

# Tasty Concepts Holding Limited 賞之味控股有限公司

(Incorporated in the Cayman Islands with limited liability) Stock Code: 8096

# SHARE OFFER

Sole Sponsor



Joint Bookrunners and Joint Lead Managers









#### **IMPORTANT**

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



# **Tasty Concepts Holding Limited**

賞之味控股有限公司

(Incorporated in the Cayman Islands with limited liability)

#### LISTING ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Placing Shares	:	12,500,000 Shares (subject to reallocation) 112,500,000 Shares (subject to reallocation) HK\$0.70 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong
		Kong dollars and subject to refund)
Nominal Value	:	HK\$0.01 per Share
Stock Code	:	8096

Sole Sponsor

# FR①NTPAGE富比

Frontpage Capital Limited

Joint Bookrunners and Joint Lead Managers



文湖商證券有限公司 ChaoShang Securities Limited

FR
·
ITPAGE
富比



悅有證券有限公司

EVER IOY SECURITIES LIMITED

**Co-Lead Managers** 



Hong Kong Exchanges and Clearing Limited, the Stock Exchange and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed by our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) but in any event no later than Wednesday, 13 March 2019. The Offer Price will be not more than HKS0.70 per Offer Share and is expected to be not less than HKS0.40 per Offer Share, unless otherwise announced. Applicants for the Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.70 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.70 per Offer Share.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with the consent of our Company, extend or reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the extension or reduction of the indicative Offer Price range and/or the number of Offer Shares.hk and our website at www.butaoramen.com not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on or before Wednesday, 13 March 2019, the Share Offer will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the Application Forms, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Joint Lead Managers (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting arrangements and expenses — The Public Offer — Grounds for termination" and "Underwriting arrangements and expenses — The Public Offer — Grounds for termination" and "Underwriting arrangements and expenses — The Public Offer — Such areas and the Public Offer — Such areas and the Public Offer — Grounds for termination" and "Underwriting arrangements and expenses — The Public Offer — Such areas and the Public Offer — Such areas and the Public Offer — Grounds for termination areas and the Public Offer — Such areas and the Public Offe

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the HKEx website at <u>www.hkexnews.hk</u> in order to obtain up-to-date information on GEM-listed issuers.

If there is any change in the following expected timetable, we will issue an announcement on the respective website of our Company at <u>www.butaoramen.com</u> and the Stock Exchange at <u>www.hkexnews.hk</u>.

	Date and time <sup>(1)</sup> 2019
Application lists of the Public Offer $open^{(2)}$	Monday, 4 March
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms 12:00 noon on	Monday, 4 March
Latest time for giving electronic application instructions to HKSCC <sup>(4)</sup> 12:00 noon on	Monday, 4 March
Application lists of the Public Offer $close^{(2)}$ 12:00 noon on	Monday, 4 March
Expected Price Determination Date <sup>(3)</sup>	Tuesday, 5 March
Announcement of the final Offer Price, the level of indication of interest in the Placing, the level of application in the Public Offer, and the basis of allocations of the Public Offer Shares to be published on our Company's website at <u>www.butaoramen.com</u> <sup>(5)</sup> ; and on the Stock Exchange's website at <u>www.hkexnews.hk</u> on or before	hursday, 14 March
Announcement of results of allocations in the Public Offer (with successful applicant's identification document numbers, where appropriate) to be available through a variety of channels including our Company's website at <u>www.butaoramen.com</u> <sup>(5)</sup> and the Stock Exchange's website at <u>www.hkexnews.hk</u> (for further details, please refer to the section headed "How to Apply for the Public Offer Shares — 10. Publication of results" in this prospectus) from	hursday, 14 March
Results of allocations in the Public Offer to be available at <u>www.ewhiteform.com.hk/results</u> with a "search by ID Number" function from T	hursday, 14 March
Despatch/collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or about <sup>(6)(8)</sup> T	hursday, 14 March

#### **EXPECTED TIMETABLE**<sup>(1)</sup>

Despatch/collection of refund cheques in respect of wholly or partially successful applications (if applicable) or
wholly or partially unsuccessful applications pursuant to
the Public Offer on or about <sup>(7)(8)</sup>
Dealings in the Shares on the Stock Exchange expected to
commence at 9:00 a.m. on Friday, 15 March

Notes:

- 1. All times and dates refer to Hong Kong local times and dates, unless otherwise stated in this prospectus.
- 2. If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 4 March 2019, the application lists will not open on that day. For further details, please see the section headed "How to Apply for the Public Offer Shares 9. Effect of bad weather on the opening of the application lists" in this prospectus.
- 3. The Price Determination Date is expected to be on or around Tuesday, 5 March 2019 and, in any event, not later than Wednesday, 13 March 2019. If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company by Wednesday, 13 March 2019, the Share Offer will not proceed and will lapse.
- 4. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for the Public Offer Shares 5. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.
- 5. None of the website or any of the information contained on the website forms part of this prospectus.
- 6. Share certificates will only become valid at 8:00 a.m. on Friday, 15 March 2019 provided that the Share Offer has become unconditional and the rights of termination described in the section headed "Underwriting Underwriting arrangements and expenses The Public Offer Grounds for termination" in this prospectus have not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
- 7. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number or if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque, if any. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque, if any.
- 8. Applicants who have applied on WHITE Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by their Application Forms may collect their refund cheques and/or Share certificates (where applicable) in person from our Company's Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 14 March 2019 or such other date as notified by our Company as the date of despatch/collection of Share certificates/refund cheques. Applicants being individuals who are eligible for personal collection may not authorise any other person to

#### **EXPECTED TIMETABLE**<sup>(1)</sup>

collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Company's Hong Kong Branch Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by their Application Forms may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their CCASS Investor Participant's stock accounts or their designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Public Offer Shares — 13. Despatch/Collection of Share certificates and refund monies — Personal collection — (iii) If you apply via electronic application instructions to HKSCC" in this prospectus for details.

Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' own risk, to the addresses specified in the relevant Application Forms. Further information is set out in the sections headed "How to Apply for the Public Offer Shares — 12. Refund of application monies" and "How to Apply for the Public Offer Shares — 13. Despatch/Collection of Share certificates and refund monies" in this prospectus.

The above expected timetable is a summary only. You should read carefully the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus for details of the structure of the Share Offer, including the conditions of the Share Offer and the procedures for application for the Public Offer Shares.

#### IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company, solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

No action has been taken to permit a public offer of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sole Sponsor, the Joint Bookrunners, 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 prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the Share Offer. Information contained in our Company's website, located at <u>www.butaoramen.com</u>, does not form part of this prospectus.

Page
------

CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	ii
CONTENTS	v
SUMMARY	1
DEFINITIONS	15
GLOSSARY OF TECHNICAL TERMS	29
FORWARD-LOOKING STATEMENTS	30
RISK FACTORS	32
INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER	47
DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER	52
CORPORATE INFORMATION	58
INDUSTRY OVERVIEW	60
REGULATORY OVERVIEW	70
HISTORY, DEVELOPMENT AND REORGANISATION	89

# CONTENTS

Page
------

BUSINESS	103
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS	153
DIRECTORS AND SENIOR MANAGEMENT	157
SHARE CAPITAL	168
SUBSTANTIAL SHAREHOLDERS	171
FINANCIAL INFORMATION	173
FUTURE PLANS AND USE OF PROCEEDS	212
UNDERWRITING	218
STRUCTURE AND CONDITIONS OF THE SHARE OFFER	228
HOW TO APPLY FOR THE PUBLIC OFFER SHARES	236
APPENDIX I — ACCOUNTANTS' REPORT	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III — SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	V-1

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus which you should read carefully before you decide to invest in the Offer Shares.

#### **OVERVIEW**

We are a well-known restaurant chain operator selling Japanese ramen in Hong Kong, Macau and the PRC under the brand " $\mathbb{K} \pm$ ". We launched our first Japanese ramen restaurant at Wo On Lane in Central in 2010 with a business objective to provide premium quality Japanese ramen to our customers, and we placed a lot of effort and emphasis on the quality control of our Japanese ramen. To establish the status of quality Japanese ramen specialist, we only offer 4 to 5 types of Japanese ramen with different flavours in our shops, but the production process and quality of each flavour of our Japanese ramen is carefully monitored. The Japanese ramen we offer are mainly "Hakata-Style" that we use a lot of fresh meat and pork bones in making the pork bone broth, giving it a strong flavour and thick texture. Over the years, this strategy has proven to be successful and our Japanese ramen and our " $\mathbb{K} \pm$ " brand became well-known and popular, and we expanded quickly in Hong Kong, Macau and the PRC. As at the Latest Practicable Date, we operate 10 ramen restaurants in Hong Kong and the PRC, all of them are strategically located. We also franchised our brand " $\mathbb{K} \pm$ " to an Independent Third Party to use our trademarks in relation to the manufacture and sale of the licensed products. As a testament to the quality of our ramen and the popularity of our " $\mathbb{K} \pm$ " brand, we have obtained various awards and recognition, including the "Hong Kong Top 100 Cuisine Awards", "U Favorite Food Awards", "Best-Ever Dining Awards 2015", "Best Japanese Restaurant" and "Certificate of popularity for the year 2017" granted by different media and organisations.

For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, our Group's revenue amounted to approximately HK\$83.8 million, HK\$99.6 million and HK\$45.2 million, respectively. The following table sets out the breakdown of our revenue by restaurants and nature during the Track Record Period.

