellow member of Hong Kong Institute of Real Estate Administration since March 2002, and a member of Hong Kong Institute of Shopping Centre Management. He is also a corporate member of Hong Kong Institute of Housing since 1998, a member of Hong Kong Institute of Marketing since April 1999, and a corporate member of Chartered Institute of Housing since December 1998. Mr. Lam was appointed as Justice of Peace in 2014, and is currently the President of Hong Kong General Chamber of Small and Medium Business. Mr. Lam was elected as a member of Royal Institution of Chartered Surveyors (英國皇家測量師學會) on 4 September 2015.

Mr. Lam has not held any directorship in any public listed company in the past three years.

Mr. Wong Ka Wai (王家惠), aged 53, was appointed as an executive Director on 23 September 2015 and is mainly responsible for the management of control of food quality and administrative matters of the Group. He is also a director of each of Solarday Investment, Orient Century and Smart Best.

From September 2002 to January 2003, Mr. Wong completed PRC Tsinghua Advanced Research Selected Course for Master of Business Administration (中國清華MBA精選課程高級研修) held by the Research Institute of Tsinghua University in Shenzhen.

Mr. Wong was the head of the Hopeh and Shantung Natives (Hong Kong) Association in 2012, and is currently a committee member of the Shandong Committee of the Chinese People's Political Consultative Conference.

Mr. Wong has not held any directorship in any public listed company in the past three years.

Mr. Chow Yiu Pong David (周耀邦), aged 30, was appointed as an executive Director on 23 September 2015 and is mainly responsible for the marketing and promotions of the Group's operations.

Mr. David Chow obtained a Higher Diploma in Web-based Technology for Business from Hong Kong Institute of Vocational Education (Sha Tin) in July 2005. He further holds a degree of Bachelor of Science (Information Technology) from Swinburne University of Technology in Melbourne, Australia by way of distance learning in March 2007.

From July 2005 to March 2012, Mr. David Chow worked at Compass Business Solutions Limited as a programmer, and was subsequently promoted to a technical consultant since October 2008. Since July 2012, Mr. David Chow has been working at Tectura Hong Kong Limited as a client services consultant.

Mr. David Chow is the nephew of Mr. Anthony Chow, a Controlling Shareholder. Save as disclosed, Mr. David Chow is not connected with any other Directors, senior management and Substantial Shareholders.

Mr. Chow has not held any directorship in any public listed company in the past three years.

Independent non-executive Directors

Mr. Liu Chi Keung (廖志強), aged 64, was appointed as an independent non-executive Director on [●] 2016, and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company.

Mr. Liu obtained a certificate in Recreation Management from University of Hong Kong in December 1980. He further completed a one-year diploma in Training Management Programme from The Chinese University of Hong Kong in November 1989.

Mr. Liu has extensive experience in administration, training and management. From June 1973 to June 2011, Mr. Liu worked at Civil Aid Service as an Assistant Training Officer, and was subsequently promoted to the Chief Staff Officer since April 2007. Mr. Liu currently serves the Hong Kong St. John Ambulance as the head of its ambulance team in Hong Kong Island.

Mr. Liu has not held any directorship in any public listed company in the past three years.

Prof. Wong Lung Tak Patrick (黃龍德), aged 67, was appointed as an independent non-executive Director on [●] 2016. He is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company.

Prof. Wong is a Practising Certified Public Accountant. He is the managing practising director of Patrick Wong C.P.A Limited since November 2010 and has over 40 years of experience in the accountancy profession.

Prof. Wong obtained a doctorate degree of philosophy in business from Honolulu University, a distance learning college in Hawaii, USA, in July 2000. Prof. Wong was awarded a Badge of Honour in January 1993 by the Queen of England. He has been appointed as a Justice of the Peace since July 1998 and was awarded a Bronze Bauhinia Star (B.B.S.) in July 2010 by the Government of Hong Kong.

Prof. Wong is currently an independent non-executive director of China Precious Metal Resources Holdings Company Limited (Stock Code: 1194), C C Land Holdings Limited (Stock Code: 1224), Galaxy Entertainment Group Limited (Stock Code: 27), Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (formerly known as Guangzhou Pharmaceutical Company Limited) (Stock Code: 874), Real Nutriceutical Group Limited (Stock Code: 2010), Sino Oil and Gas Holdings Limited (Stock Code: 702), National Arts Entertainment and Culture Group Limited (formerly known as National Arts Holdings Limited) (Stock Code: 8228), Winox Holdings Limited (Stock Code: 6838), Water Oasis Group Limited (Stock Code: 1161) and BAIC Motor Corporation Limited (Stock Code: 1958). Prof. Wong was an independent non-executive director of Excel Development (Holdings) Limited (Stock Code: 1372) from 21 November 2013 to 10 August 2015.

Save as disclosed above, Professor Wong has not held any directorship in any public listed company in the past three years.

Mr. Tam Tak Kei Raymond (譚德機), aged 52, was appointed as an independent non-executive Director on [●] 2016. He is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company.

Mr. Tam obtained a bachelor's degree of arts in accounting with computing from the University of Kent at Canterbury in the United Kingdom in July 1985. He is an associate member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Tam has over 20 years of professional accounting experience.

Mr. Tam is currently an independent non-executive director of Vision Fame International Holding Limited (Stock Code: 1315) and CNQC International Holdings Limited (Stock Code: 1240). Beijing Enterprises Clean Energy Group Limited (Stock Code: 1250). He is also the company secretary of Branding China Group Limited (Stock Code: 863). He was an independent non-executive director of Digital Domain Holdings Limited (Stock Code: 547) during the period from September 2009 to August 2013; Zebra Strategic Holdings Limited (Stock Code: 8260) during the period from June 2012 to September 2014; Tianjin Jinran Public Utilities Company Limited (Stock Code: 1265) during the period from February 2011 to June 2015; and Ngai Shun Holdings Limited (Stock Code: 1246) during the period from September 2013 to July 2015. He was also the chief financial officer of King Force Security Holdings Limited (Stock Code: 8315) during the period from May 2014 to December 2014.

Save as disclosed above, Mr. Tam has not held any directorship in any public listed company in the past three years.

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, each of the Directors confirms with respect to him that: (i) he has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not hold any other position in the Company or any of its subsidiaries; (iii) save as disclosed in the section "C. Further information about Substantial Shareholders, Directors and experts – 1. Disclosure of interests" in Appendix IV to this document, he does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed for pursuant to Rule 17.50(2) of the GEM Listing Rules; and (v) to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

The following table sets out certain information concerning our senior management:

Name	Age	Position	Date of joining the Group	Roles and responsibilities	Relationship with Director(s)/ or other senior management
Mr. Yuen Shun Chuen (袁順全)	58	Executive chef	May 2014	Overseeing the kitchen operations and food quality control	Nil
Mr. Kwok King Hung (郭敬雄)	54	Head chef at dim sum kitchen	October 2000	Developing new dimsum and overseeing the operation of the dimsum kitchen	Nil
Ms. Lai Chi Kong (黎志剛)	43	Banquet sales deputy manager	June 2000	Management of banquet service and food products marketing	Nil
Ms. Hui Wai Shu Jessica (許蔚舒)	46	Financial controller and company secretary	July 2015	Overseeing the Group's financial reporting, financial planning, treasury, financial control and company secretarial matters	Nil
Ms. Zhu Xueqin (朱雪琴)	38	General manager of the Shenzhen Restaurant	May 2013	Management and administrative of the Shenzhen Restaurant	Nil

Mr. Yuen Shun Chuen (袁順全), aged 58, is the executive chef of the Group since he joined the Group in May 2014. He is responsible for overseeing the kitchen operations and food quality control.

Prior to joining the Group, he worked at Hotel Furama Kempinski Hong Kong as a chopper no. 3 from June 1982 to October 1990. From October 1990 to June 1992, Mr. Yuen worked at Food Street Holdings Limited as a chopper no. 1 in its outlet named Riverside Restaurant. From November 1992 to September 1997, Mr. Yuen worked at Fook Lam Moon (Kowloon) Restaurant Limited as a cook. From October 1997 to January 1999, Mr. Yuen worked as a wok 2 in the Chinese Kitchen of Conrad International Hong Kong. From February 1999 to March 2001, Mr. Yuen served at Harbour Plaza Hotel Management Limited as a chopper no. 1. From June 2001 to January 2003, Mr. Yuen worked at Sheung Yuen Restaurant as cook (wok 1). From March 2003 to July 2003, Mr. Yuen worked at New Town Personnel Services Limited as an assistant head chef. From January 2005 to January 2006, Mr. Yuen worked at Fook Yuen (TSTE) Seafood Restaurant Limited as deputy head of the kitchen. From September 2007 to October 2008, Mr. Yuen worked at Sodexho (Hong Kong) Limited as an executive chief. From March 2011 to February 2012, Mr. Yuen worked at Hotel Lisboa (Macau) as executive chef. From March 2013 to April 2014, Mr. Yuen worked at LePinacle as the head wok.

Mr. Yuen has not held any directorship in any public listed company in the past three years.

Mr. Kwok King Hung (郭敬雄), aged 54, is the head chef of dim sum kitchen of the Group, and is responsible for developing new dimsum and overseeing the operation of the dimsum kitchen. Mr. Kwok first joined the Group as a manager of dim sum kitchen in October 2000.

Prior to joining the Group, Mr. Kwok worked at The Repulse Bay Company Limited from March 1990 to December 1999 with his last position as an assistant dim sum head cook.

Mr. Kwok has not held any directorship in any public listed company in the past three years.

Ms. Lai Chi Kong (黎志剛), aged 43, is the banquet sales deputy manager of the Group, and is responsible for the management of banquet service and food products marketing. Ms. Lai joined the Group as public relations manager in June 2000. Ms. Lai has 15 years of experience in catering service field.

In December 2013, Ms. Lai obtained a certificate after attending the seminar on liquor licensing on 4 December 2013 from Liquor Licensing Board. In June 2005, Ms. Lai completed the Hygiene Supervisor Training Courses from Food and Environmental Hygiene Department.

Ms. Lai has not held any directorship in any public listed company in the past three years.

Ms. Hui Wai Shu Jessica (許蔚舒), aged 46, is the financial controller and company secretary of the Group, and is responsible for overseeing the Group's financial reporting, financial planning, treasury, financial control and company secretarial matters. She joined the Group as the financial controller in July 2015.

Ms. Hui obtained a certificate for Accounting Technicians at Sha Tin Technical Institute in July 1998. She graduated from The University of Hull in United Kingdom obtaining the degree for Bachelor of Science (Honours) in accounting in July 2010. She is a member of the Hong Kong Institute of Certified Public Accountants, and a fellow member of Association of Chartered Certified Accountants.

Ms. Hui has over 20 years working experience in accounting and audit field. Prior to joining the Group, she worked at Ting Ho Kwan & Chan as an Audit Senior from July 1990 to March 1993. From April 1993 to September 1993, she worked as an accountant in San Yip Development Limited. From March 1994 to April 1995, Ms. Hui worked at Lawrence S.Y. Chan & Co. as an Audit Senior. From May 1995 to October 2010, Ms. Hui worked at Qing Yuan Investment Limited with her last position as an accounting supervisor. From October 2010 to June 2014, Ms. Hui worked at Paramount Catering Group Limited as the Group Financial Controller, and was subsequently promoted to financial consultant in May 2014.

Ms. Hui has not held any directorship in any public listed company in the past three years.

Ms. Zhu Xueqin (朱雪琴), aged 38, is the general manager of the Shenzhen Restaurant of the Group, and is responsible for the management and administrative of the Shenzhen Restaurant. She joined the Group in May 2013.

Prior to joining the Group, Ms. Zhu worked at 深圳市王子廚房餐飲有限公司 (Shenzhen Prince Kitchen Catering Company Limited*) from 2003 to 2009 with her last position as deputy manager. From 2009 to 2012, she worked at 江蘇王子飯店有限公司 (Jiangsu Prince Catering and Management Limited*) with her last position as general manager.

Ms. Zhu has not held any directorship in any public listed company in the past three years.

COMPANY SECRETARY

Ms. Hui Wai Shu Jessica was appointed as the company secretary of the Company on [●] 2016. For details of Ms. Hui, please refer to the paragraph headed "Senior Management" in this section.

COMPLIANCE OFFICER

Mr. Lam Kwok Leung Peter was appointed as the compliance officer of the Company on [●] 2016. For details of Mr. Lam, please refer to the paragraph headed "Directors – Executive Director" in this section.

REMUNERATION POLICY

The Directors and senior management receive compensation in the form of salaries and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of the Group. The Group regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and senior management and the performance of the Group.

After [**REDACTED**], our remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under the Share Option Scheme.

REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

For the three years ended 31 December 2013, 2014 and 2015, the aggregate emoluments (including director's fee, basic salary, allowance, non-cash benefit and retirement scheme contribution) paid by the Group to the Directors, were approximately HK$635,000, HK$531,000 and HK$622,000, respectively.

For the years ended 31 December 2013, 2014 and 2015, the aggregate emoluments paid by the Group to our senior management were approximately HK$2,086,000, HK$2,363,000 and HK$2,837,000, respectively.

Under the arrangements currently proposed, conditional upon the [**REDACTED**], the basic annual remuneration (excluding payment of any discretionary benefits or bonus or other fringe benefits) payable by the Group to each of the Directors will be as follows:

	HK$
Executive Directors	
Mr. Chan Chun Kit	600,000
Mr. Lam Kwok Leung Peter	240,000
Mr. Wong Ka Wai	240,000
Mr. Chow Yiu Pong David	240,000
Independent non-executive Directors	
Mr. Liu Chi Keung	180,000
Prof. Wong Lung Tak Patrick	180,000
Mr. Tam Tak Kei Raymond	180,000

The emoluments in respect of the Group's five highest paid individuals during the Track Record Period are as follows:

	For the year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and allowances	1,925	2,067	2,326
Discretionary bonuses	222	220	269
Retirement scheme contributions	73	82	92
Total	2,220	2,369	2,687

During the Track Record Period, no emoluments were paid by the Group to the above highest paid individuals as: (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group.

SHARE OPTION SCHEME

The Group has conditionally adopted the Share Option Scheme under which employees of the Group including executive Directors and other eligible participants may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this document.

BOARD COMMITTEES

Audit committee

The Company established an audit committee on [●] 2016 with its written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The audit committee of the Company consists of three members, being Mr. Liu Chi Keung, Prof. Wong Lung Tak Patrick and Mr. Tam Tak Kei Raymond. Prof. Wong Lung Tak Patrick currently serves as the chairman of the audit committee.

Remuneration committee

The Company established a remuneration committee on [●] 2016 with its written terms of reference in compliance with the GEM Listing Rules. The primary duties of the remuneration committee are to make recommendations on the remuneration of the Company's senior management and to recommend members of the Board.

The remuneration committee of the Company consists of three members, being Mr. Chan Chun Kit, Mr. Tam Tak Kei Raymond and Mr. Liu Chi Keung. Mr. Tam Tak Kei Raymond currently serves as the chairman of the remuneration committee.

Nomination committee

The Company established a nomination committee on [●] 2016 with its written terms of reference by reference to the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The nomination committee of the Company consists of three members, being Mr. Chan Chun Kit, Mr. Tam Tak Kei Raymond and Mr. Liu Chi Keung. Mr. Chan Chun Kit currently serves as the chairman of the nomination committee.

Legal Compliance Committee

Upon [**REDACTED**], the Company will establish the Legal Compliance Committee with written terms of reference. The primary duties of the Legal Compliance Committee are to assist in overseeing the Group's compliance with laws and regulations relevant to the Group's business operations and to review the effectiveness of the Group's regulatory compliance procedures and system.

The Legal Compliance Committee will comprise Mr. Lam Kwok Leung Peter, the compliance officer of the Company and an executive Director, Ms. Hui Wai Shu Jessica, the financial controller and company secretary of the Group, as well as the three independent non-executive Directors, namely Mr. Liu Chi Keung, Prof. Wong Lung Tak Patrick and Mr. Tam Tak Kei Raymond. Prof. Wong Lung Tak Patrick will serve as the chairman of the Legal Compliance Committee.

As disclosed above in this section, both Prof. Wong Lung Tak Patrick and Mr. Tam Tak Kei Raymond have extensive professional accounting experience and have acted as independent non-executive directors in various Hong Kong listed companies. Ms. Hui Wai Shu Jessica also has over 20 years working experience in the accounting and audit field. Mr. Liu Chi Keung has extensive experience in administration and management. Mr. Lam Kwok Leung Peter also has held various senior roles in Hong Kong companies. The Group therefore believes that the members of the Legal Compliance Committee have the necessary qualification and experience in assisting the Group in overseeing compliance with laws and regulations relevant to the Group's operations.

CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2.1 of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Mr. Chan currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Save as disclosed above, the Company expects to comply with the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules. The Directors will review the corporate governance policies of the Group and compliance with the Corporate Governance Code each financial year.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Ample Capital as its compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Company will consult with and seek advice from the compliance adviser on a timely basis in the following circumstances:

(1) before the publication of any regulatory announcement, circular or financial report;

(2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(3) where the Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in the [**REDACTED**] document or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in the [**REDACTED**] document; and

(4) where the Stock Exchange makes an inquiry of the listed issuer under Rule 17.11 of the GEM Listing Rules.

The term of appointment of the compliance adviser of the Company shall commence on the [**REDACTED**] and end on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the [**REDACTED**] and such appointment shall be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following the completion of the [**REDACTED**], but taking no account of any Shares which may be issued upon the exercise of the [**REDACTED**] and pursuant to the exercise of any option which may be granted under the Share Option Scheme, the following persons and entities will have interests and/or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under Section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long position in the Shares

Name	Capacity and nature of interest	Number of Shares held/ interested in	Percentage of interest in the Company
Zhao Tian *(Notes 1 and 5)*	Interests held jointly with other persons; Beneficial owner	[**REDACTED**]	[**REDACTED**]%
Mr. Chan *(Notes 2 and 5)*	Interests held jointly with other persons; Interest in a controlled corporation	[**REDACTED**]	[**REDACTED**]%
Mrs. Chan *(Notes 2 and 5)*	Interests held jointly with other persons; Interest in a controlled corporation	[**REDACTED**]	[**REDACTED**]%
Bright Creator *(Notes 2 and 5)*	Interests held jointly with other persons; Interest in a controlled corporation	[**REDACTED**]	[**REDACTED**]%
Hong Cui *(Notes 2 and 5)*	Interests held jointly with other persons; Interest in a controlled corporation	[**REDACTED**]	[**REDACTED**]%
Mr. Wong *(Notes 3 and 5)*	Interests held jointly with other parties	[**REDACTED**]	[**REDACTED**]%
Sun Foo Sing *(Notes 3 and 5)*	Interests held jointly with other persons	[**REDACTED**]	[**REDACTED**]%
Sky Gain *(Notes 4 and 5)*	Interests held jointly with other persons	[**REDACTED**]	[**REDACTED**]%
Mr. Ho *(Notes 3 and 5)*	Interests held jointly with other persons	[**REDACTED**]	[**REDACTED**]%
Mr. Tsui *(Notes 3 and 5)*	Interests held jointly with other persons	[**REDACTED**]	[**REDACTED**]%
Mr. David Chow *(Notes 4 and 5)*	Interests held jointly with other persons	[**REDACTED**]	[**REDACTED**]%
Mr. Anthony Chow *(Notes 4 and 5)*	Interests held jointly with other persons	[**REDACTED**]	[**REDACTED**]%

Name	Capacity and nature of interest	Number of Shares held/ interested in	Percentage of interest in the Company
Ms. Lau Lai Ngor *(Note 6)*	Interest of spouse	[**REDACTED**]	[**REDACTED**]%
Ms. Lau Ngar Ching Angel *(Note 7)*	Interest of spouse	[**REDACTED**]	[**REDACTED**]%
Ms. Lui Wai Har *(Note 8)*	Interest of spouse	[**REDACTED**]	[**REDACTED**]%
Ms. Cho Sin Sum Fion *(Note 9)*	Interest of spouse	[**REDACTED**]	[**REDACTED**]%
Sincere *(Note 10)*	Beneficial interest	[**REDACTED**]	[**REDACTED**]%
Richmax *(Note 10)*	Interest in a controlled corporation	[**REDACTED**]	[**REDACTED**]%
Mr. Cheung Yuen Chau *(Note 10)*	Interest in a controlled corporation	[**REDACTED**]	[**REDACTED**]%
Mr. David Chu *(Note 10)*	Interest in a controlled corporation	[**REDACTED**]	[**REDACTED**]%
Ms. Phyllis Woon Kink Cheng *(Note 11)*	Interest of spouse	[**REDACTED**]	[**REDACTED**]%
Ms. Tsang Siu Lan *(Note 12)*	Interest of spouse	[**REDACTED**]	[**REDACTED**]%

Notes:

1. Zhao Tian is an investment holding company incorporated in the BVI and owned as to 62.86%, 12.38%, 12.38% and 12.38% by Hong Cui, Mr. Wong, Sun Foo Sing and Sky Gain respectively. The sole director of Zhao Tian is Mr. Chan.

2. Each of Mr. Chan and Mrs. Chan owns 50% of Bright Creator, which wholly owns Hong Cui and Hong Cui owns 62.86% of Zhao Tian. As such, each of Mr. Chan and Mrs. Chan is deemed, or taken to be, interested in all the Shares held by Zhao Tian for the purposes of the SFO.

3. Mr. Ho and Mr. Tsui together own 75% of Sun Foo Sing.

4. Mr. David Chow and Mr. Anthony Chow together own 75% of Sky Gain.

5. Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui, Mr. David Chow and Mr. Anthony Chow are parties acting in concert (having the meaning ascribed to it under the Takeovers Code). As such, immediately following the completion of the Capitalisation Issue and the [**REDACTED**] (without taking into account any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme and the [**REDACTED**]), Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui, Mr. David Chow and Mr. Anthony Chow will together control [**REDACTED**]% of the entire share capital of the Company.

6. Ms. Lau Lai Ngor is the spouse of Mr. Anthony Chow and is deemed or taken to be interested in all the Shares in which Mr. Anthony Chow has, or is deemed to have, an interest for the purpose of the SFO.

7. Ms. Lau Ngar Ching Angel is the spouse of Mr. Wong and is deemed or taken to be interested in all the Shares in which Mr. Wong has, or is deemed to have, an interest for the purpose of the SFO.

8. Ms. Lui Wai Har is the spouse of Mr. Tsui and is deemed or taken to be interested in all the Shares in which Mr. Tsui has, or is deemed to have, an interest for the purpose of the SFO.

9. Ms. Cho Sin Sum Fion is the spouse of Mr. David Chow and is deemed or taken to be interested in all the Shares in which Mr. David Chow has, or is deemed to have, an interest for the purpose of the SFO.

10. Sincere is an investment holding company incorporated in the BVI and wholly owned by Richmax. Mr. Cheung Yuen Chau and Mr. David Chu own approximately 40% and 46.67% of Richmax respectively. As such, each of Richmax, Mr. Cheung Yuen Chau and Mr. David Chu are deemed, or taken to be, interested in all the Shares held by Sincere for the purposes of the SFO.

11. Ms. Phyllis Woon Kink Cheng is the spouse of Mr. Cheung Yuen Chau and is deemed or taken to be interested in all the Shares in which Mr. Cheung Yuen Chau has, or is deemed to have, an interest for the purpose of the SFO.

12. Ms. Tsang Siu Lan is the spouse of Mr. David Chu and is deemed or taken to be interested in all the Shares in which Mr. David Chu has, or is deemed to have, an interest for the purpose of the SFO.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following completion of the [**REDACTED**] and the Capitalisation Issue, but taking no account of any Shares which may be issued upon the exercise of the [**REDACTED**] and pursuant to the exercise of any option which may be granted under the Share Option Scheme, have interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, who will, directly or indirectly, be interested in 10% of more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and are therefore regarded as the substantial shareholders of the Company under the GEM Listing Rules.

SHARE CAPITAL

Assuming the [**REDACTED**] becomes unconditional, the [**REDACTED**] is not exercised, and without taking into account any Shares which may be issued upon exercise of any option that may be granted under the Share Option Scheme, the authorised share capital of the Company immediately following the Capitalisation Issue and the [**REDACTED**] will be as follows:

Authorised share capital		*HK$*
[2,000,000,000]	Shares	[20,000,000]

The total number of Shares immediately following the [**REDACTED**] will be as follows:

Shares issued and to be issued, fully paid or credited as fully paid		
[10,000]	Shares in issue	[100]
[**REDACTED**]	Shares in issue pursuant to a Capitalisation Issue	[**REDACTED**]
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**] (before any exercise of the [**REDACTED**])	[**REDACTED**]
[**REDACTED**]	Shares in total (before any exercise of the [**REDACTED**]) *(Note)*	[**REDACTED**]

Note: If the [**REDACTED**] is exercised in full, then [**REDACTED**] additional Shares will be issued resulting in a total issued share capital of [**REDACTED**] Shares with an aggregate nominal value of HK$[**REDACTED**].

Assumptions

The above table assumes that the [**REDACTED**] becomes unconditional and is completed in accordance with the relevant terms and conditions. It takes no account of any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates granted to the Directors for the allotment and issue of Shares and the repurchase of Shares as referred to below.

Ranking

The [**REDACTED**] Shares are ordinary shares in the share capital of the Company and will rank equally in all respects with all the Shares in issue or to be issued as set out in the above table, and will qualify for all dividends or other distributions declared, made or paid on, or any other rights and benefits attaching to or accruing from, the Shares after the date of this document.

Circumstances under which general meeting and class meeting are required

The circumstances under which general meeting and class meeting are required are provided in the Articles and Association. For details, please see the section headed "Appendix III – Summary of the Constitution of the Company and Cayman Islands Company Law" of this document.

GENERAL MANDATE TO ISSUE SHARES

If the [**REDACTED**] becomes unconditional as stated in the section headed "Structure and Conditions of the [**REDACTED**]", the Directors have been granted a general unconditional mandate to allot, issue and deal with, otherwise than by way of rights issue by virtue of, scrip dividend schemes or other similar arrangements in accordance with the Articles, or pursuant to the exercise of options granted or which may be granted under the Share Option Scheme or under the [**REDACTED**] or the Capitalisation Issue, Shares with an aggregate nominal value not exceeding the sum of: (i) 20% of the aggregate nominal value of the share capital of the Company in issue and to be issued immediately following the [**REDACTED**] (not including Shares which may be issued under the [**REDACTED**] or Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme); and (ii) if the general mandate to repurchase Shares referred to below is granted, the nominal value of the share capital of the Company which may be repurchased by the Company.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the [**REDACTED**] or the options which may be granted under the Share Option Scheme. The general mandate will remain in effect until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any other applicable laws of Hong Kong to be held; or

(c) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate.

For further details of this general mandate, see the section headed "Written resolutions of the Shareholders passed on [●] 2016" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

If the [**REDACTED**] becomes unconditional as stated in the section headed "Structure and Conditions of the [**REDACTED**]", the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of the share capital of the Company in issue following completion of the [**REDACTED**].

This general mandate only relates to repurchase made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed "Repurchase of Shares by the Company" in Appendix IV to this document.

The general mandate will remain in effect until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any other applicable laws of Hong Kong to be held; or

(c) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the [**REDACTED**] and at all times thereafter, the Company must maintain the "minimum prescribed percentage" of 25% of the issued share capital of the Company in the hands of the public (as defined in the GEM Listing Rules).

SHARE OPTION SCHEME

The Group has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed "Share Option Scheme" as set out in Appendix IV to this document.

The Group does not have any outstanding share options, warrants, convertible instruments, pre-listing share options or similar rights convertible into the Shares as at the Latest Practicable Date.

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 *HK$'000*	% of total revenue	Operating margin *(%)* *(Note 1)*	Revenue *HK$'000*	% of total revenue	Operating margin *(%)* *(Note 1)*	Revenue *HK$'000*	% of total revenue	Operating margin *(%)* *(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		Principal activities
	2013	2014	
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.

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.

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	31 December 2016	For the six months ending 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*
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	
Amount to be applied from the net proceeds from the [REDACTED] *of New Shares*	[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	
Amount to be applied from the net proceeds from the [REDACTED] *of New Shares*	[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	
Amount to be applied from the net proceeds from the [REDACTED] *of New Shares*	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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.

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.

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

	Approximate amount of net proceeds		
Plan	**[REDACTED] of HK$[REDACTED] per [REDACTED] Share**	**[REDACTED] of HK$[REDACTED] per [REDACTED] Share**	**[REDACTED] of HK$[REDACTED] per [REDACTED] Share**
	HK$'000	*HK$'000*	*HK$'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]
	[REDACTED]	[REDACTED]	[REDACTED]

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 Date to 30 June 2016	**For the six months ending**					
		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]
Enhancement of existing restaurant facilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhancement of marketing and promotions	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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.

UNDERWRITERS

[REDACTED]

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Sponsor's interest in the Company

Save for: (i) the advisory and documentation fees to be paid to Ample Capital as the sponsor to the [**REDACTED**]; and (ii) the financial advisory fee to be paid to Ample Capital as the Company's compliance adviser pursuant to the requirements under Rules 6A.19 of the GEM Listing Rules, neither Ample Capital nor any of its associates has or may have, as a result of the [**REDACTED**], any interest in any class of securities in the Company or any of its subsidiaries (including options or rights to subscribe for such securities).

No director or employee of Ample Capital who is involved in providing advice to the Company has or may have, as a result of the [**REDACTED**], any interest in any class of securities of the Company or any of its subsidiaries (including options or rights to subscribe for such securities that may be subscribed for or purchased by any such director or employee pursuant to the [**REDACTED**]).

No director or employee of Ample Capital has a directorship in the Company or any of its subsidiaries. Ample Capital is independent from the Group under Rule 6A.07 of the GEM Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[Date]

The Directors
Li Bao Ge Group Limited
Ample Capital Limited

Dear Sirs,

We report on the financial information (the "Financial Information") of Li Bao Ge Group Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined statements of financial position as at 31 December 2013, 2014 and 2015, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2013, 2014 and 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This Financial Information has been prepared by the directors of the Company and is set out in Sections I to IV below for inclusion in Appendix I to the document of the Company dated [●] (the "Document") in connection with the [**REDACTED**] of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 1 September 2015 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on [●], the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not been involved in any significant business transactions since its date of incorporation, other than the Reorganisation.

The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their places of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II below.

For the purpose of this report, the directors of Zhen Tong Holdings Limited have prepared its consolidated financial statements for the Relevant Periods and the directors (the "Directors") of the Company have prepared the management accounts of the Company for the period from the date of incorporation to 31 December 2015 in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (collectively referred to as the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs. We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements after making such adjustments as we consider appropriate and on the basis set out in note 1.3 of Section II below, for the purpose of preparing our report for inclusion in the Document. The Underlying Financial Statements are the responsibility of the directors of the relevant companies who approved their issue. The directors of the Company are responsible for the contents of the Document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report and presented on the basis set out in Note 1.3 of Section II below, a true and fair view of the combined financial position of the Group as at 31 December 2013, 2014 and 2015 and of the Group's combined financial performance and cash flows for the Relevant Periods then ended.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2013 and 2014 and 2015 and for each of the years ended 31 December 2013, 2014 and 2015 (the "Financial Information"), presented on the basis set out in Note 1.3 of Section II below:

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2013	2014	2015
		HK$'000	*HK$'000*	*HK$'000*
Revenue	*6*	174,623	245,905	256,881
Other income	*6*	1,258	1,357	1,162
Other gains and losses	*7*	385	(409)	(3,139)
Cost of materials consumed		(51,513)	(73,406)	(71,261)
Employee benefits expense	*8*	(41,546)	(51,332)	(54,265)
Depreciation		(8,622)	(12,226)	(11,221)
Other expenses	*9*	(70,683)	(86,487)	(98,136)
Operating profit		3,902	23,402	20,021
[**REDACTED**] expenses		–	–	(8,419)
Finance costs	*10*	(996)	(921)	(862)
Profit before income tax		2,906	22,481	10,740
Income tax expense	*11*	(342)	(4,581)	(4,119)
Profit for the year		2,564	17,900	6,621
Other comprehensive income/(expense)				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference arising from translation of financial statements of foreign operations		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
Earnings per share	*12*	N/A	N/A	N/A
Dividends	*13*	2,400	2,400	25,290

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	**2013**	**2014**	**2015**
		HK$'000	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Property, plant and equipment	*14*	46,454	37,926	41,733
Investment properties	*15*	22,607	21,060	–
Rental deposits	*20*	10,392	9,823	15,649
Deposits placed for life insurance policies	*16*	4,552	4,835	5,139
Deferred income tax assets	*28*	4,277	5,190	4,888
		88,282	78,834	67,409
Current assets				
Inventories	*18*	5,419	5,628	6,611
Trade receivables	*19*	1,917	2,825	3,280
Deposits, prepayments and other receivables	*20*	4,372	6,932	8,390
Amounts due from related companies	*34*	7,961	13,589	310
Amount due from a director	*34*	–	392	–
Amount due from a then shareholder of subsidiaries	*34*	4	4	–
Amounts due from the directors of subsidiaries	*34*	11	60	–
Financial assets at fair value through profit or loss	*21*	1,571	1,246	–
Current income tax recoverable		477	21	913
Cash and cash equivalents	*22*	14,053	23,908	28,060
		35,785	54,605	47,564
Total assets		124,067	133,439	114,973
EQUITY				
Equity attributable to owners of the Company				
Share capital	*29*	–	–	–
Capital reserve		47	47	78
Other reserves		–	–	34,618
Exchange translation reserve		189	49	(281)
Retained profits		5,993	20,745	4,059
		6,229	20,841	38,474
Non-controlling interests		(2,477)	(1,839)	–
Total equity		3,752	19,002	38,474