		For the year ended 31 March 2017 2018			For the five months ended 31 August 2017 2018				
	Year of commencement	_	% of total	_	% of total	_	% of total	_	% of total
	of operation	<b>Revenue</b> HK\$'000	revenue %	<b>Revenue</b> HK\$'000	revenue %	<b>Revenue</b> HK\$'000	revenue %	<b>Revenue</b> HK\$'000	revenue %
					(	unaudited)			
Self-operated Restaurant									
Causeway Bay Restaurant 1									
(Note 1)	2011	4,764	5.7	_	_	_	_	_	_
Tsim Sha Tsui Restaurant 1	2012	13,471	16.1	11,825	11.9	5,110	13.4	3,847	8.5
Central Restaurant	2013	13,208	15.7	12,717	12.8	5,139	13.5	5,027	11.1
Shatin Restaurant	2013	23,472	28.0	24,422	24.5	9,747	25.5	11,885	26.3
Causeway Bay Restaurant 2									
(Note 1)	2016	9,230	11.0	14,095	14.1	5,848	15.3	5,807	12.9
Taikoo Shing Restaurant	2016	4,472	5.3	9,682	9.7	3,976	10.4	3,972	8.8
Tsim Sha Tsui Restaurant 2									
(Note 2)	2018	—	_	1,294	1.3	_	_	3,482	7.7
Shanghai Restaurant	2015	11,128	13.3	9,835	9.9	4,262	11.2	3,432	7.6
Guangzhou Restaurant (Note 2	) 2017	—	—	5,901	5.9	1,679	4.4	2,148	4.8
Shenzhen Restaurant (Note 2)	2017	_	_	4,143	4.2	_	_	3,110	6.9
Sub-total		79,745	95.1	93,914	94.3	35,761	93.7	42,710	94.6
Franchised Restaurant									
Macau Restaurant (Note 3)	2016	4,087	4.9	5,723	5.7	2,402	6.3	2,416	5.3
Royalty (Note 4)								34	0.1
Total		83,832	100.0	99,637	100.0	38,163	100.0	45,160	100.0

#### SUMMARY

Among our self-operated restaurants, Tsim Sha Tsui Restaurant 1, Central Restaurant, Shatin Restaurant and Shanghai Restaurant recorded full year operation for both of the years ended 31 March 2017 and 2018. Central Restaurant and Shatin Restaurant maintained similar level of annual sales for the years ended 31 March 2017 and 2018 respectively, while both Tsim Sha Tsui Restaurant 1 and Shanghai Restaurant recorded a decrease of annual sales for the year ended 31 March 2018 as compared to that for the previous year. Our Directors consider that the decrease in sales for Tsim Sha Tsui Restaurant 1 was mainly attributable to the opening of our Tsim Sha Tsui Restaurant 2 in February 2018, and the decrease of sales for Shanghai Restaurant was mainly due to the intensified competition in the vicinity. In addition to Tsim Sha Tsui Restaurant 1 and Shanghai Restaurant, our Guangzhou Restaurant and Shenzhen Restaurant also recorded a declining performance during the Track Record Period mainly attributable to the increasing competition in the respective areas. Having considered that (i) the declining performance of Tsim Sha Tsui Restaurant 1 was mainly attributable to the opening of Tsim Sha Tsui Restaurant 2, while Tsim Sha Tsui Restaurant 1 and Tsim Sha Tsui Restaurant 2 as a whole showed a satisfactory improvement of sales in Tsim Sha Tsui area; and (ii) these restaurants are still expected to generate positive cash flow to our Group for the year ending 31 March 2019, our Directors have no plan or intention to close down any of these restaurants at the current stage.

Notes:

- Causeway Bay Restaurant 1 was relocated to Shop 4, Ground Floor, V Point, 18 Tang Lung Street, Causeway Bay, Hong Kong as Causeway Bay Restaurant 2 in August 2016 to accommodate our Group's need for a shop with a larger floor area.
- 2. Our Tsim Sha Tsui Restaurant 2, Guangzhou Restaurant and Shenzhen Restaurant commenced business in February 2018, June 2017 and November 2017, respectively.
- 3. Revenue generated from the Macau Restaurant, which commenced business in June 2016, includes franchise fee and sales of food and accessories products for franchisee's operation under the Macau Franchise Agreement.
- 4. Royalty represents the income generated from the exclusive licence granted to the licensee to use our trademarks in relation to the manufacture of the licensed products pursuant to the Trademark Licencing Agreement. For further details, please refer to the section headed "Business — Trademark Licencing Agreement" in this prospectus.

The following table sets forth the year of commencement of operation, the date of expiry of the respective lease, the breakdown of the operating profit/(loss) and operating margin by restaurants for the Track Record Period:

			Foi	the year e	nded 31 Mar	ch	For th	e five montl	is ended 31	August
			201	17	20	18	20	17	20	18
	Year of			Operating		Operating		Operating		Operating
	commencement		Operating	-	Operating	-	Operating	_	Operating	profit
	of operation	of the lease	profit/(loss)		profit/(loss)		profit/(loss)		profit/(loss)	margin
			HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							(unaudited)			
Self-operated Restaurants										
Causeway Bay Restaurant 1	2011	16 August 2016	1,815	38.1	N/A	N/A	N/A	N/A	N/A	N/A
Tsim Sha Tsui Restaurant 1	2012	15 April 2019	5,182	38.5	4,453	37.7	1,843	36.1	1,352	35.1
		(Note 2)								
Central Restaurant	2013	21 May 2020	5,027	38.1	4,916	38.7	1,887	36.7	1,976	39.3
Shatin Restaurant	2013	31 July 2019	9,456	40.3	10,569	43.3	4,165	42.7	5,744	48.3
Causeway Bay Restaurant 2	2016	30 April 2019	2,999	32.5	5,318	37.7	2,236	38.2	2,485	42.8
		(Note 2)								
Taikoo Shing Restaurant	2016	2 October 2020	1,745	39.0	3,377	34.9	1,412	35.5	1,614	40.6
Tsim Sha Tsui Restaurant 2	2018	5 December 2020	N/A	N/A	(14)	N/A	N/A	N/A	649	18.6
Shanghai Restaurant	2015	30 June 2020	206	1.9	1,496	15.2	674	15.8	176	5.1
Guangzhou Restaurant	2017	31 October 2021	(458)	N/A	343	5.8	(282)	N/A	(205)	N/A
Shenzhen Restaurant	2017	25 May 2021	N/A	N/A	599	14.5	N/A	N/A	325	10.5
Sub-total			25,972	32.6	31,057	33.0	11,935	33.4	14,116	33.1
Franchised Restaurant	201(	N1/A	1 (00	NT/ A	0.070	NT / A	0.40	NT / A	070	NT/ A
Macau Restaurant	2016	N/A	1,682	N/A	2,372	N/A	948	N/A	972	N/A
Other operating costs			(19,754)	N/A	(17,916)	N/A	(7,337)	N/A	(8,037)	N/A
<b>Total operating profit</b> (Note 1)			7,900	9.4	15,513	15.6	5,546	14.5	7,051	15.6
(INDIE I)										

#### Notes:

1. Total operating profit excludes the royalty income generated under the Trademark Licencing Agreement.

2. Our Group intends to renew the respective tenancy with similar lease terms and rent and is currently in negotiation with the respective landlord.

The following table sets out the approximate historical operating breakeven period and investment payback period of our Group's restaurants, based on the unaudited management accounts or statutory financial statements of the relevant operating subsidiaries:

Restaurant	Historical operating breakeven period (months) (Note 1)	Investment payback period (months) (Note 2)
Causeway Bay Restaurant 1 (Note 3)	within 5	within 12
Tsim Sha Tsui Restaurant 1	2	8
Central Restaurant	4	9
Shatin Restaurant	2	7
Causeway Bay Restaurant 2	1	5
Taikoo Shing Restaurant	1	4
Tsim Sha Tsui Restaurant 2	2	13 (Note 4)
Tsuen Wan Restaurant	1	9 (Note 4)
Shanghai Restaurant	7	38
Guangzhou Restaurant	2	24 (Note 4)
Shenzhen Restaurant	3	18 (Note 4)

Notes:

- 1. Operating breakeven period is the period required for a restaurant to record a positive monthly EBITDA for the first time following the month of commencement of business of the restaurant, based on the unaudited management accounts of the relevant operating subsidiaries.
- 2. Investment payback period is the estimated period required for the investment cost of a restaurant to be fully covered by its accumulated net cash flows from operating activities since the commencement of business of the restaurant, based on the unaudited management accounts of the relevant operating subsidiaries.
- 3. Causeway Bay Restaurant 1 commenced operation since 2011. Operating breakeven period and investment payback period were calculated based on the statutory financial statements of the relevant operating subsidiary.
- 4. Our Tsim Sha Tsui Restaurant 2, Tsuen Wan Restaurant, Guangzhou Restaurant and Shenzhen Restaurant have yet to achieve their respective investment payback period. The figures represent the expected investment payback period of the restaurants, which is based on the unaudited management accounts of the relevant operating subsidiaries and the forecast profit before tax adjusted for depreciation for the relevant restaurants.

#### **CUSTOMERS**

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

#### **RAW MATERIALS AND SUPPLIERS**

The major raw materials that we use in our restaurants are food ingredients, including but not limited to, pork, seasoning, noodles, vegetables and other agricultural product and beverages, originating from various countries, such as Japan, Hong Kong and the PRC.

We believe that consistency in the supply and quality of our food ingredients are important to our ability in providing quality menu items in our restaurants. In order to ensure the consistency and stability in the supply of quality food ingredients, we maintain a suppliers list that is pre-approved by our management. We maintain a list of over 80 different pre-approved suppliers of food ingredient and seasonings. These pre-approved suppliers have gone through our supplier selection process and have been approved by our procurement manager or executive Director.

For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, the total purchases from our Group's five largest suppliers in aggregate accounted for approximately 62.8%, 50.8% and 44.4%, respectively, and our largest supplier accounted for approximately 19.9%, 13.0% and 12.7%, respectively, of our Group's total purchases. We maintain stable relationships with our suppliers.

#### **PRICING POLICY**

In deciding the price of each menu item, our Group takes into account factors such as the cost of raw materials and food ingredients, seasonal factors, target operating profit margins, general market trends, purchasing power of our target customers and prices set by competitors. Our head chef and management periodically review and change the price of items on our menu. Our Directors believe that in the event of cost pressures in sourcing our food ingredients, our Group will be capable of adjusting the ingredients used, while maintaining the taste, portion size and quality of food. Our Directors believe that the pricing policy we adopted helps to create an attractive price-value proposition typically favoured by customers. Our Group allows for limited price adjustments in the menu items in response to special menus or promotional events launched by our Group. During the Track Record Period, all of our restaurants in Hong Kong adopted an identical pricing level, while our restaurants in the PRC shared another pricing level. Our Directors believe that such pricing policy could better assist our restaurants to cater for different culture and competitions between the PRC and Hong Kong.

#### **COMPETITIVE STRENGTHS**

We believe that the following competitive strengths allow us to achieve sustainable growth of our business:

- We have developed a strong and popular brand name
- We place strong emphasis on the quality of our Japanese ramen and services
- Our restaurants are strategically located

#### **BUSINESS STRATEGIES**

We have formulated the following business strategies to strengthen our position as a Japanese ramen restaurant group:

- Setting up of new outlets in Hong Kong
- Enhancement of our existing central kitchen
- Further enhancement of our brand recognition

#### THE JAPANESE RAMEN RESTAURANT INDUSTRY IN HONG KONG

According to the F&S Report, the Japanese ramen restaurant industry is relatively fragmented. As of 2017, there are approximately 400 ramen restaurant establishments in Hong Kong, including both chain stores and non-chain stores, in which there are more than ten major chain brands of various scale operating in Hong Kong.