	Notes	As at 31 December 2013 *HK$'000*	2014 *HK$'000*	2015 *HK$'000*
LIABILITIES				
Non-current liabilities				
Deposits received	*24*	332	221	242
Obligations under finance leases	*26*	203	114	689
Provision for reinstatement costs	*27*	2,952	2,290	3,049
Deferred income tax liabilities	*28*	–	–	48
		3,487	2,625	4,028
Current liabilities				
Trade payables	*23*	7,358	8,619	9,016
Accruals, provisions and deposits received	*24*	24,666	24,083	30,078
Amounts due to directors	*34*	40,197	29,783	4,520
Amounts due to related companies	*34*	1,656	2,903	3,539
Amounts due to the then shareholders of subsidiaries	*34*	1,495	1,454	–
Amounts due to the directors of subsidiaries	*34*	751	854	–
Amounts due to non-controlling shareholders	*34*	8,500	9,220	–
Bank borrowings	*25*	28,691	29,606	24,305
Obligations under finance leases	*26*	272	50	224
Provision for reinstatement costs	*27*	–	645	93
Current income tax payable		1,142	2,595	696
Dividend payable to the then shareholders of a subsidiary		2,100	2,000	–
		116,828	111,812	72,471
Total liabilities		120,315	114,437	76,499
Total equity and liabilities		124,067	133,439	114,973
Net current liabilities		(81,043)	(57,207)	(24,907)
Total assets less current liabilities		7,239	21,627	42,502

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital	**Capital reserve** *(Note 1)*	**Other reserves** *(Note 2)*	**Exchange translation reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2013								
Balance as at 1 January 2013	–	47	–	–	3,471	3,518	(267)	3,251
Comprehensive income								
Profit/(loss) for the year	–	–	–	–	4,202	4,202	(1,638)	2,564
Currency translation differences	–	–	–	189	–	189	148	337
Total comprehensive income/(expense) for the year	–	–	–	189	4,202	4,391	(1,490)	2,901
Dividend recognised as distribution *(Note 13)*	–	–	–	–	(1,680)	(1,680)	(720)	(2,400)
Balance as at 31 December 2013	–	47	–	189	5,993	6,229	(2,477)	3,752
For the year ended 31 December 2014								
Balance as at 1 January 2014	–	47	–	189	5,993	6,229	(2,477)	3,752
Comprehensive income								
Profit for the year	–	–	–	–	16,432	16,432	1,468	17,900
Currency translation differences	–	–	–	(140)	–	(140)	(110)	(250)
Total comprehensive income/(expense) for the year	–	–	–	(140)	16,432	16,292	1,358	17,650
Dividend recognised as distribution *(Note 13)*	–	–	–	–	(1,680)	(1,680)	(720)	(2,400)
Balance as at 31 December 2014	–	47	–	49	20,745	20,841	(1,839)	19,002
For the year ended 31 December 2015								
Balance as at 1 January 2015	–	47	–	49	20,745	20,841	(1,839)	19,002
Comprehensive income								
Profit for the year	–	–	–	–	3,652	3,652	2,969	6,621
Currency translation differences	–	–	–	(330)	–	(330)	(19)	(349)
Total comprehensive income/(expense) for the year	–	–	–	(330)	3,652	3,322	2,950	6,272
Arising from reorganisation	–	18	(18)	–	–	–	–	–
Arising from disposal of subsidiaries *(Note 36)*	–	–	29,350	–	–	29,350	1,556	30,906
Waiver of amount due to a non-controlling shareholder *(Note 30)*	–	–	6,720	–	–	6,720	–	6,720
Waiver of amount due to a related party connected with a then shareholder of subsidiaries *(Note 30)*	–	–	864	–	–	864	–	864
Dividend recognised as distribution *(Note 13)*	–	–	–	–	(20,338)	(20,338)	(4,952)	(25,290)
Acquisition of additional equity interests in subsidiaries	–	13	(2,298)	–	–	(2,285)	2,285	–
Balance as at 31 December 2015	–	78	34,618	(281)	4,059	38,474	–	38,474

Note 1: The capital reserve of approximately HK$47,000 as at 31 December 2013 and 2014 represents the combined share capital of the Company's subsidiaries now comprising the Group after eliminating intra-group investments and deducting those attributable to non-controlling interests. The capital reserve of approximately HK$78,000 as at 31 December 2015 represents the share capital of Zhen Tong Holdings Limited.

Note 2: The amounts of other reserves mainly include:

(a) an amount of approximately HK$18,000 representing the difference between the nominal value of the shares issued by Zhen Tong Holdings Limited and the combined share capital of Solarday Investment Limited, Orient Century Limited, Great Virtue Investment Limited and Smart Best (Asia) Limited acquired by four directly owned subsidiaries of Zhen Tong Holdings Limited with the issuance of the Zhen Tong Holdings Limited's shares upon the Reorganisation;

(b) an amount of approximately HK$29,350,000 representing the difference between the consideration received on disposal of the entire equity interests in Long Run Investment Limited and Richfield Develop Limited to a company connected with the Ultimate Controlling Shareholders, as defined below, and the carrying amounts of the net liabilities of Long Run Investment Limited and Richfield Develop Limited;

(c) the waiver of amounts due to a non-controlling shareholder of approximately HK$6,720,000 and a related party connected with a then shareholder of subsidiaries of approximately HK$864,000; and

(d) an amount of approximately HK$2,298,000 representing the difference between the amount of the non-controlling interests are adjusted and the nominal value of consideration shares issued by Zhen Tong Holdings Limited for the acquisition of additional interests in subsidiaries.

COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2013	2014	2015
		HK$'000	HK$'000	HK$'000
Cash flows from operating activities				
Profit before income tax		2,906	22,481	10,740
Adjustments for:				
– Depreciation of property, plant and equipment	14	7,045	10,679	10,060
– Depreciation of investment properties	15	1,577	1,547	1,161
– Finance costs	10	996	921	862
– Interest income	6	(186)	(193)	(223)
– Unrealised exchange loss		–	459	1,076
– Fair value gain on financial assets at fair value through profit or loss	7	(270)	(86)	–
– Premiums charged on life insurance policies		104	99	97
– Loss/(Gain) on disposal of financial assets at fair value through profit or loss	7	108	(34)	2,495
– Underprovision for reinstatement costs	9	–	–	252
– Loss on disposal of property, plant and equipment	7	–	–	29
Operating cash flows before changes in working capital		12,280	35,873	26,549
Changes in working capital:				
– Inventories		(1,796)	(246)	(1,103)
– Trade receivables		(1,044)	(924)	(533)
– Deposits, prepayments and other receivables		(2,003)	(2,065)	(7,720)
– Trade payables		1,538	1,290	570
– Accruals, provisions and deposits received		10,920	(503)	6,759
Cash generated from operations		19,895	33,425	24,522
Profits tax paid, net		(3,053)	(3,635)	(6,700)
Net cash generated from operating activities		16,842	29,790	17,822
Cash flows from investing activities				
Interest received		4	14	25
Purchases of property, plant and equipment		(37,946)	(2,810)	(19,896)
Proceeds from disposal of financial assets at fair value through profit or loss		7,615	531	15,712
Proceeds from disposal of property, plant and equipment		–	–	399
Purchases of financial assets at fair value through profit or loss		(9,024)	(86)	(16,961)
Deposits paid for life insurance policies		(1,203)	(203)	(203)
Repayments from/(Advances to) related companies		982	(5,628)	(149)
Repayment from/(Advance to) a director		63	(392)	392
(Advances to)/Repayments from the directors of subsidiaries		(11)	(49)	60
Repayment from a then shareholder of subsidiaries		–	–	4
Disposal of subsidiaries	36	–	–	(232)
Reinstatement costs paid for premises	27	–	–	(804)
Net cash used in investing activities		(39,520)	(8,623)	(21,653)

	Notes	Year ended 31 December 2013	2014	2015
		HK$'000	HK$'000	HK$'000
Cash flows from financing activities				
Interest paid		(996)	(921)	(862)
Dividends paid		(2,400)	(2,500)	(2,200)
Net proceeds from bank borrowings		16,960	7,892	15,000
Net proceeds from inception of a finance lease		20	–	–
Repayments of bank borrowings		(6,601)	(6,977)	(7,266)
Repayments of finance lease obligations		(257)	(311)	(77)
Advances from/(Repayments to) directors		13,958	(10,415)	1,632
(Repayments to)/Advances from related companies		(29)	1,247	465
Advances from the directors of subsidiaries		539	103	10
Advances from non-controlling shareholders		6,002	720	–
Advances from/(Repayments to) the then shareholders of subsidiaries		31	(41)	1,520
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
Cash and cash equivalents at beginning of the year		9,167	14,053	23,908
Effect of foreign exchange rate changes		337	(109)	(239)
Cash and cash equivalents at end of the year	22	14,053	23,908	28,060

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Li Bao Ge Group Limited (the "Company") was incorporated in the Cayman Islands on 1 September 2015 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the Company's registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively, the "Group") are principally engaged in the operation of a chain of Chinese restaurants in Hong Kong and the People's Republic of China ("PRC") (the "Listing Business").

1.2 Reorganisation

Prior to the Reorganisation, Mr. Chan Chun Kit ("Mr. Chan") and his spouse, Ms. Liu Siu Kuen ("Mrs. Chan") were the owners of Bright Creator Limited ("Bright Creator"), Mr. Ho Wood Yam ("Mr. Ho") and Mr. Tsui King Foo ("Mr. Tsui") were the major owners of Sun Foo Sing Development Limited ("Sun Foo Sing"); and Mr. Chow Chor Ting, Anthony ("Mr. Chow CT") and his nephew, Mr. Chow Yiu Pong, David ("Mr. Chow YP") were the major owners of Sky Gain Investments Limited ("Sky Gain"). All operating entities of the Listing Business were majority owned by Bright Creator, Mr. Wong Ka Wai ("Mr. Wong"), Sun Foo Sing and Sky Gain. The directors consider Mr. Chan, Mrs. Chan, Mr. Wong, Mr. Ho, Mr. Tsui, Mr. Chow CT and Mr. Chow YP to be the ultimate controlling shareholders of the Group ("Ultimate Controlling Shareholders").

In preparation for the [**REDACTED**] of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Company and other companies now comprising the Group have undergone a reorganisation (the "Reorganisation") pursuant to which the Company has become holding company of the other companies now comprising the Group. The major steps which have been undertaken to effect the Reorganisation were detailed in the section headed "History, Reorganisation and Development" to the Document.

At the end of each reporting period and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

				Effective interest held					
Company name	**Country/ place of incorporation**	**Date of incorporation**	**Nominal value of issued and fully paid share capital**	**As at 31 December 2013**	**As at 31 December 2014**	**As at 31 December 2015**	**As at the date of this report**	**Principal activities**	*Note*
Direct held subsidiary									
Zhen Tong Holdings Limited ("Zhen Tong")	British Virgin Islands ("BVI")	17 July 2015	10,000 ordinary shares of United States dollar ("USD") 1 each	N/A	N/A	N/A	[100%]	Investment holding	*(a)*
Indirectly held subsidiaries									
Auspicious Elite Limited	BVI	7 July 2015	1 ordinary share of USD1 each	N/A	N/A	100%	[100%]	Investment holding	*(a)*
Ding Xing Investments Limited	BVI	17 July 2015	1 ordinary share of USD1 each	N/A	N/A	100%	[100%]	Investment holding	*(a)*

Company name	Country/ place of incorporation	Date of incorporation	Nominal value of issued and fully paid share capital	Effective interest held As at 31 December 2013	As at 31 December 2014	As at 31 December 2015	As at the date of this report	Principal activities	*Note*
First Bloom Ventures Limited	BVI	17 July 2015	1 ordinary share of USD1 each	N/A	N/A	100%	[100%]	Investment holding	*(a)*
Guang Jie Group Limited	BVI	8 July 2015	1 ordinary share of USD1 each	N/A	N/A	100%	[100%]	Investment holding	*(a)*
Keen Nation Limited	BVI	1 July 2015	1 ordinary share of USD1 each	N/A	N/A	100%	[100%]	Investment holding	*(a)*
Moon Fortune International Limited	BVI	17 July 2015	1 ordinary share of USD1 each	N/A	N/A	100%	[100%]	Investment holding	*(a)*
Power Moon International Limited	BVI	17 July 2015	1 ordinary share of USD1 each	N/A	N/A	100%	[100%]	Investment holding	*(a)*
Solarday Investment Limited ("Solarday")	Hong Kong	5 December 1997	Hong Kong dollar ("HK$") 20,000	100%	100%	100%	[100%]	Restaurant operation	*(b)*
Orient Century Limited ("Orient Century")	Hong Kong	19 May 2000	HK$20,000	100%	100%	100%	[100%]	Restaurant operation	*(d)*
Great Virtue Investment Limited (" Great Virtue")	Hong Kong	10 October 2009	HK$10,000	70%	70%	100%	[100%]	Investment holding and restaurant operation *(note iv)*	*(c)*
Great Virtue (HK) Investment Limited	Hong Kong	29 July 2010	HK$10,000	70%	70%	100%	[100%]	Restaurant operation	*(c)*
Star of Canton Restaurant (China) Limited ("Star China")	Hong Kong	4 November 2010	HK$10,000	56%	56%	100%	[100%]	Investment holding	*(e)*
利寶閣(深圳)餐飲有限公司 *(note i)*	PRC	14 August 2013	Renminbi ("RMB") 8,663,000	56%	56%	100%	[100%]	Restaurant operation	*(f)*
奧聯(深圳)餐飲管理有限公司 *(note i)*	PRC	18 March 2013	RMB6,340,000	56%	56%	100%	[100%]	Providing consulting services for management of restaurant business in Mainland China	*(f)*
Long Run Investment Limited	Hong Kong	20 July 2012	HK$1	70%	70%	N/A	[N/A]	Property investment	*(c)*
Richfield Develop Limited	Hong Kong	8 October 2011	HK$10,000	70%	70%	N/A	[N/A]	Property investment	*(c)*
Excel Linker (Hong Kong) Limited	Hong Kong	23 January 2015	HK$1	N/A	N/A	100%	[100%]	Restaurant Operation *(note ii)*	*(a)*
Smart Best (Asia) Limited	Hong Kong	5 December 2014	HK$100	N/A	100%	100%	[100%]	Ordering of food ingredients for the Group *(note iii)*	*(a)*

Notes:

(i) *These entities are wholly owned foreign enterprises.*

(ii) *This company is engaged in the operation and management of the Sheung Wan Restaurant and the Beijing House Restaurant, which commenced business on 30 October 2015.*

(iii) *This company commenced the business of ordering of food ingredients for the Group on 1 August 2015.*

(iv) *This company has ceased its restaurant operation on 17 November 2015.*

(a) No statutory financial statements have been issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their places of incorporation.

(b) The statutory financial statements of these companies for the year ended 30 June 2013 and for the period from 1 July 2013 to 31 December 2014 were prepared in accordance with Small and Medium-sized Entity-Financial Reporting Standard ("SME-FRS") and audited by Ting Ho Kwan & Chan, Certified Public Accountants in Hong Kong ("THKC").*

(c) The statutory financial statements of these companies for the years ended 31 December 2013 and 2014 were prepared in accordance with the Hong Kong Financial Reporting Standards for Private Entities ("HKFRS for Private Entities") and audited by THKC.*

(d) The statutory financial statements of this company for the years ended 31 December 2013 and 2014 were prepared in accordance with SME-FRS and audited by THKC.*

(e) No audited financial statements have been prepared since its date of incorporation.*

(f) The statutory financial statements of these companies for the period from date of incorporation to 31 December 2013 and for the years ended 31 December 2014 and 2015 were prepared in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC (the "PRC GAAP") and audited by Shenzhen Yida Certified Public Accountants Co., Ltd, Certified Public Accountants in the PRC.

(g) Both Ting Ho Kwan & Chan CPA Limited, the reporting accountants and THKC share the same resources including the office and staff and also adopt the same system of quality control and methodology.

* The statutory audited financial statements for the year ended 31 December 2015 or for the period from the date of incorporation to 31 December 2015 of the above companies have not been issued as they have not been due to be issued at the date of this report.

1.3 Basis of presentation

For the purpose of this report, 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 cash flow statements of 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 Listing Business, under common control of the Ultimate Controlling Shareholders 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, 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.

Inter-company transactions, balances and unrealised gains or losses on transactions between group companies are eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied during each of the years ended 31 December 2013, 2014 and 2015 (the "Relevant Periods"), unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and Part 9 "Account and Audit" of the Hong Kong Companies ordinance (Cap. 622). The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap 622), the Financial Information is prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap 32) for the years ended 31 December 2013 and 2014.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

As at 31 December 2015, the Group's current liabilities exceeded its current assets by approximately HK$24,907,000. The current liabilities mainly consisted of deposits received from customers of approximately HK$3,812,000, which are to be recognised as revenue upon rendering of the relevant banquet services in the next financial year; as well as an amount of approximately HK$14,072,000 representing a portion of the total bank borrowings being classified as current due to the existence of the repayment on demand clause (Note 25) in the loan agreements, which were used for financing the purchases of non-current assets. Based on the Group's history of its operating performance and its expected future working capital together with the availability of undrawn banking facilities, the directors believe that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, the directors consider that it is appropriate to prepare the Financial Information on a going concern basis.

Standards, amendments and interpretations that are effective during the Relevant Periods have been adopted and applied by the Group consistently throughout the Relevant Periods.

New and revised HKFRSs in issue but not yet effective

The following new or revised standards and amendments to standards are relevant to the Group's operation which are effective for annual periods beginning on or after 1 January 2016 and have not been early adopted:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 14	Regulatory deferral accounts[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exceptions[3]
Amendments to HKFRSs	Annual Improvements HKFRSs 2012-2014 Cycle[3]
[HKFRS 16]	[Leases[4]]
[HKAS 12 (Amendment)]	[Recognition of deferred tax assets for unrealised losses[2]]

1. Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2. Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

3. Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

4. [The effective date of this amendment was postponed indefinitely.]

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are more relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group has already commenced an assessment of the impact of HKFRS 9 but is not yet in a position to conclude whether it would have a significant impact on its results of operations and financial position.

HKFRS 15 "Revenue from Contracts with Customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group has already commenced an assessment of the impact of HKFRS 15 but is not yet in a position to conclude whether it would have a significant impact on the Group's result of operations and financial position.

The directors of Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the combined financial statements of the Group.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) (i) Business combinations under common control

Business combinations under common control refers to combinations where the combining entities are controlled by the same party or parties before and after the combination and that control is not transitory.

The acquirer measures both the consideration paid and net assets obtained at their carrying amounts. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid is recorded in other reserves. Any direct transaction cost attributable to the business combination is recorded in the combined statement of comprehensive income in the current period. However, the handling fees, commissions and other expenses incurred for the issuance of equity instruments or bonds for the business combination are recorded in the initial measurement of the equity instruments and bonds respectively.

(ii) Business combinations under non-common control

The Group applies the acquisition method to account for business combinations, except for the Reorganisation as described in Note 1.2 above. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the combined statements of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in the combined statements of comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within the combined statements of changes in equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the combined statements of comprehensive income as a gain on bargain purchase.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in the combined statements of changes in equity. Gains or losses on disposals to non-controlling interests are also recorded in the combined statements of changes in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the combined statements of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the combined statements of comprehensive income.

2.3 Non-controlling interests

Non-controlling interests at the end of the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the combined statements of financial position separately from equity attributable to owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the combined statements of comprehensive income as an allocation of the total profit or loss for the year between non-controlling interests and owners of the Company.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO") of the Group who makes strategic decisions.

2.5 Foreign currency transactions

(a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in HK$, which is also the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined statements of comprehensive income. Foreign exchange gains and losses are presented in the combined statements of comprehensive income within 'other gains and losses'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 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 land classified as finance lease	Over the unexpired term of the lease periods, with a remaining term of 35 to 36 years
Buildings	50 years
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 (see Note 14).

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.

2.7 Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is realisable upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is realisable.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets as financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss are investments in securities held for trading included in current assets and are stated in the combined statements of financial position at fair value. A financial asset is classified in this category, if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than twelve months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise "rental deposits", "deposits placed for life insurance polices", "trade receivables", "amounts due from related companies", "amount due from a director", "amount due from a then shareholder of subsidiaries", "amounts due from the directors of subsidiaries", "deposits and other receivables" and "cash and cash equivalents" in the combined statements of financial position (see Notes 2.12 and 2.13).

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in the combined statements of comprehensive income. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Impairment of financial assets carried at amortised cost

The Group assesses at each reporting date whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in combined statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in combined statements of comprehensive income.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facilities to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

2.16 Borrowing costs

All borrowing costs are recognised in the combined statements of comprehensive income in the period in which they are incurred since no borrowing costs are directly attributable to the acquisition, construction or production of qualified assets.

2.17 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the combined statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(a) Pension obligation

The Group operates a defined contribution plan, the mandatory provident fund scheme ("MPF") in Hong Kong, the assets of which are generally held in separate trustee administered funds.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund on a reduction in the future payments is available.

The full-time employees of the Group in the PRC are covered by various government-sponsored basic pension insurance under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expenses as incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leaves the Group.

The Group's contributions are charged to combined statements of comprehensive income in the period they incurred.

(b) Housing funds, medical insurances and other social insurances

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period, and recognised as employee benefit expense when they are due.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the Group has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the reporting date are discounted to their present value.

(e) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(f) Long service payments

The Group's net obligation in respect of long service payments to its employees in Hong Kong upon cessation of their employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that the employees have earned in return for their services in the current and prior periods.

The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement schemes that are attributed to contributions made by the Group. The discount rate is the yield at the reporting date of Hong Kong Government's Exchange Fund Notes which have terms to maturity approximating the terms of the related liability. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in other comprehensive income in the period in which they occur in the combined statements of comprehensive income.

2.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Provision for reinstatement costs

Provision for reinstatement costs represents the present value of the estimated cost for the restoration work of the Group's leased retail shops agreed to be carried out upon the expiry of the relevant leases using a risk-free pre-tax interest rate. The provision has been determined by the directors based on their best estimates. The related reinstatement costs have been included as leasehold improvements in the combined statements of financial position.

2.22 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 restaurant operations

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

(b) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(c) Interest income

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

(d) Dividend income

Dividend income is recognised when the shareholders' right to receive payment is established prior to the date of the reporting period.

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the combined statements of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the combined statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Item of property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.24 Dividend distribution

Dividend distribution to the shareholders of the Company and its subsidiaries is recognised as a liability in the Financial Information in the period in which the dividends are approved by the shareholders or directors, where appropriate, of the respective companies.

2.25 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third party and the other entity is an associate of third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it 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.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency that is not the Group entities's functional currency. Most of the income and expenditures of the Group are denominated in HK$ and RMB, which are the functional currencies of the respective group entities. Even HK$ is not pegged to RMB, the historical exchange rate fluctuation on RMB is insignificant. Thus there is no significant exposure expected on RMB transactions and balances. Hence, the Group does not have any material foreign exchange exposure. The Group has not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations for the years under review. As at 31 December 2013, 2014 and 2015, the Group did not have any outstanding hedging instruments.

(ii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest rate risk arises from bank deposits and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits held at variable rates. The interest rate profile of borrowings is disclosed in Note 25. The bank deposits generate interest at the prevailing market interest rates.

The Group is exposed to cash flow interest rate risk in relation to bank balances and bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and the Best Lending Rate arising from the bank borrowings.

In the opinion of directors, they do not anticipate any significant possible changes in interest rates for the relevant financial instruments in existence in the relevant period over the period until the annual reporting period. Accordingly, no sensitivity analysis for the Group's exposure to cash flows interest rate risk arising from such relevant financial instruments is prepared.

(b) Credit risk

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables, amounts due from related companies and related parties. Management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

To mitigate the risk arising from banks, the Group places their deposits to certain reputable banks with a minimum rating of "investment grade" ranked by an independent party. See Note 22 for further disclosure on credit risk.

Majority of the Group's revenue is on cash basis, therefore there is no significant concentration of credit risk.

Amounts due from related companies and related parties are continuously monitored by assessing the credit quality of the respective counterparties, taking into account its financial position, past experience and other factors. Where necessary, impairment loss is made for estimated irrecoverable amounts. As at 31 December 2013, 2014 and 2015, no impairment is considered necessary for the amounts due from related companies and related parties.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined statements of financial position.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term. Management believes that there is no significant liquidity risk as the Group is able to generate net cash inflow from operating activities and has sufficient committed facilities to fund its operations and debt servicing requirements and to satisfy its future working capital and other financing requirements from its operation cash flows and available bank financing.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *HK$'000*	**Between 1 and 2 years** *HK$'000*	**Between 2 and 5 years** *HK$'000*
At 31 December 2013			
Trade payables	7,358	–	–
Accruals and deposits received	16,611	–	–
Amounts due to directors	40,197	–	–
Amounts due to related companies	1,656	–	–
Amounts due to the then shareholders of subsidiaries	1,495	–	–
Amounts due to the directors of subsidiaries	751	–	–
Amounts due to non-controlling shareholders	8,500	–	–
Bank borrowings	33,360	–	–
Obligations under finance leases	329	58	120
Dividend payable to the then shareholders of a subsidiary	2,100	–	–

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2014			
Trade payables	8,619	–	–
Accruals and deposits received	14,545	–	–
Amounts due to directors	29,783	–	–
Amounts due to related companies	2,903	–	–
Amounts due to the then shareholders of subsidiaries	1,454	–	–
Amounts due to the directors of subsidiaries	854	–	–
Amounts due to non-controlling shareholders	9,220	–	–
Bank borrowings	33,297	–	–
Obligations under finance leases	58	58	62
Dividend payable to the then shareholders of a subsidiary	2,000	–	–
At 31 December 2015			
Trade payables	9,016	–	–
Accruals and deposits received	19,309	–	–
Amounts due to directors	4,520	–	–
Amounts due to related companies	3,539	–	–
Bank borrowings	25,909	–	–
Obligations under finance leases	260	260	478

The following table summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates. Taking into account the Group's net assets, the directors do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis – term loans subject to a repayment on demand clause based on scheduled repayments			
	Within 1 year	Over 1 year but less than 2 years	Over 2 year but less than 5 years	Over 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013	7,865	4,701	9,643	11,151
At 31 December 2014	12,682	3,978	6,788	9,849
At 31 December 2015	10,925	5,837	9,147	–

3.2 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.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the combined statements of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the combined statements of financial position plus net debt.

The Group's strategy, which was unchanged during the Relevant Periods, was to lower the gearing ratio to an acceptable level. The gearing ratios at 31 December 2013, 2014 and 2015 were as follows:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Total borrowings			
– Bank borrowings *(Note 25)*	28,691	29,606	24,305
– Obligations under finance leases *(Note 26)*	475	164	913
Less: cash and cash equivalents *(Note 22)*	14,053	23,908	28,060
Net debt/(equity)	15,113	5,862	(2,842)
Total equity	3,752	19,002	38,474
Total capital	18,865	24,864	35,632
Gearing ratio	80.11%	23.58%	N/A

3.3 Fair value estimation

(i) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	1,571	–	–	1,571

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	1,246	–	–	1,246

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015.

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	–	–	–	–

The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no significant transfer of assets between level 1, level 2 and level 3 fair value hierarchy classifications during the year.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values as at 31 December 2013, 2014 and 2015.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) 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.

(b) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on fair value less costs of disposal or value-in-use valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing:

(i) whether an event has occurred that may indicate that the related asset values may not be recoverable;

(ii) whether the carrying amount of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and

(iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of its operations.

(c) Income tax

The Group is subject to current income tax. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Group's management determines the deferred income tax assets based on the enacted or substantively enacted tax rates (and laws) and the best knowledge of profit projections of the Group for coming years during which the deferred income tax assets are expected to be utilised. In assessing the amount of deferred income tax assets that need to be recognised, the Group considers future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the Group estimates of projected future taxable income and benefits from available tax strategies are changed, or changes in current tax regulations are enacted that would impact the timing or extent of the Group's ability to utilise the tax benefits of net operating loss carry forwards in the future, adjustments to the recorded amount of net deferred income tax assets and income tax expense would need to be made. In addition, management will revisit the assumptions and profit projections at each reporting date.

(d) 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.

5 SEGMENT INFORMATION

The CODM has been identified as the CEO of the Company who reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of profit after income tax. The CODM considers all business is included in a single operating segment.

The Group is principally engaged in the operation of a chain of Chinese restaurants. Information reported to the CODM for the purpose of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment – operation of Chinese restaurants and segment disclosures are not presented.

For the years ended 31 December 2013, and 2014 and 2015, there are no single external customers contributed more than 10% revenue of the Group.

Geographical information

The following tables present revenue from external customers for the years ended 31 December 2013, 2014 and 2015 and certain non-current assets information as at 31 December 2013, 2014 and 2015, by geographic area.

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Revenue from external customers			
Hong Kong	168,587	185,407	183,083
Mainland China	6,036	60,498	73,798
	174,623	245,905	256,881

The revenue information above is based on the locations of the customers.

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Hong Kong	39,614	35,343	25,081
Mainland China	29,447	23,643	16,652
	69,061	58,986	41,733

The non-current assets information above is based on the locations of the assets and excludes financial assets and deferred tax assets.

6 REVENUE AND OTHER INCOME

Revenue from the operation of Chinese restaurants and other income during the years ended 31 December 2013, 2014 and 2015 are as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Revenue from Chinese restaurant operations	174,623	245,905	256,881
Other income			
Rental income from investment properties	889	978	806
Interest income on short-term bank deposits	4	14	25
Dividend income	–	12	2
Interest income from deposits 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
Total revenue and other income	175,881	247,262	258,043

7 OTHER GAINS AND LOSSES

	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)

8 EMPLOYEE BENEFITS EXPENSE

	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 years' unutilised paid annual leave utilised)/Unutilised paid annual leave	48	199	(129)
	41,546	51,332	54,265

(a) Pension costs – defined contribution plans

Contributions totaling approximately HK$157,000 and HK$158,000 and HK$230,000 were payable to the MPF fund as at 31 December 2013, 2014 and 2015, respectively.

(b) Directors' and CEO's emoluments

The remuneration of every director and the CEO for the year ended 31 December 2013 is set out below:

	Fees	**Basic salaries, allowances and benefits**	**Discretionary bonuses**	**Employer's contributions to pension scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Chairman and CEO					
CHAN Chun Kit *(Note (i))*	68	490	62	15	635

The remuneration of every director and the CEO for the year ended 31 December 2014 is set out below:

	Fees	**Basic salaries, allowances and benefits**	**Discretionary bonuses**	**Employer's contributions to pension scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Chairman and CEO					
CHAN Chun Kit *(Note (i))*	–	490	24	17	531

The remuneration of every director and the CEO for the year ended 31 December 2015 is set out below:

	Fees	**Basic salaries, allowances and benefits**	**Discretionary bonuses**	**Employer's contributions to pension scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Chairman and CEO					
CHAN Chun Kit *(Note (i))*	–	585	16	21	622

Note (i): The director is also the CEO, hence no separate disclosure in respect of the remuneration of the CEO has been made. No directors waived or agreed to waive any emoluments during the Relevant Periods. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the Relevant Periods.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Relevant Periods include one director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four individuals during the Relevant Periods are as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Basic salaries, allowances and benefits	1,367	1,577	1,741
Discretionary bonuses	160	196	253
Employer's contribution to pension scheme	58	65	71
	1,585	1,838	2,065

The emoluments of the above four individuals above fell within the band of nil – HK$1,000,000 during the Relevant Periods.

9 OTHER EXPENSES

	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 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 lease expenses			
– Normal rent for premises	26,870	31,475	37,729
– Contingent rent for premises*	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 *(note 34(b))*	1,332	1,204	1,059
Underprovision for reinstatement costs	–	–	252
	70,683	86,487	98,136

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

10 FINANCE COSTS

	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

11 INCOME TAX EXPENSE

	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
– The 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
Income tax expense	342	4,581	4,119

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2013, 2014 and 2015.

According to the PRC Enterprise Corporate Tax Law promulgated by the PRC government, the PRC's statutory income tax rate is 25%. The Company's PRC subsidiaries are subject to income tax at the rate of 25% for the years ended 31 December 2013, 2014 and 2015.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using applicable statutory tax rates as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	2,906	22,481	10,740
Tax calculated at applicable statutory tax rates	(408)	3,266	2,217
Income not subject to tax	(124)	(52)	(235)
Expenses not deductible for tax purposes	938	1,496	2,153
Taxation overprovided in prior year	(14)	(9)	(16)
Tax reduction	(50)	(120)	–
Income tax expense	342	4,581	4,119

12 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for each of the years ended 31 December 2013, 2014 and 2015 on a combined basis as disclosed in Note 1.3 above.

13 DIVIDENDS

The following dividends were declared and distributed by the companies now comprising the Group to their then equity owners during the Relevant Periods:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
– Interim dividends	2,400	2,400	2,200
– Special dividends	–	–	23,090*
	2,400	2,400	25,290

* During the year of 2015, (i) Great Virtue declared a special dividend in the sum of HK$14.3 million to its then shareholders, which was settled on 23 September 2015 by way of offsetting its outstanding amounts due from Elite Linker Investment Limited, a company controlled by certain Ultimate Controlling Shareholders of the Company. (ii) Orient Century declared a special dividend in the sum of approximately HK$8.8 million to its then shareholders, which was settled on 23 September 2015 by way of offsetting its outstanding amounts due from Poly Wealth Limited and Solarday.