Our Group has recorded sales revenue of approximately HK\$74.0 million in Hong Kong for the year ended 31 March 2018, accounting for approximately 7.0% market share of the Japanese ramen restaurant industry in 2017. For further information on the industry in which we operate, please refer to the section headed "Industry Overview" in this prospectus.

#### **RISK FACTORS**

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We believe the more significant risks relating to our business are as follows:

- If our Group fails to maintain effective quality control system of our restaurants' daily operation, it could materially impact our Group's operations, business and reputation
- Our Group's future development, business operation and operation results could be affected by labour shortages or increase in staff costs
- We are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs
- We rely on our central kitchen to supply some of our semi-processed or processed food ingredients used in our restaurants and any disruption of operation at our central kitchen could adversely affect our operations, business and reputation

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in this prospectus, and investors should read the entire section before deciding to invest in the Offer Shares.

#### NON-COMPLIANCE

Save as the non-compliance incidents in relation to the failure of obtaining the relevant water pollution control licence and light refreshment restaurant licence for some of our restaurants, as disclosed in the section headed "Business — Non-compliance" in this prospectus, our Group has complied in all material respects with the applicable laws and regulations in Hong Kong, the PRC and Macau during the Track Record Period and up to the Latest Practicable Date.

#### **RECENT DEVELOPMENT**

In October 2018, our Group opened a new restaurant in Tsuen Wan. For details of our further expansion plans, please refer to the section headed "Business — Our expansion plans for opening new restaurants and existing central kitchen" in this prospectus.

Our Directors observed and noted that the market in which our Group operates remained stable after 31 August 2018 as reflected by the stable revenue and profit generated by our Group during the period from 1 September 2018 to the Latest Practicable Date. Our Directors have confirmed that, subsequent to 31 August 2018 and up to the date of this prospectus, there had been no material adverse change in our pricing strategies under our business model.

# COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 March		For the five ended 31		
	2017	2018 2017		2018	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
			(unaudited)		
Revenue	83,832	99,637	38,163	45,160	
Cost of inventories	(17,660)	(21,198)	(8,282)	(9,404)	
Other income	11	10	1	4	
Other gains or losses	(135)	14	_		
Staff costs	(26,439)	(27,174)	(10,364)	(12,606)	
Rental and related expenses	(13,671)	(16,578)	(6,351)	(7,872)	
Depreciation and amortisation	(4,808)	(6,231)	(2,295)	(2,223)	
Other expenses	(13,230)	(12,967)	(5,326)	(5,974)	
Listing expenses	_	_	_	(9,045)	
Finance costs	(207)	(159)	(80)	(73)	
Profit (loss) before taxation	7,693	15,354	5,466	(2,033)	
Taxation	(1,459)	(2,382)	(804)	(1,005)	
Profit (loss) for the year/period	6,234	12,972	4,662	(3,038)	
Other comprehensive (expense) income for the year/period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on the					
translation of foreign operation	(131)	460	116	(583)	
Total comprehensive income (expense) for the year/period	6,103	13,432	4,778	(3,621)	

During the Track Record Period, our Group's other gains and losses mainly comprised net exchange (losses) gains and loss on disposal/written-off of property and equipment.

For the years ended 31 March 2017 and 2018, our revenue increased by approximately 18.9%, which was mainly due to the newly operated Taikoo Shing Restaurant, Guangzhou Restaurant and Shenzhen Restaurant which commenced business in November 2016, June 2017 and November 2017, respectively. Given that our central management costs and operating costs of our central kitchen decreased slightly for the year ended 31 March 2018 as compared with the previous year owing to the

decrease in business and product development expenses and central staff cost for the year ended 31 March 2018, our net profit has shown a significant growth by approximately HK\$6.8 million or approximately 109.7% from approximately HK\$6.2 million for the year ended 31 March 2017 to approximately HK13.0 million for the year ended 31 March 2018.

Our Group recorded a loss of approximately HK\$3.0 million for the five months ended 31 August 2018 as compared to a profit of approximately HK\$4.7 million for the five months ended 31 August 2017, which was primarily due to the one-off listing expenses of approximately HK\$9.0 million incurred during the five months ended 31 August 2018.

#### SUMMARY OF COMBINED STATEMENTS OF FINANCIAL POSITION

	As at 3	As at 31 August	
	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	16,631	18,681	17,722
Current assets	20,068	23,673	31,993
Current liabilities	11,877	15,083	19,964
Net current assets	8,191	8,590	12,029
Total assets less current liabilities	24,822	27,271	29,751
Net assets	24,614	27,046	29,496

#### SUMMARY OF COMBINED STATEMENTS OF CASH FLOWS

	For the year ended 31 March		For the five months ended 31 August	
	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Operating cash flows before movements				
in working capital	12,826	21,739	7,840	259
Net cash from operating activities	9,172	20,012	7,545	4,245
Net cash used in investing activities	(7,511)	(9,715)	(3,455)	(3,151)
Net cash from (used in) financing				
activities	28	(4,949)	(1,130)	2,705
Net increase in cash and cash equivalents Cash and cash equivalents at beginning	1,689	5,348	2,960	3,799
of the year/period	7,979	9,653	9,653	15,129
Effect of foreign exchange rate changes	(15)	128	64	(127)
Cash and cash equivalents at end of the year/period, represented by bank				
balances and cash	9,653	15,129	12,677	18,801

The decrease in net cash from operating activities for the five months ended 31 August 2018, as compared to that in the corresponding period in 2017, was mainly attributable to the listing expenses of approximately HK\$9.0 million incurred during the five months ended 31 August 2018.

#### SELECTED KEY FINANCIAL RATIOS

	For the year ended or as at 31 March		For the five months ended or as at 31 August	
	2017	2018	2018	
Profitability ratios				
Return on assets	17.0%	30.6%	N/A	
Return on equity	25.3%	48.0%	N/A	
Liquidity ratios				
Current ratio	1.7 times	1.6 times	1.6 times	
Quick ratio	1.6 times	1.5 times	1.5 times	
Capital adequacy ratios				
Gearing ratio (Note)	19.0%	21.2%	13.0%	
Interest coverage	38.2 times	97.6 times	N/A	

*Note:* Gearing ratio is calculated based on the sum of bank borrowings and amount due to a related party at the end of the year/period divided by the total equity at the end of the respective year/period and multiplied by 100%.

#### DIVIDEND AND DISTRIBUTABLE RESERVES

During the year ended 31 March 2018, one of our Group members declared dividends of approximately HK\$11.0 million which was used to offset the amount due from Mr. C Tang. Accordingly, such dividend distribution does not impose any impact on our Group's cash position and other impact on our financial position.

There is no expected or predetermined dividend payout ratio after the Listing. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders' approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up on the Shares.

Dividends may be paid only out of our Company's distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

#### LISTING EXPENSES

Our estimated listing expenses primarily consist of legal and professional fees, including underwriting commission, in relation to the Listing. Assuming the Offer Price of HK\$0.55 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses are estimated to be approximately HK\$28.1 million, of which approximately HK\$12.2 million is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK\$9.0 million was charged to the combined statements of profit or loss for the five months ended 31 August 2018 and approximately HK\$6.9 million is expected to be incurred for the seven months ending 31 March 2019. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

#### MATERIAL ADVERSE CHANGE

Prospective investors should be aware that our Group will incur a loss for the year ending 31 March 2019 as a result of incurrence of listing expenses. In addition, our Directors anticipate that the increasing rental and related expenses upon the renewal of expiring leases will impose pressure on our operations, and our profitability for the year ending 31 March 2019 will be adversely affected.

Save as disclosed above, our Directors confirmed that, up to the date of this prospectus, there has been no material adverse change in our Group's financial or trading positions or prospect of our Company or its subsidiaries since 31 August 2018 (being the date of which our Group's latest audited combined financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 31 August 2018 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

#### **REASONS FOR THE LISTING**

Our Directors believe that the Listing will allow us to stand out from other brands in the Japanese ramen restaurant industry, further enhance our profile and recognition of our Group and hence further strengthen our existing and potential suppliers' and customers' confidence in us, and enable us to attract and retain quality personnel in such competitive market. For instance, our suppliers and other potential employees will be able to monitor our latest financial performance and position and corporate governance and internal control measures adopted if they study our public disclosure from time to time. Accordingly, the listing status could increase our attractiveness not only over our customers, but also over our existing and potential suppliers and employees. Furthermore, a public listing status will allow us access to the capital market for future corporate finance exercises, which will assist in our future business development and strengthen our competitiveness.

In order to capture the potential business opportunities, our Directors are of the view that we have the business need to set up new outlets and expand our existing central kitchen in Hong Kong. In addition to our new restaurant in Tsuen Wan, we currently expect to set up four new restaurants under the brand " $\mathbb{ME}$ ". It is estimated that with reference to the current operations and the estimated sales growth in the future, our Directors are of the view that a new central kitchen of approximately 350 sq.m. would be necessary for our expansion plan. Upon completion of the expansion, our processing capacity is expected to increase by approximately 60% from serving approximately 8

#### SUMMARY

outlets to approximately 13 outlets. According to our estimates, such expansion plan would require an additional upfront cost of approximately HK\$30.0 million. Our Directors also consider that our Group has to maintain our overall cash and cash equivalents of approximately HK\$15.0 million as our working capital to support our current scale of operations. As such, our current capital level is not sufficient to support such expansions, in particular setting up new outlets and expanding existing central kitchen and extra working capital is crucial for our Group to capture these business opportunities and to meet our Group's liquidity needs. Despite the considerable expenses for the Listing, which are estimated to be approximately HK\$28.1 million (assuming an Offer Price of HK\$0.55, being the midpoint of the indicative Offer Price range of HK\$0.40 to HK\$0.70 per Offer Share), our Directors decided to proceed with this form of equity financing for the purpose of our business expansion instead of solely obtaining debt financing after taking into account of (i) given that our Group does not own any properties available for pledging, our Directors consider that we are not able to obtain bank loans in amounts sufficient to support such expansion plans; (ii) even if we can obtain such debt financing, it is necessary for our Group to retain a portion of our business income for loan repayment under debt financing and thus our business income cannot be fully reinvested for our business development; and (iii) debt financing and equity financing are not mutually exclusive, and our Group may be better positioned to bargain for more favourable terms from debt financiers with a larger equity base. As such, our Directors are of the view that raising capital by debt financing at the moment would not be beneficial to our Group and Shareholders as a whole, and equity financing is more appropriate for financing the expansion plan.