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Crockery, utensils, linens and uniforms *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST						
At 1 January 2013	5,389	30,249	8,595	738	637	45,608
Additions	–	28,732	7,941	1,930	356	38,959
Transferred from Investment properties *(Note 15)*	1,700	–	–	–	–	1,700
Written-off	–	(8,919)	(3,108)	–	–	(12,027)
At 31 December 2013	7,089	50,062	13,428	2,668	993	74,240
Additions	–	2,020	790	–	–	2,810
Exchange alignment	–	(473)	(156)	(40)	(2)	(671)
At 31 December 2014	7,089	51,609	14,062	2,628	991	76,379
Additions	–	16,604	3,568	431	919	21,522
Disposal and written-off	–	(7,261)	(2,769)	(382)	(637)	(11,049)
Disposal of subsidiaries *(Note 36)*	(7,089)	(549)	–	–	–	(7,638)
Exchange alignment	–	(1,139)	(407)	(91)	(6)	(1,643)
At 31 December 2015	–	59,264	14,454	2,586	1,267	77,571
ACCUMULATED DEPRECIATION						
At 1 January 2013	384	24,807	7,332	–	159	32,682
Charge for the year	221	5,278	1,354	–	192	7,045
Transferred from Investment properties *(Note 15)*	86	–	–	–	–	86
Eliminated on written-off	–	(8,919)	(3,108)	–	–	(12,027)
At 31 December 2013	691	21,166	5,578	–	351	27,786
Charge for the year	251	7,224	2,957	–	247	10,679
Exchange alignment	–	(8)	(4)	–	–	(12)
At 31 December 2014	942	28,382	8,531	–	598	38,453
Charge for the year	187	6,715	2,900	–	258	10,060
Disposal of subsidiaries *(Note 36)*	(1,129)	(549)	–	–	–	(1,678)
Elimination on disposal and written-off	–	(7,262)	(2,736)	–	(623)	(10,621)
Exchange alignment	–	(241)	(133)	–	(2)	(376)
At 31 December 2015	–	27,045	8,562	–	231	35,838
NET BOOK VALUE						
At 31 December 2013	6,398	28,896	7,850	2,668	642	46,454
At 31 December 2014	6,147	23,227	5,531	2,628	393	37,926
At 31 December 2015	–	32,219	5,892	2,586	1,036	41,733

Land and buildings in Hong Kong under medium leases with net book amount of approximately HK$6,398,000 and HK$6,147,000 were pledged to banks to secure general banking facilities granted to the Group as at 31 December 2013 and 2014 (Note 25).

Motor vehicles include the following amounts where the Group is a lessee under finance leases:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Cost – capitalised finance leases	876	240	1,159
Accumulated depreciation	(348)	(90)	(176)
Net book amount	528	150	983

The Group leases motor vehicles under non-cancellable finance lease agreements. The lease terms are between three and five years, and ownership of the assets lies within the Group.

15 INVESTMENT PROPERTIES

	Total
	HK$'000
COST	
At 1 January 2013	27,395
Transferred to property, plant and equipment *(Note 14)*	(1,700)
At 31 December 2013 and 31 December 2014	25,695
Disposal of subsidiaries *(Note 36)*	(25,695)
At 31 December 2015	–
ACCUMULATED DEPRECIATION	
At 1 January 2013	1,597
Charge for the year	1,577
Transferred to property, plant and equipment *(Note 14)*	(86)
At 31 December 2013	3,088
Charge for the year	1,547
At 31 December 2014	4,635
Charge for the year	1,161
Disposal of subsidiaries *(Note 36)*	(5,796)
At 31 December 2015	–
NET BOOK VALUE	
At 31 December 2013	22,607
At 31 December 2014	21,060
At 31 December 2015	–

All investment properties located in Hong Kong under medium leases were pledged to banks to secure general banking facilities granted to the Group as at 31 December 2013 and 2014 (Note 25).

The fair value of the Group's investment properties at 31 December 2013 and 2014 was HK$36,800,000 and HK$39,300,000 respectively. The fair value has been arrived at based on a valuation carried out by an independent property valuer. The valuation was determined by income approach using direct comparison method.

Income approach is a technique in which the estimated stream of future benefits may be enjoyed by reason of ownership, usually the anticipated or projected earnings, is processed to indicate the amount measured through capitalisation of net income or application of multiples derived from financial analysis of similar type of properties.

Direct comparison method is adopted where comparison based on prices realised on actual sales of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market values.

The valuation takes into account the characteristics of the investment properties, which include the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the unit market price. The key input is the unit market price. A significant increase/decrease in the market price will result in the fair value of the investment properties.

The fair value of investment properties is a level 3 recurring fair value measurement. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

16 DEPOSITS PLACED FOR LIFE INSURANCE POLICIES

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Life insurance policy 1 *(Note)*	1,027	1,052	1,078
Life insurance policy 2 *(Note)*	2,602	2,658	2,713
Life insurance policy 3	923	1,125	1,348
	4,552	4,835	5,139

Note: Two life insurance policies were pledged to banks to secure general banking facilities granted to the Group as at 31 December 2013, 2014 and 2015 (Note 25).

Life Insurance Policy 1

In March 2013, the Group entered into a life insurance policy with an insurance company to insure an Executive Director, Mr. Chan Chun Kit. Under the policy, the beneficiary and policy holder is Great Virtue, a Company's subsidiary and the total insured sum is USD200,000 (approximately HK$1,560,000). Great Virtue is required to pay an upfront deposit of USD128,200 (approximately HK$999,960) including a premium charge at inception of the policy amounting to USD8,100 (approximately HK$63,180). Great Virtue can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront deposit payment of USD128,200 plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge ("Cash Value").

In addition, if withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge. The insurance company will pay Great Virtue an interest of 2.25% per annum on the outstanding Cash Value of the policy for the first year. Commencing on the 2nd year, the interest will become 2% per annum plus a premium determined by the insurance company on an annual basis.

The deposit placed for a life insurance policy is denominated in USD, a currency other than the functional currency of the respective group entities.

Life Insurance Policy 2

In January 2011, the Group entered into a life insurance policy with an insurance company to insure an Executive Director, Mr. Chan Chun Kit. Under the policy, the beneficiary and policy holder is Orient Century, a Company's subsidiary and the total insured sum is USD1,000,000 (approximately HK$7,800,000). Orient Century is required to pay an upfront deposit of USD333,276 (approximately HK$2,599,553) including a premium charge at inception of the policy amounting to USD19,997 (approximately HK$155,977). Orient Century can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront deposit payment of USD333,276 plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge.

In addition, if withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge. The insurance company will pay Orient Century an guaranteed interest of 3.9% on annum basis for first 5 years. Commencing on the 6th year, the interest will become 3% per annum plus a premium determined by the insurance company on an annual basis.

The deposit placed for a life insurance policy is denominated in USD, a currency other than the functional currency of the respective group entities.

Life Insurance Policy 3

In April 2009, the Group entered into a life insurance policy with an insurance company to insure an Executive Director, Mr. Chan Chun Kit. Under the policy, the beneficiary and policy holder is Orient Century Limited, a Company's subsidiary and the total insured sum is USD750,000 (approximately HK$5,850,000). Orient Century is required to pay ten annual instalments of USD26,055 up to 30 April 2019 (approximately HK$203,229) including a premium charge at inception of the policy amounting to USD8,100 (approximately HK$63,180). Orient Century can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the accumulated deposit payments plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge.

In addition, if withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge. The insurance company will pay Orient Century an guaranteed interest of 5.55% on annum basis for first 20 years. Commencing on the 21st year, the interest will become 3% per annum plus a premium determined by the insurance company on an annual basis.

The deposit placed for a life insurance policy is denominated in USD, a currency other than the functional currency of the respective group entities.

17 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Loans and receivables			
Rental deposits	10,392	12,277	18,103
Deposits placed for life insurance policies	4,552	4,835	5,139
Trade receivables	1,917	2,825	3,280
Deposits and other receivables	2,594	1,723	1,868
Amounts due from related companies	7,961	13,589	310
Amount due from a director	–	392	–
Amounts due from the then shareholders of subsidiaries	4	4	–
Amounts due from the directors of subsidiaries	11	60	–
Cash and cash equivalents	14,053	23,908	28,060
	41,484	59,613	56,760
Financial assets at fair value through profit or loss			
Equity securities	1,571	1,246	–
	43,055	60,859	56,760

	As at 31 December		
	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Other financial liabilities at amortised costs			
Trade payables	7,358	8,619	9,016
Accruals and deposits received	16,611	14,545	19,309
Amounts due to directors	40,197	29,783	4,520
Amounts due to related companies	1,656	2,903	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
Obligations under finance leases	475	164	913
Dividend payable to the then shareholders of a subsidiary	2,100	2,000	–
	107,834	99,148	61,602

18 INVENTORIES

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

As at 31 December 2013, 2014 and 2015, there were no inventories stated at net realisable value.

19 TRADE RECEIVABLES

The ageing analysis of trade receivables based on invoice date is as follows:

	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 restaurant 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 not 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 and 2014 and 2015, no trade receivables were impaired. No allowance for impairment of trade receivables was made as at 31 December 2013 and 2014 and 2015.

The carrying amounts of trade receivables approximate their fair values and are denominated in HK$ and RMB, which are the functional currencies of the respective group entities. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

20 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	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

The carrying amounts of deposits, prepayments and other receivables approximate their fair values and are denominated in HK$ and RMB, which are the functional currencies of the respective group entities.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Equity securities listed in Hong Kong			
– held-for-trading	1,571	1,246	–
Market value of listed securities	1,571	1,246	–

Changes in fair values of financial assets at fair value through profit or loss are recorded in "Other gains and losses" in the combined statements of comprehensive income (Note 7).

The fair value of all equity securities is based on their current bid prices in an active market.

22 CASH AND CASH EQUIVALENTS

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Cash at banks	12,725	22,714	27,312
Cash on hand	1,328	1,194	748
Cash and cash equivalents	14,053	23,908	28,060
Maximum exposure to credit risk	12,725	22,714	27,312

Majority of the Group's cash and cash equivalents are denominated in HK$ and RMB, which are the functional currencies of the respective group entities. Cash at banks earn interest at floating rates based on daily bank deposit rates.

23 TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

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

	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

The carrying amounts of trade payables approximate their fair values and are denominated in HK$ and RMB,which are the functional currencies of the respective group entities.

24 ACCRUALS, PROVISIONS AND DEPOSITS RECEIVED

	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
Receipts-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

The carrying amounts of accruals and provisions and deposits received approximate their fair values and are denominated in HK$ and RMB, which are the functional currencies of the respective group entities.

25 BANK BORROWINGS

	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 repricing 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 interest rate and are denominated in HK$.

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. (Note 14);

(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. (Note 15);

(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 (Note 16);

(d) Personal guarantees given by the Ultimate Controlling Shareholders as at 31 December 2013, 2014 and 2015 (Note 34);

(e) Personal guarantees given by certain controlling shareholders of a non-controlling shareholder as at 31 December 2013, 2014 and 2015 (Note 34);

(f) Corporate guarantees given by a company controlled by certain Ultimate Controlling Shareholders, and a non-controlling shareholder as at 31 December 2013 and 2014 and 2015 (Note 34); and

(g) The properties held by the former subsidiaries controlled by certain Ultimate Controlling Shareholders of the Company as at 31 December 2015 (Note 34).

26 OBLIGATIONS UNDER FINANCE LEASES

The rights to the leased assets are reverted to the lessor in the event of default of the lease liabilities by the Group.

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Gross finance lease liabilities			
– minimum lease payments			
No later than 1 year	329	58	260
Later than 1 year and no later than 5 years	178	120	738
	507	178	998
Future finance charges on finance leases	(32)	(14)	(85)
Present value of finance lease liabilities	475	164	913
The present value of finance lease liabilities is as follows:			
No later than 1 year	272	50	224
Later than 1 year and no later than 5 years	203	114	689
	475	164	913

As at 31 December 2013, 2014 and 2015, finance lease liabilities are denominated in HK$ and secured by motor vehicles (Note 14).

27 PROVISION FOR REINSTATEMENT COSTS

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	2,179	2,952	2,935
Actual costs paid	–	–	(804)
Additions	773	–	800
Underprovision	–	–	252
Exchange alignment	–	(17)	(41)
At 31 December	2,952	2,935	3,142
Less: Non-current portion	2,952	2,290	3,049
Current portion	–	645	93

Provision for reinstatement costs is recognised for the costs to be incurred for the reinstatement of the properties used by the Group for its operations upon expiration of the relevant leases. The Group expected that the present value of the costs approximates their undiscounted costs.

28 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

The analysis of deferred income tax assets/(liabilities) is as follows:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Deferred income tax assets	4,277	5,190	4,888
Deferred income tax liabilities	–	–	(48)
	4,277	5,190	4,840

The movement in deferred income tax assets/(liabilities) during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax

	Decelerated tax depreciation	**Tax losses**	**Provisions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	1,401	244	43	1,688
Credited to combined statements of comprehensive income	376	2,171	42	2,589
At 31 December 2013	1,777	2,415	85	4,277
Exchange alignment	3	(53)	–	(50)
Credited/(charged) to combined statements of comprehensive income	1,470	(571)	64	963
At 31 December 2014	3,250	1,791	149	5,190
Exchange alignment	(74)	(96)	–	(170)
Disposal of subsidiaries *(Note 36)*	(44)	–	–	(44)
Charged to combined statements of comprehensive income	(43)	(5)	(88)	(136)
At 31 December 2015	3,089	1,690	61	4,840

29 SHARE CAPITAL

The Company was incorporated on 1 September 2015 with an initial authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with par value of HK$0.01 each. On the date of incorporation, 1 ordinary share was subscribed by a nominee company at nil consideration, which was then transferred to Zhao Tian Ventures Limited ("Zhao Tian") on the same date. Other than the share transfer aforementioned, no other share transaction was undertaken by the Company from its incorporation to 31 December 2015. There were no authorised and issued share capital as at 31 December 2013 and 2014 as the Company has not yet been incorporated.

30 MAJOR NON CASH TRANSACTIONS

Additions of property, plant and equipment include reinstatement costs amounting to approximately HK$773,000 and HK$800,000 for the years ended 31 December 2013 and 2015 respectively, which do not involve any cash payment.

During the years ended 31 December 2013 and 2015, the Group entered into finance leases in respect of the acquisition of property, plant and equipment with a total capital at the inception of the leases of approximately HK$240,000 and HK$826,000 respectively.

On 18 September 2015, the Group acquired 20% additional equity interest in Star China by allotting and issuing 521 shares of Zhen Tong to the vendor. After the aforesaid acquisition, Star China became a wholly-owned subsidiary of the Group. Star China is principally engaged in investment holding. Its principal subsidiary is engaged in restaurant operation.

On 18 September 2015, Mr. Ip Yun Sang and Mr. Tsang Chui Chun have waived their amounts due from the Group in total amount of approximately HK$864,000 and HK$6,720,000 respectively and the gains have been accounted for as deemed contribution recognised in the Group's equity directly in the financial statements for the year ended 31 December 2015.

On 18 September 2015, Great Virtue disposed of 100% equity interests in both Richfield Develop and Long Run to a related company connected with certain Ultimate Controlling Shareholders at an aggregate consideration of approximately HK$25,720,000. The consideration was settled by offsetting the loans and dividend payable to those Ultimate Controlling Shareholders.

On 21 September 2015, the Group acquired 30% additional equity interest in Great Virtue by allotting and issuing 1,202 shares of Zhen Tong to the vendor. After the aforesaid acquisition, Great Virtue became a wholly-owned subsidiary of the Group. Great Virtue is principally engaged in restaurant operation.

31 CONTINGENCIES

At 31 December 2014, 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 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, a related company, Harvest Express Development Limited and a former subsidiary controlled by certain Ultimate Controlling Shareholders. 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 liabilities of the Group at 31 December 2014 and 2015 not provided for in the Financial Information 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$7,117,000 respectively.

32 CAPITAL COMMITMENTS

As at 31 December 2013 and 31 December 2014, there was unpaid capital commitment of HK$4,000,000 for 利寶閣(深圳)餐飲有限公司 which has been injected by Star of Canton Restaurant (China) Limited on 31 August 2015.

33 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 a lessee 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

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

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
No later than 1 year	87	1,078	–
Later than 1 year and no later than 5 years	–	445	–
	87	1,523	–

34 RELATED PARTY TRANSACTIONS

(a) Related parties

The directors of the Company are of the view that the following companies were related parties that had transactions during the Relevant Periods or balances with the Group as at the reporting dates:

Name	Relationship with the Group
Mr. Chan Chun Kit	Executive Director of the Company and one of the Company's Ultimate Controlling Shareholders
Mr. Wong Ka Wai	Executive Director of the Company and one of the Company's Ultimate Controlling Shareholders
Mr. Lam Kwok Leung	Executive Director of the Company
Mr. Chow Chor Ting	Director of subsidiaries and one of the Company's Ultimate Controlling Shareholders
Mr. Ip Yun Sang	Director of subsidiaries and the husband of the controlling shareholder of a non-controlling shareholder
Mr. Pang Shu Wan	Director of subsidiaries
Mr. Tsang Chui Chun	Director and non-controlling shareholder of a subsidiary, Star of Canton
Mr. Cheung Yuen Chau	One of the controlling shareholders of Richmax
Mr. David Chu	One of the controlling shareholders of Richmax
Sky Gain Investments Limited ("Sky Gain")	Then shareholders of subsidiaries
Sun Foo Sing Development Limited ("Sun Foo Sing")	Then shareholders of subsidiaries
Ah Wong Frozen Meat ("Ah Wong")	Unincorporated business enterprise controlled by the sister of Mr. Chan
Bright Creator Limited ("Bright Creator")	A Company controlled by Mr. Chan and his spouse
Poly Wealth Limited ("Poly Wealth")	A Company controlled by the Ultimate Controlling Shareholders
麗嘉(深圳)餐飲有限公司	A Company controlled by Mr. Chan
Taste Creator Investment Limited ("Taste Creator")	Immediate holding company of a subsidiary, Great Virtue
Tiena Company Limited ("Tiena")	A Company controlled by Mr. Chow
Wits Management Limited ("Wits")	A Company controlled by Mr. Chan
Star Catering Management Limited ("Star Catering")	A Company controlled by the Ultimate Controlling Shareholders
Richmax Investment (H.K.) Limited ("Richmax')	Non-controlling shareholder of a subsidiary, Great Virtue
Harvest Express Development Limited ("Harvest Express")	A Company controlled by Mr. Chan
Hanman Limited ("Hanman")	A Company controlled by the Ultimate Controlling Shareholders
Lippo Catering Management Limited ("Lippo Catering")	A Company controlled by the Ultimate Controlling Shareholders
Elite Linker Investment Limited ("Elite Linker")	A Company controlled by the Ultimate Controlling Shareholders
Long Run Investment Limited ("Long run")	A Company controlled by Elite Linker
Richfield Develop Limited ("Richfield Develop")	A Company controlled by Elite Linker
First Lucky Investment Limited ("First Lucky")	A Company controlled by Mr. Chan

(b) Transactions with related parties

Save as disclosed elsewhere in the Financial Information, the Group had the following significant transactions with its related parties during the Relevant Periods:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Purchases of goods from Ah Wong *(i)*	12,472	16,104	9,389
Management fee paid to Bright Creator *(ii)*	1,332	1,204	1,059
Fee paid to a corporate director of a subsidiary, Poly Wealth *(iii)*	900	–	–

Notes:

(i) Purchases of goods from a related company were carried out at a rate mutually agreed between the parties involved in the transactions. The terms of these transactions are no more favourable than those dealt with third parties.

(ii) Management fee paid to a related company was charged at terms mutually agreed by both parties.

(iii) Fee paid to a corporate director was transacted in the normal course of business.

(c) Balances with related parties

The Group had the following balances with related parties:

(i) Amounts due from related companies

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Taste Creator	25	60	7
Poly Wealth	7,836	7,722	1
Tiena	50	53	–
Wits	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

(ii) Amount due from a then shareholder of subsidiaries

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Sun Foo Sing	4	4	–

(iii) Amounts due from the directors of subsidiaries

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Mr. IP Yun Sang	11	–	–
Mr. Chow Chor Ting	–	60	–
Total	11	60	–

(iv) Amount due from a director

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Lam Kwok Leung	–	392	–

The maximum outstanding balances during the Relevant Periods were as follows:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Maximum outstanding balances due from:			
Taste Creator	25	63	60
Poly Wealth	10,599	8,932	8,785
Tiena	1,500	53	53
Wits	1,500	53	54
麗嘉(深圳)餐飲有限公司	–	5,701	6,023
Sun Foo Sing	4	4	4
Bright Creator	–	–	36
Mr. IP Yun Sang	11	11	–
Mr. Chow Chor Ting	–	60	61
Mr. Lam Kwok Leung	–	392	392
Hanman	–	–	6
Lippo Catering	–	–	22
Elite Linker	–	–	10
Long Run	–	–	262
First Lucky	–	–	2

(i) Amounts due to directors

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Chan Chun Kit*	33,545	25,386	3,587
Mr. Wong Ka Wai*	6,292	4,397	43
Mr. Lam Kwok Leung	360	–	–
Mr. Chan Chun Kit and Wong Ka Wai*	–	–	890
Total	40,197	29,783	4,520

* Also the Ultimate Controlling Shareholders.

(ii) Amounts due to related companies

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Star Catering	642	617	–
Ah Wong	1,014	2,286	3,457
Richfield Develop	–	–	82
Total	1,656	2,903	3,539

(iii) Amounts due to the directors of subsidiaries

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Mr. IP Yun Sang	–	853	–
Mr. Chow Chor Ting	750	–	–
Mr. Pang Shu Wan	1	1	–
Total	751	854	–

(iv) Amounts due to the then shareholders of subsidiaries

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Bright Creator	1,315	1,274	–
Sky Gain	180	180	–
Total	1,495	1,454	–

(v) Amounts due to non-controlling shareholders

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Tsang Chui Chun	6,000	6,720	–
Richmax	2,500	2,500	–
Total	8,500	9,220	–

Receivables and payables from/to related parties are unsecured, interest free and repayable on demand. Receivables from related parties are neither past due nor impaired. The carrying amounts of amounts due from/to related parties approximate their fair values and are denominated in HK$. All balances due from/to related parties as at 31 December 2015 have been either settled or waived by the related parties before [**REDACTED**] of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

(d) Key management compensation

The remuneration of directors and members of key management was as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Basic salaries, allowances and benefits	1,863	2,018	2,486
Discretionary bonuses	153	261	250
Employer's contribution to pension scheme	70	84	101
	2,086	2,363	2,837

The remuneration of key management fell within the following bands:

	Number of individuals Year ended 31 December		
	2013	**2014**	**2015**
Remuneration bands:			
Nil – HK$1,000,000	6	6	7

(e) Other arrangements with related parties

Banking facilities available to the Group included guarantees provided by the Ultimate Controlling Shareholders and their related companies, and Mr. Cheung Yuen Chau and Mr. David Chu who are the controlling shareholders of a non-controlling shareholder as at 31 December 2013, 2014 and 2015.

Banking facilities available to the Group were also secured by the properties held by the former subsidiaries controlled by certain Ultimate Controlling Shareholders as at 31 December 2015.

At 31 December 2014 and 2015, certain Company's subsidiaries and Harvest Express have issued unlimited cross guarantee to a bank in respect of banking facilities granted to them.

All such guarantees and collaterals [have been] released prior to the [**REDACTED**] of the Company's shares on the Growth Enterprise Market of The Stock exchange of Hong Kong Limited.

35 SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

The total comprehensive income attributable to non-controlling interests during the Relevant Periods as shown in the combined statements of comprehensive income is attributable to non-controlling interests in Great Virtue and its subsidiaries (the "Great Virtue Group"). The total non-controlling interests at 31 December 2013 and 2014 as shown in the combined statements of financial position are attributed to the Great Virtue Group. The summarised financial information of the Great Virtue Group is set out below.

Summarised Statements of Financial Position

	As at 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
Current		
Assets	21,095	30,022
Liabilities	93,746	91,155
Net current liabilities	(72,651)	(61,133)
Non-current		
Assets	70,709	62,684
Liabilities	2,347	1,490
Net non-current assets	68,362	61,194
Net (liabilities)/assets	(4,289)	61

Summarised Statements of Comprehensive Income

	Year ended 31 December		
	2013	**2014**	**2015***
	HK$'000	*HK$'000*	*HK$'000*
Revenue	97,468	153,310	118,577
(Loss)/profit before income tax	(1,993)	9,223	10,793
Income tax credit/(expense)	651	(2,223)	(1,756)
Net (loss)/profit	(1,342)	7,000	9,037
– Attributable to equity owner of the Company	296	5,532	6,068
– Attributable to non-controlling interests Star China	(1,638)	(1,125)	394
– Attributable to non-controlling interests of Great Virtue	–	2,593	2,575
Other comprehensive income/(expense)	337	(250)	(43)
Total comprehensive (expense)/income	(1,005)	6,750	8,994
– Attributable to equity owner of the Company	485	5,392	6,044
– Attributable to non-controlling interests of Star China	(1,571)	(1,175)	385
– Attributable to non-controlling interests of Great Virtue	81	2,533	2,565
Dividends paid to non-controlling interests	–	–	–

* The non-controlling interests in Great Virtue Group were acquired by the Group on 18 September 2015. Accordingly, the results of such subsidiaries were included up to the date of such acquisition.

Summarised Statements of Cash Flows

	Year ended 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
Cash flows from operating activities		
Cash generated from operations	6,591	17,192
Income tax paid	(3,152)	(1,972)
Net cash generated from operating activities	3,439	15,220
Net cash used in investing activities	(30,744)	(7,192)
Net cash generated from/(used in) financing activities	31,149	(8,067)
Net increase/(decrease) in cash and cash equivalents	3,844	(39)
Cash and cash equivalents at beginning of the year	7,899	11,743
Exchange losses on cash and cash equivalents	–	(100)
Cash and cash equivalents at end of the year	11,743	11,604

36 DISPOSAL OF SUBSIDIARIES

On 18 September 2015, Great Virtue disposed of 100% equity interests in both Richfield Develop and Long Run (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 consideration was mutually agreed by the relevant contractual parties after negotiations.

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)
Amount due to a 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

37 EVENTS AFTER THE REPORTING DATE OF 31 DECEMBER 2015

(a) Additional banking facilities

Pursuant to a facility letter dated 14 January 2016 issued by a bank, additional banking facilities, in the form of revolving loan facility, of HK$10,000,000 for replacing the existing overdraft facility of HK$6,000,000 are granted to a wholly-owned subsidiary of the Company, Excel Linker, on the conditions that a standby documentary credit of RMB8,950,000 will be issued by financial institutions in favour of the bank and the Company will provide a corporate guarantee to the bank.

(b) Waiver of amounts due to directors

On 2 March 2016, the Company's director, Mr. Chan Chun Kit and Mr. Wong Ka Wai, who are also the Ultimate Controlling Shareholders have waived their amounts due from the Group in total of approximately HK$7,700,000 and the gain will be accounted for as deemed contribution from the Ultimate Controlling Shareholders recognised in the Group's equity directly in the financial statements for the year ending 31 December 2016.

(c) Completion of the Reorganisation

On [●] 2016, Zhao Tian, Sincere Expand Limited ("Sincere") and Universal Palm Trading Limited ("Universal") (as vendors) and the Company (as purchaser) entered into a sale and purchase agreement pursuant to which the Company acquired 10,000 shares in Zhen Tong, representing its entire issued share capital and in consideration thereof, (i) one nil-paid Share held by Zhao Tian was credited as fully-paid; and (ii) 8,486 Shares, 1,062 Shares and 451 Shares were allotted to Zhao Tian, Sincere and Universal respectively.

The Reorganisation was completed on [●] and the details are summarised in the section headed "History, Reorganisation and Development" to the Document.

(d) Written resolutions of the Shareholders passed on [●]

On [●], resolutions in writing were passed by the shareholders to approve the matters set out in the paragraph headed "Written resolutions of the Shareholders passed on [●]" in Appendix IV to the document which include, among others,

(i) the Company resolved to increase the authorised share capital of the Company from HK$380,000 to HK$[20,000,000] by the creation of an additional of [1,962,000,000] Shares, each ranking pari passu with the Shares then in issue in all Respects;

(ii) conditional on the share premium account of the Company being credited as a result of the issue of the shares by the Company pursuant to the [**REDACTED**] of the shares of the Company as contained in the Document, the sum of HK$[**REDACTED**] standing to the credit of the share premium account of the Company will be capitalised and applied in paying up in full at par [**REDACTED**] shares of HK$$0.01 each; and

(iii) the share option scheme of the Company (the "Share Option Scheme") will be adopted and the directors of the Company will be authorised to grant options to subscribe for shares of the Company thereunder and to allot, issue and deal with shares of the Company pursuant to the exercise of options granted under Share Option Scheme and to take all such actions as may be necessary and/or describe to implement and give effect to the Share Option Scheme.

III FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 1 September 2015 with an initial authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with par value of HK$0.01 each. On the date of incorporation, 1 ordinary share was subscribed by a nominee company at nil consideration, which was then transferred to Zhao Tian on the same date. The Company had not involved in any significant business transactions since its date of incorporation to the date of this report.

IV SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2015 up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2015.

Yours faithfully,
TING HO KWAN & CHAN CPA LIMITED
Certified Public Accountants
[●]
Practising Certificate Number [P0[●]]
Hong Kong

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 and do not take into 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.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 1 September 2015 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and the Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on [Date]. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sale and purchase of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portion(s) of the period in respect of which the dividend is paid; and

(iii) The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 1 September 2015 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorise to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a Company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 15 September 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company other than a limited duration company, for which specific rules apply occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of that four month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 1 September 2015. The Company has established a principal place of business in Hong Kong at Room 2702, Tower 2, Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 30 October 2015. Loong & Yeung of Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong has been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands laws and to the Company's constitution, which comprises the Memorandum and the Articles. A summary of various provisions of our constitution and relevant aspects of the Companies Law is set out in Appendix III to this document.

2. Changes in share capital of the Company

(a) As at the date of incorporation, the Company has an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. One nil-paid Share was allotted and issued to the subscriber to the Memorandum and Articles on 1 September 2015, and was subsequently transferred to Zhao Tian on the same day.

(b) On [●] 2016, the Company resolved to increase the authorised share capital of the Company from HK$380,000 to HK$[20,000,000] by the creation of an additional of [1,962,000,000] Shares, each ranking pari passu with the Shares then in issue in all respects.

(c) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Zhen Tong from Zhao Tian, Sincere and Universal, on [●] 2016, the one nil-paid Share held by Zhao Tian was credited as fully paid and 8,486 Shares, 1,062 Shares and 451 Shares were allotted and issued to Zhao Tian, Sincere and Universal respectively, all credited as fully paid.

(d) Immediately following completion of the [**REDACTED**] and the Capitalisation Issue and taking no account any Share which may be issued pursuant to the exercise of the [**REDACTED**] and the options which may be granted under the Share Option Scheme, [**REDACTED**] Shares will be issued fully paid or credited as fully paid, and [**REDACTED**] Shares will remain unissued.

(e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of the Shareholders passed on [●] 2016" in this appendix and pursuant to the Share Option Scheme, the Company does not have any present intention to issue any of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

(f) Save as disclosed in this document, there has been no alteration in the Company's share capital since its incorporation.

3. Written resolutions of the Shareholders passed on [●] 2016

On [●] 2016, resolutions in writing were passed by the Shareholders pursuant to which, among other things:

(a) the Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix III to this document;

(b) conditional on the Listing Division granting [**REDACTED**] of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this document (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme and the [**REDACTED**]) and on the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the date falling 30 days after the date of this document:

(i) the [**REDACTED**] and the [**REDACTED**] were approved and the Directors were authorised to allot and issue the [**REDACTED**] Shares pursuant to the [**REDACTED**] and any Shares which maybe required to be allotted and issued upon the exercise of the [**REDACTED**] to rank pari passu with the then existing Shares in all respects;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" below in this appendix, were approved and adopted and the Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

(iii) conditional further on the share premium account of the Company being credited as a result of the [**REDACTED**], the Directors were authorised to capitalise an amount of HK$[**REDACTED**] standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par [**REDACTED**] Shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on [●] (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in the Company, each ranking pari passu in all respects with the then existing issued Shares, and the Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;

(c) a general unconditional mandate was given to the Directors to exercise all powers of the Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of the Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by the Shareholders in general meeting or pursuant to the [**REDACTED**], Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the [**REDACTED**] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting;

(d) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the [**REDACTED**] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and

(e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the [**REDACTED**] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

The companies comprising the Group underwent the Reorganisation in preparation for the [**REDACTED**] pursuant to which the Company became the holding company of the Group. For detailed steps of the Reorganisation, please refer to the section headed "History, Reorganisation and Development – Reorganisation" in this document.

5. Changes in share capital of subsidiaries

The subsidiaries of the Company are listed in the Accountants' Report of the Company, the text of which is set out in Appendix I to this document.

Save as disclosed in the section headed "History, Reorganisation and Development – Reorganisation" in this document, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this document.

6. Repurchase of the Shares by the Company

This section contains information required by the Stock Exchange to be included in this document concerning the repurchase of the Shares by the Company.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

(i) Shareholders' approval

The GEM Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary [**REDACTED**] on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the Shareholders on [●] 2016, a general unconditional mandate (the "Repurchase Mandate") was granted to the Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the [**REDACTED**] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

(ii) Source of funds

Any repurchase by the Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. The Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by the Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or out of the Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The GEM Listing Rules prohibit the Company from knowingly repurchasing the Shares on GEM from a "core connected person" (as defined in the GEM Listing Rules), which includes a Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to the Company on GEM.