#### **USE OF PROCEEDS**

We intend to apply the net proceeds received by us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and an Offer Price of HK\$0.55, being the mid-point of the Offer Price range, of approximately HK\$40.6 million as follows:

	From the Latest Practicable Date to 30 September 2019	For the six months ending 31 March 2020	For the six months ending 30 September 2020	For the six months ending 31 March 2021	Total	Approximate percentage
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
Setting up of new outlets in Hong Kong	6,300	6,100	6,100	6,100	24,600	60.6
Expansion of existing central kitchen in Hong Kong	8,100	_	_		8,100	20.0
Further enhancement of our brand recognition	1,200	300	300	300	2,100	5.2
Enhancement of operational capability and efficiency	1,300	500	_	_	1,800	4.4
General working capital	4,000				4,000	9.8
	20,900	6,900	6,400	6,400	40,600	100.0

Please refer to the sections headed "Business — Business strategies" and "Future Plans and Use of Proceeds" in this prospectus for details.

#### Our expansion plans for opening new restaurants and existing central kitchen

In October 2018, our Group opened a new restaurant in Tsuen Wan. Further, we plan to open new restaurants in Mongkok and Tseung Kwan O in mid-2019 and late-2019, respectively, and in Tuen Mun and Kwun Tong in mid-2020 and late-2020, respectively. To support our expansion plans of opening new outlets in Hong Kong, we plan to further expand our existing central kitchen, including setting up a new central kitchen and acquiring new facilities and machinery, such as new production lines for pork bone broth, chasu, seasonings and other toppings for our dishes. We estimate that the expansion would be completed by mid-2019 before or at about the time of the opening of our new restaurant in Mong Kok and upon completion of the expansion, our processing capacity will increase by approximately 60% from serving approximately 8 outlets to approximately 13 outlets.

#### SHAREHOLDERS INFORMATION

On 3 July 2018, Butao Global and Mr. Ng, the pre-IPO investor, entered into a subscription agreement, pursuant to which Mr. Ng agreed to subscribe for 900 shares (representing 9% of the enlarged share capital of Butao Global at the time of completion of such Pre-IPO Investment) for a total consideration of HK\$6,000,000. Mr. Ng is a personal friend of Mr. HC Tang and is a private investor and has over 20 years of experience in the management and operation of photography audio equipment trading business. Mr. Ng is an Independent Third Party prior to the Pre-IPO Investment and is not connected (as defined in the GEM Listing Rules) with our Group or any of its connected persons.

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued under the exercise of any options that may be granted under the Share Option Scheme), Brilliant Trade (which is owned as to 35% by Mr. C Tang, 35% by Mr. HC Tang (father of Mr. C Tang and Ms. A Tang), 15% by Ms. Tai (mother of Mr. C Tang and Ms. A Tang) and 15% by Ms. A Tang (sister of Mr. C Tang)) will hold 68.25% of our Company's issued share capital. For the purpose of the GEM Listing Rules, Mr. C Tang, Mr. HC Tang, Ms. Tai and Ms. A. Tang and Brilliant Trade are our Controlling Shareholders.

#### **OFFER STATISTICS**

Market capitalisation at Listing (Note 1)	:	HK\$200.0 million to HK\$350.0 million
Offer size	:	25.0% of the enlarged issued share capital of our Company
Offer Price per Offer Share	:	HK\$0.40 to HK\$0.70
Number of Offer Shares	:	125,000,000 Shares
Number of Placing Shares	:	112,500,000 Shares (subject to reallocation)
Number of Public Offer Shares	:	12,500,000 Shares (subject to reallocation)
Board lot	:	5,000 Shares
Unaudited pro forma adjusted combined net tangible assets per Share (Note 2)	:	HK\$0.13 based on an Offer Price of HK\$0.40 per Share; and HK\$0.20 based on an Offer Price of HK\$0.70 per Share

Notes:

- 1. The calculation of the market capitalisation of the Shares is based on 500,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer.
- 2. The unaudited pro forma adjusted combined net tangible assets per Share has been arrived at after the adjustments referred to under the paragraph headed "Unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to the owners of the Company" in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis of 500,000,000 Shares in issue at the respective Offer Prices of HK\$0.40 and HK\$0.70 per Share immediately following completion of the Capitalisation Issue and the Share Offer.

In this prospectus, the fol- context otherwise requires.	lowing terms shall have the meanings set forth below unless the
"Accountants' Report"	the accountant's report on our Group for the Track Record Period set out in Appendix I to this prospectus
"affiliate"	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
"Application Form(s)"	<b>WHITE</b> Application Form(s) and <b>YELLOW</b> Application Form(s) or where the context so requires, any of them, relating to the Public Offer
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on 21 February 2019, which will become effective upon the Listing, and as amended from time to time, a summary of which is set out in the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Audit Committee"	the audit committee of our Board
"Billion Kingsway"	Billion Kingsway Limited (億鋒有限公司), a company incorporated in Hong Kong on 5 December 2012 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Board"	the board of Directors
"Brilliant Trade"	Brilliant Trade Enterprises Limited, a company incorporated in the BVI on 30 November 2012 with limited liability and a Controlling Shareholder
"Buildings Department"	the Buildings Department of Hong Kong
"Business Day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"Business Registration Ordinance"	the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Butao Asia"	Butao Asia Limited (豚王(亞洲)有限公司), a company incorporated in Hong Kong on 9 September 2011 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Butao China"	Butao (China) Limited (豚王(中國)有限公司), a company incorporated in Hong Kong on 26 February 2015 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Butao Global"	Butao Global Limited, a company incorporated in the BVI on 14 June 2018 with limited liability, which shall be the direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Butao Guangzhou"	廣州嘗面餐飲管理有限公司 (Guangzhou Changmian Catering Management Company Limited*), a WFOE established in the PRC with limited liability on 25 December 2015, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Butao Guangzhou (Tianhe)"	廣州嘗面餐飲管理有限公司天河分公司 (Guangzhou Changmian Catering Management Company Limited Tianhe Branch*), a branch of Butao Guangzhou established in the PRC on 20 February 2017
"Butao HK"	Butao (Hong Kong) Limited (豚王(香港)有限公司), a company incorporated in Hong Kong on 13 September 2012 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Butao International"	Butao International Limited (豚王(國際)有限公司), a company incorporated in Hong Kong on 24 April 2012 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Butao Ramen"	Butao Ramen Limited (豚王拉麵有限公司) (formerly known as Nagi, Ramen Limited), incorporated in Hong Kong on 25 June 2010 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Butao Ramen BVI"	Butao Ramen International Holdings Limited (豚王拉麵國際 控股有限公司), a company incorporated in the BVI on 23 August 2011 with limited liability, which is wholly-owned by Mr. C Tang

"Butao Shanghai"	賞面 (上海) 餐飲管理有限公司 (Shangmian (Shanghai) Catering Management Company Limited*), a WFOE established in the PRC with limited liability on 30 April 2015, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Butao Shanghai (Jing'an)"	賞面 (上海) 餐飲管理有限公司靜安分公司 (Shangmian (Shanghai) Catering Management Company Limited Jing'an Branch*), a branch of Butao Shanghai established in the PRC on 7 September 2015
"Butao Shanghai (Trading)"	賞面 (上海) 貿易有限公司 (Shangmian (Shanghai) Trading Company Limited*), a WFOE established in the PRC with limited liability on 20 November 2015, which was dissolved by deregistration as at the Latest Practicable Date
"Butao Shenzhen"	深圳嘗面餐飲管理有限公司 (Shenzhen Changmian Catering Management Company Limited*), a WFOE established in the PRC with limited liability on 11 July 2017, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of $374,990,000$ Shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of our Company referred to in the section headed "Statutory and General Information — A. Further information about our Company — 3. Written resolutions of our existing Shareholders passed on 21 February 2019" in Appendix IV to this prospectus
"Causeway Bay Restaurant 1"	a restaurant located at Shop C, Ground Floor, Tang Fai Building, 36-48 Tang Lung Street, Causeway Bay, Hong Kong relocated to Shop 4, Ground Floor, V Point, 18 Tang Lung Street, Casuseway Bay, Hong Kong as Causeway Bay Restaurant 2 in August 2016
"Causeway Bay Restaurant 2"	the restaurant located at Shop 4, Ground Floor, V Point, 18 Tang Lung Street, Causeway Bay, Hong Kong and operated by Butao HK
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS 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 Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Central Restaurant"	the restaurant located at Ground Floor, Fortuna Building, 69 Wellington Street, Central, Hong Kong and operated by Butao International
"Chairman"	chairman of our Board
"Chief Executive Officer"	chief executive officer of our Company
"close associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Co-Lead Managers"	China-Hong Kong Link Securities Company Limited and Ever Joy Securities Limited
"Co-Managers"	Future Land Resources Securities Limited, I-Access Investors Limited, Lego Securities Limited, Merdeka Capital Limited, Sino Wealth Securities Limited and Zundiao Securities Limited
"Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented and/or modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented and/or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
"Company" or "our Company"	Tasty Concepts Holding Limited (賞之味控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 23 July 2018 and registered as a non-Hong Kong company under part 16 of the Companies Ordinance on 28 August 2018, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company thereof, our Company's present subsidiaries

"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company, means the controlling shareholders of our Company, namely Brilliant Trade, Mr. C Tang, Mr. HC Tang, Ms. Tai and Ms. A Tang
"core connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules
"DCO"	the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
"DCR"	the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
"Deed of Indemnity"	the deed of indemnity dated 21 February 2019 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for and on behalf of its subsidiaries), the details of which are set out in the section headed "Statutory and General Information — F. Other information — 1. Tax and other indemnities" in Appendix IV to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 21 February 2019 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for and on behalf of its subsidiaries), particulars of which are set out in the section headed "Relationship with Controlling Shareholders — Non-competition undertaking" in this prospectus
"DEP"	the Director of Environmental Protection
"DFEH"	the Director of Food and Environmental Hygiene
"Director(s)" or "our Directors"	the director(s) of our Company
"ECO"	the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"ЕО"	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"EPD"	the Environmental Protection Department of the Government
"FBR"	the Food Business Regulation (Chapter 132X of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"FDR"	the Food and Drugs (Composition and Labelling) Regulations (Chapter 132W of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"FEHD"	the Food and Environmental Hygiene Department of the Government
"Fire Services Department"	the Fire Services Department of Hong Kong
"FIU(F)R"	the Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations (Chapter 59V of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Fortune City"	Fortune City Limited (富域有限公司), a company incorporated in Hong Kong on 22 May 2013 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Frontpage Capital" or "Sole Sponsor"	Frontpage Capital Limited, a licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the sole sponsor for the Listing, a joint bookrunner and a joint lead manager for the Share Offer, and an Independent Third Party
"Frost & Sullivan"	Frost & Sullivan Limited, an independent market research agency
"F&S Report"	the market research report commissioned by us and prepared by Frost & Sullivan
"GEM"	GEM operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
"Government"	the Government of Hong Kong

"Group", "our Group", "we" or "us"	our Company and its subsidiaries or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guangzhou"	Guangzhou Municipality in the PRC
"Guangzhou Restaurant"	the restaurant located at Unit 8B, 3rd Floor, Kingold Century, 62 Jinsui Road, Zhujiang New Town, Tianhe District, Guangzhou Municipality, Guangdong Province, PRC and operated by Butao Guangzhou (Tianhe)
"HK\$" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	the Hong Kong Financial Reporting Standard(s) (including Hong Kong Accounting Standards, amendments and interpretations) issued by HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly- owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Boardroom Share Registrars (HK) Limited, our branch share registrar and transfer office in Hong Kong
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is or are independent of and not connected (within the meaning of the GEM Listing Rules) with any of the Directors, chief executive or substantial shareholder(s) of our Company, its subsidiaries or any of their respective associate(s)
"Joint Bookrunners" or "Joint Lead Managers"	Alpha Financial Group Limited, ChaoShang Securities Limited, Frontpage Capital Limited and Pacific Foundation Securities Limited
"Kind Most"	Kind Most Limited (添仁有限公司), a company incorporated in Hong Kong on 16 December 2010 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation

"Latest Practicable Date"	18 February 2019, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
"Legal Counsel"	Mr. Yuen Siu Kei, barrister-at-law in Hong Kong
"Listing"	the listing of the Shares on GEM
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date on which dealings in the Shares on GEM first commence, which is expected to be on Friday, 15 March 2019
"Listing Division"	the Listing Division of the Stock Exchange
"LLB"	the Liquor Licensing Board of Hong Kong
"Macau"	the Macao Special Administrative Region of the PRC
"Macau Franchise Agreement"	the franchise agreement dated 25 May 2016 entered into between our Group and a hotel operator, who is an Independent Third Party for the operation of the Macau Restaurant, particulars of which are set out in the section headed "Business — Macau Franchise Agreement" in this prospectus
"Macau Legal Adviser"	Liliana Faria Advogada, the legal adviser to our Company as to Macau law
"Macau Restaurant"	the restaurant located at G117, Ground Floor, Galaxy, Macau and operated by a franchisee in accordance to the Macau Franchise Agreement
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company adopted on 21 February 2019, which will become effective upon the Listing, and as amended from time to time, a summary of which is set out in the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this prospectus
"Mr. C Tang"	Mr. Tang Chun Ho Chandler (鄧振豪), our Chief Executive Officer, executive Director, a Controlling Shareholder, the son of Mr. HC Tang and Ms. Tai and the younger brother of Ms. A Tang

"Mr. HC Tang"	Mr. Tang Hing Chee (鄧慶治), our Chairman, non-executive Director, a Controlling Shareholder, the spouse of Ms. Tai and the father of Mr. C Tang and Ms. A Tang
"Mr. Ng"	Mr. Ng Wai Hung (吳偉鴻), the pre-IPO investor
"Ms. A Tang"	Ms. Tang Wing Shan Ariel (鄧穎珊), a Controlling Shareholder, the daughter of Mr. HC Tang and Ms. Tai and the elder sister of Mr. C Tang
"Ms. Tai"	Ms. Tai Shiu Bun Mariana (戴少斌), a Controlling Shareholder, the spouse of Mr. HC Tang and the mother of Mr. C Tang and Ms. A Tang
"New Topworld"	New Topworld Holdings Limited (新正集團有限公司), a company incorporated in Hong Kong on 18 November 2011 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Nomination Committee"	the nomination committee of our Board
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), at which Offer Shares are to be subscribed, to be determined in the manner further described in the section headed "Structure and Conditions of the Share Offer — Pricing and allocation" in this prospectus
"Offer Shares"	the Public Offer Shares and the Placing Shares, collectively
"PHMSO"	Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Placing"	the conditional placing of the Placing Shares by the Placing Underwriters, as further described in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Placing Shares"	the 112,500,000 new Shares initially offered by our Company for subscription at the Offer Price under the Placing, subject to reallocation as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Placing Underwriters"	the underwriters of the Placing that are expected to enter into the Placing Underwriting Agreement

"Placing Underwriting Agreement"	the underwriting agreement expected to be entered into on or around Tuesday, 5 March 2019 by, among others, our Company, our executive Director, our Controlling Shareholders, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Placing Underwriters in respect of the Placing, as further described in the section headed "Underwriting — Underwriting arrangements and expenses — The Placing" in this prospectus
"PRC" or "China"	the People's Republic of China (中華人民共和國) which, for the purposes of this prospectus only, and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
"PRC Legal Adviser"	Shu Jin Law Firm, the legal adviser to our Company as to PRC Laws
"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
"Pre-IPO Investment"	the subscription of 900 shares in Butao Global by Mr. Ng pursuant to the subscription agreement dated 3 July 2018
"Price Determination Agreement"	the agreement to be entered into by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date expected to be on or around Tuesday, 5 March 2019 on which the Price Determination Agreement is entered into but in any event not later than Wednesday, 13 March 2019
"Public Offer"	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, as further described in the section headed "Structure and Conditions of the Share Offer" in this prospectus and the related Application Forms
"Public Offer Shares"	the 12,500,000 new Shares initially offered by our Company for subscription at the Offer Price under the Public Offer, subject to reallocation as mentioned in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Public Offer Underwriters"	the underwriters of the Public Offer listed in the section headed "Underwriting — Public Offer Underwriters" in this prospectus

"Public Offer Underwriting Agreement"	the underwriting agreement dated 26 February 2019 relating to the Public Offer and entered into by, among others, our Company, our executive Director, our Controlling Shareholders, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Co-Lead Managers, the Co-Managers and the Public Offer Underwriters, as further described in the section headed "Underwriting — Underwriting arrangements and expenses — The Public Offer — Public Offer Underwriting Agreement" in this prospectus
"Regulation S"	the Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Reorganisation"	the reorganisation arrangement undergone by our Group in preparation for the Listing as described in the section headed "History, Development and Reorganisation — Reorganisation" in this prospectus
"Repurchase Mandate"	the general unconditional mandate granted to our Directors by our Shareholders in relation to the repurchase of our Shares, further details of which are set forth in the section headed "Statutory and General Information — A. Further information about our Company — 6. Repurchase of our Shares by our Company" in Appendix IV to this prospectus
"Right Direction"	Right Direction International Limited (正信國際有限公司), a company incorporated in Hong Kong on 13 July 2011 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shanghai"	Shanghai Municipality in the PRC
"Shanghai Restaurant"	the restaurant located at Room L112 & L212, 1st Floor & 2nd Floor, 88 Tongren Road, Jing'an District, Shanghai, PRC and operated by Butao Shanghai (Jing'an)
"Share(s)"	ordinary share(s) with nominal or par value of HK\$0.01 each in the share capital of our Company

"Shareholder(s)"	holder(s) of the Share(s)
"Share Offer"	the Public Offer and the Placing
"Share Option Scheme"	the share option scheme conditionally adopted by our Company, a summary of the principal terms and conditions of which is set forth in the section headed "Statutory and General Information — E. Share Option Scheme" in Appendix IV to this prospectus
"Shatin Restaurant"	the restaurant located at Shop 167, L1, New Town Plaza, Phase 1, Sha Tin, New Territories, Hong Kong and operated by Fortune City
"Shenzhen"	Shenzhen Municipality in the PRC
"Shenzhen Restaurant"	the restaurant located at Shop N603-b, 6th Floor, PAFC Mall, 5033 Yi Tian Road, Futian District, Shenzhen, PRC and operated by Butao Shenzhen
"sq.m." or "m <sup>2</sup> "	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Taikoo Shing Restaurant"	the restaurant located at Shop No. G404, Ground Floor, Yuan Kung Mansion, Kam Din Terrace, No. 20 Taikoo Shing Road, Taikoo Shing, Hong Kong and operated by Butao HK
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the financial years ended 31 March 2017 and 2018 and the five months ended 31 August 2018
"Trademark Licencing Agreement"	the trademark licencing agreement dated 19 July 2018 entered into between our Group and an instant noodles manufacturer and distributor, who is an Independent Third Party for the use of our trademarks, particulars of which are set out in the section headed "Business — Trademark Licencing Agreement" in this prospectus

"Tsim Sha Tsui Restaurant 1"	the restaurant located at Shop A & B, Ground Floor, Kam Wing Commercial Building, 28 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong and operated by New Topworld
"Tsim Sha Tsui Restaurant 2"	the restaurant located at Shop No.6, Ground floor, Champagne Court, 40-46 Carnarvon Road, Tsim Sha Tsui, Kowloon, Hong Kong and operated by Butao HK
"Tsuen Wan Restaurant"	the restaurant located at Shop No. 115 on Level 1 of Tsuen Wan Plaza Town, Tsuen Wan, New Territories, Hong Kong and operated by Butao HK
"Underwriter(s)"	the Public Offer Underwriters and the Placing Underwriters
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"US\$"	United States dollars, the lawful currency of the United States of America
"U.S." or "United States" or "US"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1993 (as amended from time to time)
"WFOE"	Wholly foreign-owned enterprise in the PRC
"WHITE Application Form(s)"	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicant's own name
"WPCO"	the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"YELLOW Application Form(s)"	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
"Yen"	Japanese yen, the lawful currency of Japan
"%"	per cent.

\* For identification purpose only

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the Latest Practicable Date.

All dates and times refer to Hong Kong dates and time, unless otherwise stated or the context otherwise requires.

In this prospectus, the terms "associates", "close associates", "connected person", "core connected person", "connected transaction", "controlling shareholder" and "substantial shareholder" shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown in totals in certain tables may not be the arithmetic aggregation of the figures preceding them.

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names of the entities mentioned in this prospectus and their English translations, the Chinese names shall prevail.

# **GLOSSARY OF TECHNICAL TERMS**

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of those terms.