(b) Exercise of the Repurchase Mandate

On the basis of [**REDACTED**] Shares in issue immediately after completion of the [**REDACTED**] and the Capitalisation Issue, the Directors would be authorised under the Repurchase Mandate to repurchase up to [**REDACTED**] Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) Reasons for repurchases

The Directors believe that it is in the best interests of the Company and its Shareholders for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the Company's net asset value and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

(d) Funding of repurchases

In repurchasing the Shares, the Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(e) General

None of the Directors or to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to the Company if the Repurchase Mandate is exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable law and regulations from time to time in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, the Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the [**REDACTED**] of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that the Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules). No core connected person (as defined in the GEM Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group within the two years preceding the date of this document and are or may be material in relation to the business of the Company taken as a whole:

(a) a sale and purchase agreement dated 18 September 2015 entered into among Great Virtue (as vendor), Mr. Chan, Mr. Wong, Sun Foo Sing, Sky Gain and Richmax (as purchasers) and Elite Linker (as nominee of the purchasers) pursuant to which Elite Linker acquired the entire issued share capital of each of Richfield Develop and Long Run and a loan of approximately HK17.9 million owing by Richfield Develop and Long Run to Great Virtue at an aggregate consideration of approximately HK$43.6 million;

(b) instrument of transfer dated 18 September 2015 entered into between Great Virtue and Elite Linker for the transfer of the entire issued share capital of Richfield Develop as referred to in item (a) above;

(c) bought and sold notes dated 18 September 2015 executed by Great Virtue and Elite Linker for the transfer of the entire issued share capital of Richfield Develop as referred to in item (a) above;

(d) instrument of transfer dated 18 September 2015 entered into between Great Virtue and Elite Linker for the transfer of the entire issued share capital of Long Run as referred to in item (a) above;

(e) bought and sold notes dated 18 September 2015 executed by Great Virtue and Elite Linker for the transfer of the entire issued share capital of Long Run as referred to in item (a) above;

(f) a sale and purchase agreement dated 18 September 2015 entered into among Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain (as vendors), Zhao Tian (as nominee of vendors), Zhen Tong (as purchaser) and Moon Fortune (as nominee of the purchaser), pursuant to which Moon Fortune acquired 11,000 shares, 3,000 shares, 3,000 shares and 3,000 shares in Solarday Investment from Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain respectively, and as consideration, Zhen Tong allotted and issued 1,656 shares to Zhao Tian;

(g) instrument of transfer dated 18 September 2015 entered into between Bright Creator and Moon Fortune for the transfer of 11,000 shares in Solarday Investment as referred to in item (f) above;

(h) bought and sold notes dated 18 September 2015 executed by Bright Creator and Moon Fortune for the transfer of 11,000 shares in Solarday Investment as referred to in item (f) above;

(i) instrument of transfer dated 18 September 2015 entered into between Mr. Wong and Moon Fortune for the transfer of 3,000 shares in Solarday Investment as referred to in item (f) above;

(j) bought and sold notes dated 18 September 2015 executed by Mr. Wong and Moon Fortune for the transfer of 3,000 shares in Solarday Investment as referred to in item (f) above;

(k) instrument of transfer dated 18 September 2015 entered into between Sun Foo Sing and Moon Fortune for the transfer of 3,000 shares in Solarday Investment as referred to in item (f) above;

(l) bought and sold notes dated 18 September 2015 executed by Sun Foo Sing and Moon Fortune for the transfer of 3,000 shares in Solarday Investment as referred to in item (f) above;

(m) instrument of transfer dated 18 September 2015 entered into between Sky Gain and Moon Fortune for the transfer of 3,000 shares in Solarday Investment as referred to in item (f) above;

(n) bought and sold notes dated 18 September 2015 executed by Sky Gain and Moon Fortune for the transfer of 3,000 shares in Solarday Investment as referred to in item (f) above;

(o) a sale and purchase agreement dated 18 September 2015 entered into among Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain (as vendors), Zhao Tian (as nominee of vendors), Zhen Tong (as purchaser) and First Bloom (as nominee of the purchaser), pursuant to which First Bloom acquired 11,000 shares, 3,000 shares, 3,000 shares and 3,000 shares in Orient Century from Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain respectively, and as consideration, Zhen Tong allotted and issued 1,655 shares to Zhao Tian;

(p) instrument of transfer dated 18 September 2015 entered into between Bright Creator and First Bloom for the transfer of 11,000 shares in Orient Century as referred to in item (o) above;

(q) bought and sold notes dated 18 September 2015 executed by Bright Creator and First Bloom for the transfer of 11,000 shares in Orient Century as referred to in item (o) above;

(r) instrument of transfer dated 18 September 2015 entered into between Mr. Wong and First Bloom for the transfer of 3,000 shares in Orient Century as referred to in item (o) above;

(s) bought and sold notes dated 18 September 2015 executed by Mr. Wong and First Bloom for the transfer of 3,000 shares in Orient Century as referred to in item (o) above;

(t) instrument of transfer dated 18 September 2015 entered into between Sun Foo Sing and First Bloom for the transfer of 3,000 shares in Orient Century as referred to in item (o) above;

(u) bought and sold notes dated 18 September 2015 executed by Sun Foo Sing and First Bloom for the transfer of 3,000 shares in Orient Century as referred to in item (o) above;

(v) instrument of transfer dated 18 September 2015 entered into between Sky Gain and First Bloom for the transfer of 3,000 shares in Orient Century as referred to in item (o) above;

(w) bought and sold notes dated 18 September 2015 executed by Sky Gain and First Bloom for the transfer of 3,000 shares in Solarday Investment as referred to in item (o) above;

(x) a sale and purchase agreement dated 18 September 2015 entered into between Great Virtue (as vendor) and Guang Jie (as purchaser), pursuant to which Guang Jie acquired 10,000 shares in Great Virtue (HK) from from Great Virtue at the nominal consideration of HK$1;

(y) instrument of transfer dated 18 September 2015 entered into between Great Virtue and Guang Jie for the transfer of 10,000 shares in Great Virtue (HK) as referred to in item (x) above;

(z) bought and sold notes dated 18 September 2015 executed by Great Virtue and Guang Jie for the transfer of 10,000 shares in Great Virtue (HK) as referred to in item (x) above;

(aa) a sale and purchase agreement dated 18 September 2015 entered into between Mr. Chan (as vendor) and Ding Xing (as purchaser), pursuant to which Ding Xing acquired one share in Excel Linker from Mr. Chan at the nominal consideration of HK$1;

(bb) instrument of transfer dated 18 September 2015 entered into between Mr. Chan and Ding Xing for the transfer of one share in Excel Linker as referred to in item (aa) above;

(cc) bought and sold notes dated 18 September 2015 executed by Mr. Chan and Ding Xing for the transfer of one share in Excel Linker as referred to in item (aa) above;

(dd) a sale and purchase agreement dated 18 September 2015 entered into among Great Virtue and Mr. Tsang (as vendors), Zhao Tian (as nominee of Great Virtue), Universal (as nominee of Mr. Tsang), Zhen Tong (as purchaser) and Power Moon (as nominee of the purchaser), pursuant to which Power Moon acquired 8,000 shares and 2,000 shares in Star China from Great Virtue and Mr. Tsang respectively, and as consideration, Zhen Tong allotted and issued 521 Shares to Universal, and allotted and issued 1,655 shares to Zhao Tian;

(ee) instrument of transfer dated 18 September 2015 entered into between Great Virtue and Power Moon for the transfer of 8,000 shares in Star China as referred to in item (dd) above;

(ff) bought and sold notes dated 18 September 2015 executed by Great Virtue and Power Moon for the transfer of 8,000 shares in Star China as referred to in item (dd) above;

(gg) instrument of transfer dated 18 September 2015 entered into between Mr. Tsang and Power Moon for the transfer of 2,000 shares in Star China as referred to in item (dd) above;

(hh) bought and sold notes dated 18 September 2015 executed by Mr. Tsang and Power Moon for the transfer of 2,000 shares in Star China as referred to in item (dd) above;

(ii) a sale and purchase agreement dated 18 September 2015 entered into among Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain (as vendors), Zhao Tian (as nominee of vendors), Zhen Tong (as purchaser) and Auspicious (as nominee of the purchaser), pursuant to which Zhen Tong acquired 55 shares, 15 shares, 15 shares and 15 shares in Smart Best from Bright Creator, Mr. Wong, Sun Foo Sing and Sky Gain respectively, and as consideration, Zhen Tong allotted and issued 1,655 shares to Zhao Tian;

(jj) instrument of transfer dated 18 September 2015 entered into between Bright Creator and Auspicious for the transfer of 55 shares in Smart Best as referred to in item (ii) above;

(kk) bought and sold notes dated 18 September 2015 executed by Bright Creator and Auspicious for the transfer of 55 shares in Smart Best as referred to in item (ii) above;

(ll) instrument of transfer dated 18 September 2015 entered into between Mr. Wong and Auspicious for the transfer of 15 shares in Smart Best as referred to in item (ii) above;

(mm) bought and sold notes dated 18 September 2015 executed by Mr. Wong and Auspicious for the transfer of 15 shares in Smart Best as referred to in item (ii) above;

(nn) instrument of transfer dated 18 September 2015 entered into between Sun Foo Sing and Auspicious for the transfer of 15 shares in Smart Best as referred to in item (ii) above;

(oo) bought and sold notes dated 18 September 2015 executed by Sun Foo Sing and Auspicious for the transfer of 15 shares in Smart Best as referred to in item (ii) above;

(pp) instrument of transfer dated 18 September 2015 entered into between Sky Gain and Auspicious for the transfer of 15 shares in Smart Best as referred to in item (ii) above;

(qq) bought and sold notes dated 18 September 2015 executed by Sky Gain and Auspicious for the transfer of 15 shares in Smart Best as referred to in item (ii) above;

(rr) a deed of assignment dated 18 September 2015 executed by Great Virtue (HK) and Orient Century (as assignors), Great Virtue (as assignee) and Richfield Develop and Long Run (as debtors), pursuant to which the assignors assigned the debt in the amount of approximately HK$3.4 million owing to the assignors by the debtors to the assignee;

(ss) a deed in relation to assumption of debt dated 18 September 2015 executed by Mr. Chan, Mr. Wong, Sun Foo Sing and Sky Gain (as creditors), Great Virtue (HK), Long Run, Star China, Solarday Investment and Orient Century (as debtors) and Great Virtue (as payer), pursuant to which the payer assumed the debt in the amount of approximately HK$19.7 million owing by the debtors to the creditors;

(tt) a deed of assignment dated 18 September 2015 executed by Great Virtue (as assignor), Elite Linker (as assignee), and Richfield Develop and Long Run (as debtors), pursuant to which the assignor assigned the debt in the amount of approximately HK$17.9 million owing by the debtors to the assignor to the assignee;

(uu) a deed of assignment dated 18 September 2015 executed by Great Virtue (as assignor), Zhen Tong (as assignee), and Mr. Chan, Mr. Wong, Sky Gain, Sun Foo Sing and Richmax (as debtors), pursuant to which the assignor assigned the debt in the amount of approximately HK$14.3 million owing to the assignor by the debtors to the assignee;

(vv) a deed of release dated 18 September 2015 executed by Mr. Tsang and Star China in relation to the release and discharge of approximately HK$6.7 million owing to Mr. Tsang by Star China;

(ww) a deed of release dated 18 September 2015 executed by Mr. Ip Yun Sang and Star China in relation to the release and discharge of approximately HK$0.9 million owing to Mr. Ip Yun Sang by Star China;

(xx) a sale and purchase agreement dated 21 September 2015 entered into among Richmax and Taste Creator (as vendors), Sincere (as nominee of Richmax), Zhao Tian (as nominee of Taste Creator), Zhen Tong (as purchaser) and Keen Nation (as nominee of the purchaser), pursuant to which Keen Nation acquired 3,000 shares and 7,000 shares in Great Virtue from Richmax and Taste Creator respectively, and as consideration, Zhen Tong allotted and issued 1,655 shares to Zhao Tian, and allotted and issued 1,202 shares to Sincere;

(yy) instrument of transfer dated 21 September 2015 entered into between Richmax and Keen Nation for the transfer of 3,000 shares in Great Virtue as referred to in item (xx) above;

(zz) bought and sold notes dated 21 September 2015 executed by Richmax and Keen Nation for the transfer of 3,000 shares in Great Virtue as referred to in item (xx) above;

(aaa) instrument of transfer dated 21 September 2015 entered into between Taste Creator and Keen Nation for the transfer of 7,000 shares in Great Virtue as referred to in item (xx) above;

(bbb) bought and sold notes dated 21 September 2015 executed by Taste Creator and Keen Nation for the transfer of 7,000 shares in Great Virtue as referred to in item (xx) above;

(ccc) a deed of assignment dated 2 March 2016 executed by Mr. Chan (as assignor), Long Run (as assignee) and Great Virtue (as debtor), pursuant to which the assignor assigned the debt in the amount of approximately HK$0.3 million owing to the assignor by the debtor to the assignee;

(ddd) a deed of release dated 2 March 2016 executed by Mr. Chan and Great Virtue in relation to the release and discharge of approximately HK$0.2 million owing to Mr. Chan by Great Virtue;

(eee) a deed of release dated 2 March 2016 executed by Mr. Chan and Star China in relation to the release and discharge of approximately HK$6.5 million owing to Mr. Chan by Star China;

(fff) a deed of release dated 2 March 2016 executed by Mr. Wong and Star China in relation to the release and discharge of approximately HK$43,000 owing to Mr. Wong by Star China;

(ggg) a deed of release dated 2 March 2016 executed by Mr. Chan, Mr. Wong and Solarday Investment in relation to the release and discharge of approximately HK$0.8 million owing to Mr. Chan and Mr. Wong by Solarday Investment;

(hhh) a deed of release dated 2 March 2016 executed by Mr. Chan, Mr. Wong and Orient Century in relation to the release and discharge of approximately HK$82,000 owing to Mr. Chan and Mr. Wong by Orient Century;

(iii) a sale and purchase agreement dated [●] 2016 entered into among Zhao Tian, Sincere and Universal (as vendors) and the Company (as purchaser), pursuant to which the Company acquired 10,000 shares in Zhen Tong, and as consideration, one nil-paid Share held by Zhao Tian was credited as fully-paid and 8,486 Shares, 1,062 Shares and 451 Shares were allotted and issued to Zhao Tian, Sincere and Universal respectively;

(jjj) a deed of non-competition dated [●] 2016 executed by Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui, Mr. David Chow and Mr. Anthony Chow in favour of the Company, details of which are set out in the paragraph headed "Non-competition Undertakings" under the section headed "Relationship with Controlling Shareholders" in this document;

(kkk) a deed of indemnity dated [●] 2016 executed by Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui, Mr. David Chow and Mr. Anthony Chow in favour of the Company (for the Company and as trustee for its subsidiaries) containing the indemnities referred to in the paragraph headed "Tax and other indemnities" in this appendix; and

(lll) the Underwriting Agreement.

2. Intellectual Property Rights of the Group

(a) Trademarks

As at the Latest Practicable Date, the Group has registered the following trademarks in Hong Kong and the PRC which are material to the Group's business:

Trademark	Registered Owner	Class(es)	Registration Number	Registration Date	Expiry Date
Hong Kong					
	Solarday Investment	43	303448080	19 June 2015	18 June 2025
利·寶·閣	Solarday Investment	43	303448062	19 June 2015	18 June 2025
PRC					
	Star China	43	11867833	21 May 2014	20 May 2024
利·寶·閣	Star China	43	11867664	21 May 2014	20 May 2024

As at the Latest Practicable Date, the Group has applied for registration of the following trademarks in Hong Kong:

Trademark	Name of Applicant	Class(es)	Application Number	Application Date
京香閣 BEIJING HOUSE	Solarday Investment	43	303542210	21 September 2015
Star of Canton Restaurant	Solarday Investment	43	303448071	19 June 2015

(b) Domain name(s)

As at the Latest Practicable Date, the Group is the owner of the following domain name which is material to the Group's business:

Registered Owner	Domain Name	Registration Date	Expiry Date
Solarday Investment	starofcanton.com.hk	29 May 2000	Nil

3. Information about the PRC subsidiaries of the Group

Li Bao Ge Shenzhen

Name:	利寶閣(深圳)餐飲有限公司
Date of establishment:	14 August 2013
Corporate nature:	Limited liability company (wholly foreign-owned enterprise)
Registered capital:	HK$15,000,000
Attributable effective interest of the Company:	100%
Term:	20 years (14 August 2013 to 14 August 2033)
Scope of business:	Production and selling of Chinese and western food
Legal representative:	Mr. Chan

Orient Shenzhen

Name:	奧聯(深圳)餐飲管理有限公司
Date of establishment:	18 March 2013
Corporate nature:	Limited liability company (Taiwan, Hong Kong and Macau wholly-owned enterprise)
Registered capital:	HK$8,000,000
Attributable effective interest of the Company:	100%
Term:	20 years (18 March 2013 to 18 March 2033)
Scope of business:	Management of restaurant business enterprise; consulting services for management of restaurant business enterprise
Legal representative:	Mr. Chan

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of Interests

(a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of the Company and its associated corporations

So far as the Directors are aware, immediately following the completion of the [**REDACTED**] and the Capitalisation Issue, but taking no account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and the [**REDACTED**], the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the GEM, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, will be as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Mr. Chan *(Notes 1 and 2)*	Interests held jointly with other persons; Interest in a controlled corporation	[**REDACTED**]	[**REDACTED**]
Mr. Wong *(Note 2)*	Interests held jointly with other parties	[**REDACTED**]	[**REDACTED**]
Mr. David Chow *(Note 2)*	Interest held jointly with other parties	[**REDACTED**]	[**REDACTED**]

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Position in the associated corporations	Percentage of interest in the associated corporation
Mr. Chan *(Note 1)*	Director of Zhao Tian	62.86% in Zhao Tian
Mr. Wong	N/A	12.38% in Zhao Tian
Mr. Lam Kwok Leung Peter *(Note 3)*	N/A	1.238% in Zhao Tian

Notes:

1. Mr. Chan owns 50% of Bright Creator, which wholly owns Hong Cui and Hong Cui owns 62.86% of Zhao Tian. As such, Mr. Chan is deemed, or taken to be, interested in all the Shares held by Zhao Tian for the purposes of the SFO. Mr. Chan is a director of Zhao Tian.