"Alipay"	a third party mobile and online payment platform
"CAGR"	compound annual growth rate
"CBD"	central business district
"CPI"	consumer price index
"EBITDA"	profit before interest taxation, depreciation and amortisation
"EPS"	secured cashless retail payment system
"GDP"	gross domestic product
"POS"	point of sale purchase, being the point where a transaction is finalised or the moment where a customer tenders payment in exchange for goods and services
"WeChat"	a multi-purpose messaging, social media and mobile payment app
"WeChat Pay"	digital wallet service incorporated into WeChat, which allows users to perform mobile payments and send money between contacts
"YOY"	year on year

# FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements including, without limitation, words and expressions such as "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "plan", "seek", "will", "would" or similar words or statements, in particular, in the sections headed "Business" and "Financial Information" in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions including the risk factors described in this prospectus and the following:

- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends;
- capital market developments;
- general political and business conditions in the markets in which our Group operates;
- our business and operating strategies and the various measures to implement such strategies;
- our Group's dividend;
- our operations and business prospects, including development plans for our existing and new businesses;
- the future competitive environment for the industries in which we operate;
- our Group's ability to protect our Group's intellectual property rights;
- our Group's financial position;
- changes to the regulatory environment as well as the general industry outlook for the industries in which we operate;
- fluctuation in the prices of raw materials and our Group's ability to pass-through any increases in price to customers;
- future developments in the industries in which we operate;
- the actions and developments of our competitors and our Group's ability to compete under these actions and developments;

- the effects of the global financial markets and economic crisis; and
- other factors beyond our Group's control.

Subject to the requirements of applicable laws, rules and regulations and the GEM Listing Rules, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section. In this prospectus, unless otherwise stated, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Share Offer. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

#### **RISKS RELATING TO OUR BUSINESS**

# If our Group fails to maintain effective quality control system of our restaurants' daily operation, it could materially impact our Group's operations, business and reputation

Maintaining consistently high standard of food quality is critical to our Group's success and this depends largely on the effectiveness of our quality control systems. For details of our quality control measures, please refer to the section headed "Business — Quality control" in this prospectus.

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

In addition, due to the scale of our Group's operations, there is no assurance that our 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 our Group's operations, could cause negative publicity, give rise to potential liability and adversely affect our Group's reputation and business.

# Our Group's future development, business operation and operation results could be affected by labour shortages or increase in staff costs

Restaurant operations are highly service-oriented. Our 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, kitchen staff and wait staff, all of which are necessary to meet the needs of our Group's existing restaurants and keep pace with our Group's expansion plans. As at the Latest Practicable Date, we employed 156 full-time employees, out of which 121 and 35 were based in Hong Kong and the PRC, respectively. In recent years, there is a shortage of qualified individuals in the food and beverage industry and competition for these personnel is intense. Therefore, there is no assurance that our Group will be able to recruit all necessary personnel. Should our Group fail to

recruit and retain qualified individuals in the future, its expansion plan may be delayed and labour shortage could also adversely affect our operations in existing restaurants. Any such delays, material increases in staff turnover rates in existing restaurants or widespread staff dissatisfaction could have a material adverse effect on our Group's business and operation results.

In addition, since the Minimum Wage Ordinance came into effect on 1 May 2011, the statutory minimum wage was set to be HK\$28 per hour which was then increased to HK\$30.0, HK\$32.5 and HK\$34.5 per hour with effect from 1 May 2013, 1 May 2015 and 1 May 2017, respectively. The increase in the statutory minimum wage rate may increase the overall market salary level of low-paid workers, which may in turn increase our Group's staff costs. There is no assurance that the Government will not increase the statutory minimum wage rate again in the future. If our Group is unable to pass the increasing staff costs onto our customers by increasing our prices, or cannot manage effectively our costs of operations, our financial results will be adversely affected.

For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, our staff costs amounted to approximately HK\$26.4 million, HK\$27.2 million and HK\$12.6 million, representing approximately 31.5%, 27.3% and 27.9% of our Group's revenue, respectively. Therefore, any significant increase in staff costs could adversely affect our Group's financial condition and operation results.

# We are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs

We lease all the properties on which our restaurants and central kitchen operate in Hong Kong and the PRC. In addition, we also lease properties for our offices, warehouse and staff dormitories in Hong Kong and the PRC. As at the Latest Practicable Date, our Group leased 9 and 8 properties for use as restaurants, central kitchen, offices and staff dormitories in Hong Kong and the PRC, respectively. Accordingly, occupancy costs account for a considerable portion of our operating expenses. For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, our rental and related expenses amounted to approximately HK\$13.7 million, HK\$16.6 million and HK\$7.9 million, respectively, representing 16.3%, 16.6% and 17.4% of our revenue during the respective periods. Our Directors believe that, generally, rental costs for premises that are suitable for restaurant businesses and other premises for operation in Hong Kong and the PRC may continue to increase. Our substantial operating lease obligations expose us to risks, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes. In addition, we need to compete with other restaurants for quality sites in a highly competitive market for retail premises. If we are unable to secure desirable restaurant locations or secure renewals of existing leases on commercially reasonable terms, our business, results of operations and ability to implement our growth strategy will be adversely affected.

The lease agreements for our restaurants typically have an initial term ranging from two to five years. Please refer to the section headed "Business — Property" in this prospectus for details. Many of our lease agreements provide that the rent will increase within or after the initial term at a fixed rate or at the then prevailing market rate. Where we do not have an option to renew a lease agreement, we must negotiate the terms of renewal with the lessor, which may insist on a significant modification to the terms and conditions of the lease agreement. If such lease agreement (or the lease agreements of our restaurants) is not renewed, or is not renewable at a reasonable rate, we will have to close or

relocate the restaurant, which would eliminate the sales that the restaurant would have contributed to our revenue during the period of closure, and subject us to relocation and other costs. In addition, the revenue and any profit generated at a relocated restaurant may be less than the revenue and profit previously generated at the closed restaurant and hence affecting our results of operations.

# We rely on our central kitchen to supply the majority of our semi-processed or processed food ingredients used in our restaurants and any disruption of operation at our central kitchen could adversely affect our operations, business and reputation

Our continuous success of business operation is dependent on the smoothe and efficient operation of our central kitchen in Kwun Tong. Majority of the semi-processed or processed food ingredients used in our Group's restaurants, such as pork bone broth, chasu, seasonings and other toppings for our dishes, are first processed at our central kitchen before delivery to our restaurants. The purpose of the central kitchen is to centralise the process of ingredient preparation which would in turn help reduce cost and enhance efficiency. In addition, the arrangement helps to ensure consistency of the quality of our ramen. Any disruption of operations at our central kitchen, such as electricity, water suspensions or labour strike, may result in our failure to distribute food ingredients in a timely manner. In the worst scenario, prolonged disruption in the food supply may even lead to temporary or even permanent removal of items from our menus. If popular items are unavailable, a significant reduction in revenue can be foreseen and our brand image would likely suffer as well, resulting in a material adverse effect on our operations, business and reputation.

# Our Shenzhen Restaurant, Tsim Sha Tsui Restaurant 2 and Tsuen Wan Restaurant have a limited operating history, we cannot guarantee that we will generate revenue and grow our business as planned

Our Shenzhen Restaurant, Tsim Sha Tsui Restaurant 2 and Tsuen Wan Restaurant commenced business in November 2017, February 2018 and October 2018, respectively, possessing a relatively short operating history. Therefore, the performance of our Group during the Track Record Period may not be taken as a reference to estimate our Group's future performance. There is no assurance that we will be successful in meeting all challenges and addressing the risks and uncertainties we face in developing our new business or that our Group's operational performance can be maintained at a level similar to that in the Track Record Period. Should our Group fail to maintain such performance, our Group's financial results may be adversely affected.

# The future growth of our Group relies on its ability to open and profitably operate new restaurants, and our Group's new restaurants may not operate as successfully as our Group has anticipated

We believe that the future growth of our Group relies largely on its ability to open and operate new restaurants in a profitable manner. However, the ability to successfully open new restaurants is subject to a number of uncertainties, such as difficulties in locating suitable sites or securing leases on reasonable terms and conditions, delay in securing necessary governmental approvals and licences, shortage of quality chefs and employees, and delay in renovation and decoration works. Costs will be incurred for opening new restaurants and the expansion plan may place substantial strain on the managerial, operational and financial resources of our Group. There is no assurance that the internal resources of our Group will be adequate to support the expansion plans. Moreover, there is no

guarantee that our Group will be able to attract sufficient customers to the new restaurants and there is no assurance that the operations of each of our Group's new restaurants would be profitable. If we are unable to run the new restaurants profitably, our Group's financial performance will be adversely affected.

# Our operations are susceptible to increases in purchase costs for food ingredients, which could adversely affect our profit margins and results of operations

Our profitability depends significantly on our ability to anticipate and react to changes in purchase costs of food ingredients. For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, our Group's cost of inventories amounted to approximately HK\$17.7 million, HK\$21.2 million and HK\$9.4 million, representing approximately 21.1%, 21.3% and 20.8% of our Group's revenue, respectively. For details of our cost of inventories, please refer to the section headed "Financial Information — Description of selected components of our combined statements of profit or loss and other comprehensive income — cost of inventories" in this prospectus. The availability (in terms of variety, type and quality) and prices of food supplies can fluctuate and be volatile and are subject to factors that are beyond our control, such as seasonal fluctuations, climate conditions, natural disasters, general economic conditions, governmental regulations, each of which may affect our food costs or cause a disruption in our supply. Our suppliers may also be affected by higher costs to produce the goods and services supplied to us, rising labour costs and other expenses that they pass through to their customers, which could result in higher costs for goods and services supplied to us.

We purchase a portion of our raw materials and food ingredients from local markets and a portion of our raw materials and food ingredients from importers in Hong Kong who in turn source them from various overseas countries, such as Japan. Food prices have been generally increasing during the Track Record Period. In addition, any appreciation of foreign currencies in these countries against the Hong Kong dollar will increase the price of our raw materials and food ingredients in Hong Kong dollars.

### Any failure of our suppliers to deliver food and other supplies in a timely manner could lead to our Group experiencing supply shortages and increased food costs

Our ability to maintain consistently high quality in menu offerings throughout our restaurants depends in part upon our ability to acquire fresh food produce and related supplies from reliable sources in accordance with our specifications and in sufficient quantities. A disruption of our food supplies could occur for a variety of reasons, which may be beyond our control, including adverse weather conditions, natural disasters, diseases or unexpected production shortages. For instance, diseases or illnesses, such as the Africa Swine Fever, could affect the supply of pork products to our suppliers, which in turn could cause a disruption to our food supplies and operations. Moreover, there is no assurance that our current suppliers may always be able to meet our stringent quality control requirements in the future. If any of our suppliers do not perform adequately or otherwise fail to distribute products or supplies to our restaurants in a timely manner in accordance with our quality standards, we cannot assure that we will be able to replace the suppliers in a short period of time on acceptable terms, and our failure to do so could result in an increase in our food costs and could cause

shortage of food and other supplies at our restaurants and lead to the removal of certain items from the menu of one or more restaurants. Any significant changes to our menus for a prolonged period of time could result in a significant reduction in revenue during the time affected by the shortage and thereafter as our guests may change their dining habits as a result.