2. Mr. Wong, Mr. Chan and Mr. David Chow (together with Zhao Tian, Mrs. Chan, Bright Creator, Hong Cui, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui and Mr. Anthony Chow), are parties acting in concert (having the meaning ascribed to it under the Takeovers Code). As such, immediately following the completion of the Capitalisation Issue and the [**REDACTED**] (without taking into account any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme and the [**REDACTED**]), Mr. Chan, Mr. Wong and Mr. David Chow (together with Zhao Tian, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui and Mr. Anthony Chow) will together control [**REDACTED**]% of the entire share capital of the Company.

3. Mr. Lam Kwok Leung Peter owns 10% of Sun Foo Sing which owns 12.38% of Zhao Tian.

(b) Interests of substantial and other Shareholders in the Shares and Underlying Shares

So far as is known to the Directors and taking no account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and the [**REDACTED**], the following persons (not being a Director or chief executive of the Company) will, immediately following the completion of the Capitalisation Issue and the [**REDACTED**], have interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	**Capacity/Nature**	**Number of Shares held/ interested in**	**Percentage of shareholding**
Zhao Tian *(Notes 1 and 3)*	Interests held jointly with other persons; Beneficial owner	[**REDACTED**]	[**REDACTED**]
Mrs. Chan *(Notes 2 and 3)*	Interests held jointly with other persons; Interest in a controlled corporation	[**REDACTED**]	[**REDACTED**]
Bright Creator *(Notes 2 and 3)*	Interests held jointly with other persons; Interest in a controlled corporation	[**REDACTED**]	[**REDACTED**]
Mr. Wong *(Note 3)*	Interests held jointly with other parties	[**REDACTED**]	[**REDACTED**]
Sun Foo Sing *(Note 3)*	Interests held jointly with other parties	[**REDACTED**]	[**REDACTED**]

Name	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Sky Gain *(Note 3)*	Interests held jointly with other parties	[**REDACTED**]	[**REDACTED**]
Mr. Ho *(Note 3)*	Interests held jointly with other parties	[**REDACTED**]	[**REDACTED**]
Mr. Tsui *(Note 3)*	Interests held jointly with other parties	[**REDACTED**]	[**REDACTED**]
Mr. Anthony Chow *(Note 3)*	Interests held jointly with other parties	[**REDACTED**]	[**REDACTED**]
Ms. Lau Lai Ngor *(Note 4)*	Interest of spouse	[**REDACTED**]	[**REDACTED**]
Ms. Lau Ngar Ching Angel *(Note 5)*	Interest of spouse	[**REDACTED**]	[**REDACTED**]
Ms. Lui Wai Har *(Note 6)*	Interest of spouse	[**REDACTED**]	[**REDACTED**]
Ms. Cho Sin Sum Fion *(Note 7)*	Interest of spouse	[**REDACTED**]	[**REDACTED**]
Sincere *(Note 8)*	Beneficial interest	[**REDACTED**]	[**REDACTED**]
Richmax *(Note 8)*	Interest in a controlled corporation	[**REDACTED**]	[**REDACTED**]
Mr. Cheung Yuen Chau *(Note 8)*	Interest in a controlled corporation	[**REDACTED**]	[**REDACTED**]
Mr. David Chu *(Note 8)*	Interest in a controlled corporation	[**REDACTED**]	[**REDACTED**]
Ms. Phyllis Woon Kink Cheng *(Note 9)*	Interest of spouse	[**REDACTED**]	[**REDACTED**]
Ms. Tsang Siu Lan *(Note 10)*	Interest of spouse	[**REDACTED**]	[**REDACTED**]

Notes:

1. Zhao Tian is an investment holding company incorporated in the BVI and owned as to 62.86%, 12.38%, 12.38% and 12.38% by Hong Cui, Mr. Wong, Sun Foo Sing and Sky Gain respectively. Mr. Chan is the director of Zhao Tian.

2. Mrs. Chan owns 50% of Bright Creator, which wholly owns Hong Cui and Hong Cui owns 62.86% of Zhao Tian. As such, Mrs. Chan and Bright Creator are deemed, or taken to be, interested in all the Shares held by Zhao Tian for the purposes of the SFO.

3. Zhao Tian, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui and Mr. Anthony Chow (together with Mr. Chan, Mr. Wong and Mr. David Chow), are parties acting in concert (having the meaning ascribed to it under the Takeovers Code). As such, immediately following the completion of the Capitalisation Issue and the [**REDACTED**] (without taking into account any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme and the [**REDACTED**]), Zhao Tian, Mrs. Chan, Bright Creator, Hong Cui, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui and Mr. Anthony Chow (together with Mr. Chan, Mr. Wong and Mr. David Chow) will together control [**REDACTED**]% of the entire share capital of the Company.

4. Ms. Lau Lai Ngor is the spouse of Mr. Anthony Chow and is deemed or taken to be interested in all the Shares in which Mr. Anthony Chow has, or is deemed to have, an interest for the purpose of the SFO.

5. Ms. Lau Ngar Ching Angel is the spouse of Mr. Wong and is deemed or taken to be interested in all the Shares in which Mr. Wong has, or is deemed to have, an interest for the purpose of the SFO.

6. Ms. Lui Wai Har is the spouse of Mr. Tsui and is deemed or taken to be interested in all the Shares in which Mr. Tsui has, or is deemed to have, an interest for the purpose of the SFO.

7. Ms. Cho Sin Sum Fion is the spouse of Mr. David Chow and is deemed or taken to be interested in all the Shares in which Mr. David Chow has, or is deemed to have, an interest for the purpose of the SFO.

8. Sincere is an investment holding company incorporated in the BVI and wholly owned by Richmax. Mr. Cheung Yuen Chau and Mr. David Chu own approximately 40% and 46.67% of Richmax respectively. As such, each of Richmax, Mr. Cheung Yuen Chau and Mr. David Chu is deemed, or taken to be, interested in all the Shares held by Sincere for the purposes of the SFO.

9. Ms. Phyllis Woon Kink Cheng is the spouse of Mr. Cheung Yuen Chau and is deemed or taken to be interested in all the Shares in which Mr. Cheung Yuen Chau has, or is deemed to have, an interest for the purpose of the SFO.

10. Ms. Tsang Siu Lan is the spouse of Mr. David Chu and is deemed or taken to be interested in all the Shares in which Mr. David Chu has, or is deemed to have, an interest for the purpose of the SFO.

2. Particulars of service contracts

None of the Directors has or is proposed to have any service agreement with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

(a) The aggregate remuneration paid by the Group to the Directors in the capacity of directors for the three years ended 31 December 2013, 2014 and 2015 was HK$1,788,000.

(b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by the Group to the Directors for the year ending 31 December 2016 will be approximately HK$1,860,000.

(c) Under the arrangements currently proposed, conditional upon the [**REDACTED**], the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by the Group to each of the Directors will be as follows:

	HK$
Executive Directors	
Mr. Chan	600,000
Mr. Lam Kwok Leung Peter	240,000
Mr. Wong	240,000
Mr. David Chow	240,000

	HK$
Independent non-executive Directors	
Mr. Liu Chi Keung	180,000
Prof. Wong Lung Tak Patrick	180,000
Mr. Tam Tak Kei Raymond	180,000

4. Agency fees or commissions received

Save as disclosed in the paragraph headed "Commission and expenses" in the section headed "Underwriting" of this document, none of the Directors or the experts named in the paragraph headed "Consents of experts" in this appendix had received any agency fee or commissions from the Group within the two years preceding the date of this document.

5. Related party transactions

Details of the related party transactions are set out under note 34 to the Accountants' Report set forth in Appendix I to this document.

6. Disclaimers

Save as disclosed in this document:

(a) taking no account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme and the [**REDACTED**], the Directors are not aware of any person (not being a Director or chief executive of the Company) who will, immediately following the completion of the [**REDACTED**] and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;

(b) none of the Directors or chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the GEM;

(c) none of the Directors or the experts named in the paragraph headed "Qualifications of experts" in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(d) none of the Directors or the experts named in the paragraph headed "Qualifications of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group taken as a whole;

(e) none of the Directors or the experts named in the paragraph headed "Qualifications of experts" in this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(f) so far as is known to the Directors, none of the directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group;

(g) none of the directors has any existing or proposed service contracts with any member of the group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and

(h) no remuneration or other benefits in kind have been paid by any member of the group to any Director since the date of incorporation of the Company, nor are any remuneration or benefits in kind payable by any member of the Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on [●] 2016. The following is a summary of the principal terms of the Share Option Scheme but does not form, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

"Adoption Date"	[●] 2016, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolutions
"Board"	the board of Directors or a duly authorised committee of the board of Directors
"Group"	the Company and any entity in which the Company, directly or indirectly, holds any equity interest
"Scheme Period"	the period commencing on the Adoption Date and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of the Shareholders passed on [●] 2016:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (fulltime and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of the Group and to promote the success of the business of the Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where the Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before [**REDACTED**].

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

(v) Maximum number of Shares

(aa) subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue as at the [**REDACTED**]. Therefore, it is expected that the Company may grant options in respect of up to [●] Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such [●] Shares from time to time) to the participants under the Share Option Scheme.

(bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the GEM Listing Rules in this regard.

(cc) the Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the GEM Listing Rules.

(dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.

(vi) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. In such event, the Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to a Director, chief executive or Substantial Shareholder, or any of their respective associates

(aa) Any grant of an option to a Director, chief executive or Substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the option).

(bb) Where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such further grant of options is required to be approved by Shareholders at a general meeting of the Company, with voting to be taken by way of poll. The Company shall send a circular to the Shareholders containing all information as required under the GEM Listing Rules in this regard. The grantee, his associates and all core connected persons of the Company must abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

(aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and

(ii) the deadline for the Company to publish an announcement of the results for any year, half-year or quarterly under the GEM Listing Rules, or other interim period (whether or not required under the GEM Listing Rules).

(bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of the Company are published and:

(i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of the Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of six months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of the Group at the date of grant and he subsequently ceases to be an employee of the Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other Ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with the Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of the Group at the date of grant and he subsequently ceases to be an employee of the Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day with the Company or the relevant member of the Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which any member of the Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to the Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee the same proportion of the issued share capital of the Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) ***Rights on a general offer***

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and, or any persons controlled by the offeror and, or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) ***Rights on winding-up***

In the event a notice is given by the Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than 2 Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) ***Rights on compromise or arrangement***

In the event of a compromise or arrangement between the Company and the Shareholders or the creditors of the Company being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies pursuant to the Companies Law, the Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement ("Suspension Date"), by giving notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of the Company or any of its officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

(aa) the expiry of the period referred to in paragraph (ix) above;

(bb) the date on which the Board exercises the Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);

(cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv), (xv), (xvii), (xviii) or (xix) above;

(dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of the Company;

(ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;

(ff) where the grantee is only a substantial shareholder of any member of the Group, the date on which the grantee ceases to be a substantial shareholder of such member of the Group; or (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(xxiii) Alteration to the Share Option Scheme

(aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.

(bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules and the notes thereto and the supplementary guidance on the interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) or any guidelines issued by the Stock Exchange from time to time.

(xxiv) Termination to the Share Option Scheme

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) ***Conditions of the Share Option Scheme***

The Share Option Scheme is conditional upon (i) the Listing Division of the Stock Exchange granting the [**REDACTED**] of, and permission to deal in the Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; (ii) the passing of the necessary resolution(s) to approve and adopt the Share Option Scheme by the Shareholders in general meeting or by way of written resolution; and (iii) the commencement of trading of Shares on the GEM.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Division for [**REDACTED**] of and permission to deal in [**REDACTED**] Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of document, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui, Mr. David Chow and Mr. Anthony Chow (collectively, the "Indemnifiers") have, under a deed of indemnity referred to in item (i) of the sub-section headed "Summary of material contracts" in this appendix, given joint and several indemnities to the Company for itself and as trustee for its subsidiaries in connection with, among other things,

(a) any liability for Hong Kong estate duty which is or hereafter become payable by any member of the Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of the Group on or before the date on which the [**REDACTED**] becomes unconditional;

(b) any taxation falling on any member of the Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the [**REDACTED**] becomes unconditional; or (ii) in respect of or by reference to any transaction, transfer, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the [**REDACTED**] becomes unconditional;

(c) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses, penalties and fines of whatever nature suffered or incurred by any member of the Group as a result of or in connection with:

(i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of the Group in relation to events occurred on or before the date on which the [**REDACTED**] becomes unconditional;

(ii) the implementation of the Reorganisation and/or disposal, transfer or acquisition of the equity interest in any member of the Group since the date of incorporation/establishment of each member of the Group and up to the date on which the [**REDACTED**] becomes unconditional; and

(iii) any non-compliance with the applicable laws, rules or regulations by the Company and/or any member of the Group since the date of incorporation of each member of the Group and up to the date on which the [**REDACTED**] becomes unconditional.

The Indemnifiers will, however, not be liable under the deed of indemnity to the extent that, among others:

(a) specific provision, reserve or allowance has been made for such liability in the audited combined accounts of the Company for the Track Record Period; or

(b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the [**REDACTED**] becomes unconditional; or

(c) the taxation liability arises in the ordinary course of business of any members of the Group after 31 December 2015 up to and including the date on which the [**REDACTED**] becomes unconditional.

The Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on the Group.

2. Litigation

The Directors confirmed that as at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of the Group.

3. Sponsor

The Sponsor has made an application on behalf of the Company to the Listing Division for [**REDACTED**] of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 6A.07 of the GEM Listing Rules.

The Group agreed to pay the Sponsor a fee of HK$4.2 million, which relates solely to services provided by the Sponsor in the capacity of sponsor.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of the Company are approximately HK$42,000 and are payable by the Company.

5. Promoter

The Company has no promoter for the purpose of the GEM Listing Rules.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this document:

Name	Qualification
Ample Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Ting Ho Kwan & Chan CPA Limited	Certified Public Accountants
Appleby	Cayman Islands attorneys-at-law
Dacheng Law Offices	PRC Legal Adviser
Chan Chung	Barrister-at-law of Hong Kong
CT Partners	Internal Control Adviser

7. Consents of experts

Each of Ample Capital Limited, Ting Ho Kwan & Chan CPA Limited, Appleby, Chan Chung, CT Partners and Dacheng Law Offices has given and has not withdrawn its written consents to the issue of this document, with the inclusion of its letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which they respectively appear.

8. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Registration procedures

The principal register of members of the Company in the Cayman Islands will be maintained by [**REDACTED**] and a branch register of members of the Company will be maintained by [**REDACTED**]. Save where the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

10. No material adverse change

Save for the expenses expected to be incurred in connection with the [**REDACTED**], the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Company or its subsidiaries since 31 December 2015 (being the date to which the latest audited financial statements of the Group were made up) and up to the date of this document, and there is no event since 31 December 2015 which would materially affect the information shown in our combined financial information included in the Accountants' Report set forth in Appendix I to this document.

11. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of the Company, the directors or parties involved in the [**REDACTED**] accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

12. Miscellaneous

(a) Save as disclosed in this document:

(i) within the two years immediately preceding the date of this document:

(aa) no share or loan capital of the Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of the Company or any of our subsidiaries;

(cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;

(dd) no founder, management or deferred shares or any debentures of the Company have been issued or agreed to be issued; and

(ee) no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;

(ii) there has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the 12 months immediately preceding the date of this document;

(iii) none of Ample Capital Limited, Ting Ho Kwan & Chan CPA Limited, Appleby, Chan Chung, CT Partners and Dacheng Law Offices:

(aa) is interested beneficially or non-beneficially in any securities in any member of the Group, including our Shares; or

(bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, including the Shares;

(iv) the Company and its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;

(v) no Company within the Group is presently listed on any stock exchange or traded on any trading system; and

(vi) the Group has no outstanding convertible debt securities.

(b) the English text of this document shall prevail over the Chinese text.

13. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document delivered to the Registrar of Companies in Hong Kong for registration were (a) the written consents referred to in the paragraph headed "E. Other Information – 7. Consents of experts" in Appendix IV to this document; and (b) copies of the material contracts referred to in the paragraph headed "B. Further Information about the Business – 1. Summary of material contracts" in Appendix IV to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Loong & Yeung at Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and the Articles;

(b) the accountants' report of the Group dated the date of this document prepared by Ting Ho Kwan & Chan CPA Limited, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of Zhen Tong for each of the three years ended 31 December 2013, 2014 and 2015;

(d) the report on unaudited pro forma financial information prepared by Ting Ho Kwan & Chan CPA Limited, the text of which is set out in Appendix II to this document;

(e) a statement of adjustments prepared by Ting Ho Kwan & Chan CPA Limited;

(f) the material contracts referred to in the paragraph headed "B. Further Information about the Business – 1. Summary of material contracts" in Appendix IV to this document;

(g) the PRC legal opinion issued by Dacheng Law Offices;

(h) the rules of the Share Option Scheme;

(i) the written consents referred to in the paragraph headed "E. Other Information – 7. Consents of experts" in Appendix IV to this document;

(j) the Companies Law;

(k) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this document; and

(l) the letter of advice prepared by the Legal Counsel dated the date of this document.