#### The liquor licence of our restaurants in Hong Kong are held by individuals

As at the Latest Practicable Date, the holders of the liquor licence of our restaurants in Hong Kong were a Director or full-time employees of our Group. Please refer to the section headed "Business — Licence and permits" in this prospectus for details of the liquor licences of our restaurants.

Under regulation 15 of the DCR, any transfer of a liquor licence must be made in accordance with the form determined by the LLB. The consent of the holder of liquor licence is required in the case of a transfer application. Under regulation 24 of the DCR, in the case of illness or temporary absence of the holder of a liquor licence, the secretary to the LLB may in his/her discretion authorise any person to manage the licenses premises. 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 a transfer is required by our Group, fails to make an application in respect of illness or temporary absence or makes a cancellation application without the consent of our Group, 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 will adversely affect the business and profitability of our Group.

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

Our business operations are subject to various laws and regulations in Hong Kong, the PRC and Macau, as summarised in the section headed "Regulatory Overview" in this prospectus. There can be no assurance that the laws and regulations that we are subject to, in particular, the requirements for obtaining light refreshment restaurant licences, general restaurant licences, water pollution control licences and liquor licences or other permits for restaurant premises and installations in Hong Kong and the PRC and Macau 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 and the PRC may also become more stringent.

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

### Our Macau Restaurant is operated by a franchisee under the Macau Franchise Agreement and we cannot guarantee the franchise arrangement would continue to be renewed

We entered into our Macau Franchise Agreement in May 2016 to franchise our brand "豚王" to a franchisee, who is a hotel operator in Macau and an Independent Third Party, to operate the Macau Restaurant. For details of the terms of the Macau Franchise Agreement, please refer to the section headed "Business — Macau Franchise Agreement" in this prospectus. Pursuant to the Macau Franchise Agreement, we provide upfront and continuing training to our franchisee and have a dedicated team to monitor the performance of our franchisee. Our Directors believe that the Macau Franchise Agreement would have positive impacts on our Group's performance and image. The Macau Franchise Agreement has a fixed term of 5 years and is renewable at the franchisee's option for an additional 3 years. However, there is no guarantee that the Macau Franchise Agreement could be renewed or renewed under similar terms, and violation of material terms of the Macau Franchise Agreement is not renewable under favourable terms, or is terminated due to the franchisee's default, the Macau Restaurant may be closed down and the profitability and reputation of our Group may be adversely affected.

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

The Japanese ramen restaurant industry in Hong Kong, the PRC and Macau is highly fragmented and competitive, and is subject to rapidly changing customer preferences. Our Group's future success relies heavily on its ability to sustain the popularity of our signature ramen, its ability to constantly offer seasonal ramen flavours on its menu and its ability to provide a quality dining services catering to the changing market trends and tastes, dietary habits, expectations and other preferences of our Group's target customers. If our Group is unable to sustain the popularity of our signature ramen, and from time to time identify new customer trends or preferences and develop new products and services accordingly, our Group's business and operation results will be adversely affected.

# Any leakage of our Group's formula for preparing the ramen could materially and adversely affect our Group's business operation and operation results

We believe the formulas created by our head chef and management team utilising their own industry knowledge and expertise for preparing the ramen is one of the keys to the success of our Group's business. The formulas, including the production of pork bone broth, chasu, seasonings and

other toppings, are standardised and only made known to limited parties, including the responsible parties in charge and the management. However, there is no assurance that there will be no leakage of those formulas. If those formulas are leaked out, the business operation and operation results of our Group could be materially and adversely affected.

# Application of HKFRS 16 "Leases" could affect our operating results, financial position and certain financial ratio due to our operating lease commitments

We lease various properties for use as our restaurants, central kitchen, offices and staff dormitories. As at 31 August 2018, the lease commitments of our Group amounted to approximately HK\$32.4 million, with most of them having an original lease term of over one year, which are currently classified under operating leases and not reflected in our combined statement of financial position. With the application of HKFRS 16 for the financial year beginning after 1 January 2019, new provisions for the accounting treatment of leases will come into effect that will require, inter alia, all leases with a term of more than 12 months, unless the underlying asset is of low value, to be recognised as a right-of-use asset and a lease liability representing the present value of its unpaid lease payments. Upon adoption, the new standard will result in an increase in right-of-use assets and lease liabilities in our combined statement of financial position, and in turn affect our related financial ratios, such as an increase in our debt to equity ratio.

The change will also impact our combined statements of profit or loss and other comprehensive income as the financial impact of leases will be recognised as depreciation of the right-of-use asset rather than as rental expenses. Interest expenses on the lease liability will be presented separately under finance costs. As a result, the rental expense under otherwise identical circumstances will decrease, while depreciation and interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the statement of profit or loss and other comprehensive income in the initial year of the lease, and decreasing expenses during the latter term of the lease. For further details of the application of HKFRS 16 as well as our current accounting policy for leases, please refer to Note 3 to the Accountants' Report in Appendix I to this prospectus.

# The lack of relevant employment experience in listed companies of our Directors may lead to higher compliance costs to be incurred by our Group

Our Directors lack relevant employment experience as a director of listed companies. Please refer to the section headed "Directors and Senior Management" in this prospectus for the information regarding each of our Directors. Upon Listing, our Group will be subject to the compliance of all applicable laws and regulations, including but not limited to the GEM Listing Rules and the SFO. To closely monitor and ensure the compliance with all applicable laws and regulations, our Group may have to engage various professional parties more frequently for the provision of advice and trainings to our Directors and/or recruit additional personnel designated for handling compliance matters, if and when necessary. As a result, our Group may have to incur higher compliance costs, which may affect the financial condition and the operation results of our Group.

# Expansion of additional restaurants and enhancement of central kitchen will result in a significant increase in our depreciation charges

We intend to open additional restaurants in Hong Kong and to enhance our central kitchen facilities in order to stay competitive in the market and to attract new and returning customers while maintaining a consistently high standard of food quality. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for details. Following our expansion plan, additional depreciation expenses will be incurred, which will in turn adversely affect our financial condition and results of operations as a whole. The additional annual depreciation expenses expected to be incurred as a result of the expansion plan will be approximately HK\$0.4 million and HK\$2.7 million for the years ending 31 March 2019 and 2020, respectively. However, our Group cannot ensure that the opening of these new restaurants and enhancement of central kitchen will achieve desirable results able to cover the additional depreciation expenses. If our Group fails to run these new or renovated restaurants profitably or utilise the enhanced central kitchen efficiently, our Group's financial performance will be adversely affected.

# If our Macau Restaurant fails to maintain consistently high standard of food quality, it could damage our Group's reputation and market recognition

Our Macau Restaurant is operated by a franchisee, who is a hotel operator in Macau and an Independent Third Party, under the Macau Franchise Agreement. For details of the terms of the Macau Franchise Agreement, please refer to the section headed "Business — Macau Franchise Agreement" in this prospectus. Pursuant to the Macau Franchise Agreement, we provide training and sell the necessary semi-processed food ingredients to them to ensure consistency in quality of their ramen. We also have a dedicated team to monitor the performance of our franchisee. However, as our monitor over our Macau Restaurant may not be as direct and effective as that over our self-operated restaurants in Hong Kong and the PRC, there is no assurance that our Macau Restaurant will always maintain consistently high standard of food quality. If customers perceive or experience a deterioration in the quality of food or service and thus lose confidence in our Macau Restaurant, it could damage our Group's reputation and market recognition.

# If there is any adverse incident relating to the quality of our food and services or if the hygiene standards of our restaurants fall below the relevant statutory requirements, it could adversely affect our business and reputation

Given the nature of food industry, we face an inherent risk of food contamination, complaints and liability claims filed by our customers. In the event of such complaints or claims, our business and reputation could be adversely affected.

Majority of the semi-processed or processed food ingredients used in our Group's restaurants, such as pork bone broth, chasu, seasonings and other toppings for our dishes, are first processed at our central kitchen in Kwun Tong before delivery to our restaurants. Any food contamination occurred therein, during the transportation from our central kitchen to our restaurants and at our restaurants could adversely affect our food safety. Although we have adopted high food safety and hygiene standards and implemented quality control measures throughout our entire food production chain, there is no assurance that all of our employees would strictly adhere to our standards and quality control measures. Any failure to detect defective food supplies, or observe proper hygiene standards

or other quality control measures could adversely affect our food quality, which could lead to liability claims, complaints and related adverse publicity, reduction in customer traffic or imposition of penalties against us by relevant authorities and compensation awards by courts. There is no assurance that we will not be subject to any material orders or claims or penalty in relation to food and health-related matters in the future. Any such incidents could materially and adversely damage our reputation, affect our business operations and financial condition.

# Any failure to deal with customer complaints or adverse publicity involving our Group's products or services could materially and adversely impact our Group's business and operation results

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

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

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

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

We believe that customer awareness and recognition of the qualities associated with our Group's brand " $\[mathbb{K}\]$ " is the key to the success of our Group's business. Our Group's ability to implement our Group's business plan successfully also depends largely on our ability to further enhance our brand recognition using our Group's trademarks, proprietary know-how, recipes and other intellectual property, including our Group's brand and logos.

Our self-developed Japanese ramen includes "butao" (豚王), "red king" (赤王), "black king" (黑王), "green king" (翠王) and "limited king" (限定王). We are subject to the risk that our competitors may imitate our ramen and offer them at highly competitive prices. Our sales and profitability may be adversely affected by these imitation products and price competition.

# Our Group's reputation and market recognition of our brand could be damaged if faced with potential claims and legal proceedings relating to intellectual property rights

We believe that the reputation and market recognition of our Group's brand " $\mathbb{K} \pm$ " may be susceptible to potential claims and legal proceedings relating to the protection of our intellectual property. There is no assurance that we will be able to avoid legal proceedings against our competitors or any other third parties which infringe or imitate our Group's trademarks, proprietary know-how, recipes and other intellectual property, including our Group's brand and logos. Consequently, we may face considerable difficulties and time consuming and costly litigation in order to enforce our intellectual property rights. Even if we prevail in such disputes, the costs we incur in pursuing or defending such claim or dispute may be material and not fully recoverable. Any participation in potential claims and legal proceedings for the protection of our intellectual property may result in a decrease in our revenue and an erosion of our brand reputation, thereby materially and adversely affecting our Group's reputation and market recognition.

Further, there is also no assurance that we may continue to be successful in maintaining our brand. In the event that there are incidents or publications resulting in adverse publicity against us or our brand, our market recognition and reputation may deteriorate and we may lose market share, thereby materially and adversely affecting our business, results of operations, financial conditions and prospects.

# Our success depends on our key personnel and our business may be harmed if we lose their services or they fail to successfully manage our growing operations

Our future success depends on the ability of our key management personnel to work together and successfully implement our business strategy while maintaining the strength of our brand. Our future success also depends heavily upon the continuing services and performance of our key management personnel, in particular Mr. C Tang, executive Director and our Chief Executive Officer, who has over 8 years of experience in the Japanese ramen restaurant industry gained from the operation of our Group, and other senior management personnel. We must continue to attract, retain and motivate a sufficient number of qualified management and operating personnel, restaurant general managers and chefs, to maintain consistency in the quality and atmosphere of our restaurants and meet our planned expansion requirements. If our key management personnel fails to work together successfully, or if one or more of our key management personnel is unable to effectively implement our business strategy, we may be unable to grow our business at the speed or in the manner in which we expect. If one or more of our key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily, and our business and operations may be disrupted and our results of operations may be adversely affected. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing business, we may lose business secrets and know-how as a result.

## We are exposed to credit risks on the recoverability of our trade receivables which may affect our cash flow position and results of operations

We are exposed to credit risks on the recoverability of our trade receivables. During the Track Record Period, our Group's sales were mainly settled in cash with an increasing trend of customers settling bills by other means including EPS, Alipay and WeChat Pay. Our trade receivables mainly represent such non-cash settlement methods which are typically settled within 7 days from the transaction date, a royalty fee and sales income for sales of food and accessories products from our franchisee and a royalty fee from a licensee.

We have experienced an increase in trade receivables as at 31 March 2017 and 2018 and 31 August 2018, with trade receivables amounting to approximately HK\$0.8 million, HK\$1.1 million and HK\$1.3 million, respectively. We also experienced an increase in our trade receivables' turnover days, from 1.8 days to 3.5 days and 4.1 days for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, respectively. For details, please refer to the section headed "Financial Information — Trade and other receivables, deposits and prepayments" in this prospectus. As we require sufficient cash flow to maintain our daily operations, in the event there is a significant delay in payment from our debtors to us, our cash flow levels will be reduced, which may adversely affect our ability to carry on our operations and our overall financial position.

# Our Group's insurance coverage may be insufficient to protect our Group against potential liabilities arising during the course of operations

Our Group does not maintain insurance policies against all risks associated with our business and operations, either because our Directors have deemed it commercially unfeasible to do so, the risk is minimal, or because the insurers have carved certain risks out of their standard policies. These risks include, without limitation, events such as the loss of business arising from increased competition and the loss of any business resulting from negative effects on changes in customers' tastes and preferences. If an incident in relation to which our Group has inadequate insurance coverage occurs, the business, financial position and operating results of our Group could be materially and adversely affected. Further, there is no assurance that our Group will be able to renew the existing insurance policies on commercially reasonable terms.

# Our Group may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our Group's employees, suppliers or other third parties

Our Group may be unable to prevent, detect or deter all such instances of fraud, theft, dishonesty, or other misconduct committed by our employees, suppliers or other third parties. Any such fraud or other misconduct committed against our Group's interests, which may include past acts that have gone undetected or future acts, may have material adverse effect on our Group's business, results of operations and financial condition.

# Information technology system failures could interrupt our operations and adversely affect our business

Our Group has installed a POS system at each of our restaurants. We rely on the POS system to monitor the daily operations of our restaurants and types of dishes and beverages ordered and to collect accurate up-to-date financial and operating data for business analysis. Any damage or failure of our system including hardware and software failures and computer viruses that causes an interruption to our operations could have a material adverse effect on our business and results of operations.

We also receive and maintain certain personal information of our customers guest comment cards and by subscription to our marketing promotions. If our network security is compromised and such information is stolen or obtained by unauthorised persons or used inappropriately, we may be liable for the leakage. Any such proceedings could lead to significant liabilities, which could in turn adversely affect our business and financial condition. In addition, our Group depends on its information technology system to monitor its daily operations of its restaurants, the types of dishes and beverage ordered and to maintain up-to-date financial data. There may be system breakdown causing interruptions to the input, retrieval, processing or transmission of data. Any such events could disrupt our Group's operations and affect adversely our performance.

#### **RISKS RELATING TO OUR INDUSTRY**

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

Our Group's business is susceptible to outbreaks of food-borne diseases and illnesses, 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 our 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 negatively affect our industry overall and us in particular, customers' perception of our Group's restaurants and food quality, and cause disruption to our Group's operation, which would in turn materially and adversely affect our business and financial results. Furthermore, illnesses such as swine influenza and avian influenza, could adversely affect the supply of some of our food products and significantly increase our costs.

Our Group also faces risks related to health epidemics. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in the PRC and Hong Kong. An outbreak of any epidemics or pandemics in the areas where we have restaurants, may result in quarantines and temporary closures of our restaurants, which may cause material disruptions to our operations and in turn may materially and adversely affect our business and results of operations.

#### We operate in a highly competitive market

As we operate in the restaurant industry, it is highly competitive in respect of food quality and consistency, price-value relationships, ambiance, service, location, supply of quality food ingredients and employees. Key competitive factors in the industry include type of cuisine, food choice, food quality and consistency, quality of service, price, dining experience, restaurant location and the ambiance of the facilities. There are a number of well-established competitors, and many of our competitors are well established in the market where we have restaurants, or in which we intend to open new restaurants. Additionally, other companies may develop restaurants that operate with similar concepts resulting in increased competition.

During the Track Record Period, we encountered instances of increased market competition that led to a decrease in same store annual sales among our restaurants with full year operations. Our Tsim Sha Tsui Restaurant 1 recorded a decrease in sales during the year ended 31 March 2018 as compared with the previous year mainly due to cannibalisation of sales caused by the opening of Tsim Sha Tsui Restaurant 2 in close vicinity. In addition, our Shanghai Restaurant, Guangzhou Restaurant and Shenzhen Restaurant each recorded declining performance during the Track Record Period due to intensified competition in the respective areas.

Any inability to successfully compete with the other restaurants in our markets may prevent us from increasing or sustaining our revenues and profitability and could have a material adverse effect on our business, financial condition, results of operations or cash flows. We may also need to refine elements of our restaurant system to evolve our concepts in order to compete with popular new restaurant styles of concepts that develop from time to time. We cannot ensure that we will be successful in implementing these modifications or that these modifications will not reduce our profitability.

# The changes in the macro-economic situation and other factors such as political stability and acts of God in Hong Kong, the PRC and Macau may have an adverse effect on our business, financing condition and operation results

The profitability of our business is dependent on, inter alia, a number of factors relating to the Hong Kong, the PRC and Macau markets, such as the spending power of the population, the number of and the spending by tourists and other visitors, regulations and government policies in relation to our 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, our 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 PRC and Macau. We are unable to assure that such changes will not occur in the future.

Furthermore, weather conditions, natural disasters and other acts of God which are beyond our control may materially and adversely affect the economy, the restaurant industry and our business, as a result of which our operations and financial condition may be adversely affected. Political unrest may also cause damage or disruption to our business, our employees and our markets and any such events could materially and adversely affect our overall results of operations and financial condition.

#### **RISKS RELATING TO THE SHARE OFFER**

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

Prior to the Listing, there is no public market for the Shares. The listing 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 Share Offer. Factors such as variations in our Group's turnover, earnings and cash flows, strategic alliances or acquisitions made by our Group or its competitors, industrial or environmental accidents involving our Group, loss of key personnel, litigation, fluctuations in the market prices for the products or the raw materials of our Group, the liquidity of the market for the Shares, the general market sentiment regarding the restaurant 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 our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price.

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

Our 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 ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, our Group may need to raise additional funds in the future to finance business expansion, new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

# Any disposal by our 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 our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders, may have on the market price of the Shares. Sales of a substantial number of Shares by any of our 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 our future dividends

Subsidiaries of our Group declared a dividend of approximately HK\$11.0 million during the year ended 31 March 2018. The value of dividends declared and paid in previous years should not be relied on by potential investors as a guide to the future dividends of our 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, our Directors' discretion, having taken into account the substantial capital requirements of our Group in the foreseeable future, the availability of distributable profits, our earnings, working capital, financial position, capital and funding requirements, the applicable laws and other relevant factors.

In any event, there is no assurance that our 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 our Company in the future, if any, will be of a level comparable to dividends declared and paid by our Group in the past, or by other listed companies in the same industry as our 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

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law of the Cayman Islands. The laws of Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights or remedies available 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 section headed "Summary of the Constitution of our Company and Cayman Islands Company Law - 3. Cayman Islands company law - (f) Protection of minorities and shareholders' suits" in Appendix III to this prospectus.

#### DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this prospectus misleading, and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

#### **INFORMATION ON THE SHARE OFFER**

The Share Offer comprises the Public Offer of 12,500,000 Shares initially offered by our Company and the Placing of 112,500,000 Shares initially offered by our Company (subject, in each case, to reallocation on the basis under the section headed "Structure and Conditions of the Share Offer" in this prospectus).

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein.

No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus and in the relevant Application Forms.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

#### UNDERWRITING

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sole Sponsor. The Public Offer Shares is fully underwritten by the Public Offer Underwriters on a conditional basis, under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered on or around Tuesday, 5 March 2019, subject to any agreement on pricing of the Offer Shares between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company. The Share Offer is managed by the Joint Lead Managers. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement to be entered into.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) by Wednesday, 13 March 2019, the Share Offer will not proceed. Further information relating to the Underwriters and underwriting arrangement are contained in the section headed "Underwriting" in this prospectus.

#### **RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES**

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite to solicit offers, in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus are deemed to have confirmed with our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that such restrictions have been observed.

The Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the related Application Forms. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, staff or advisers or any other person involved in the Share Offer.

Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his/her acquisition of the Offer Shares to have confirmed that he/she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus and that he/she is not acquiring, and has not been offered and sold any Offer Shares in circumstances that contravene any such restrictions.

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the United States.

## APPLICATION FOR LISTING ON GEM

Our Company has applied to the Listing Division for the granting of the listing of and permission to deal in, the Shares in issue, the Shares to be issued as mentioned in this prospectus, and any Shares which may fall to be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme.

No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list on any other stock exchange is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

### **REGISTER OF MEMBERS AND STAMP DUTY**

All of the Offer Shares will be registered on the Hong Kong Branch Share Register of members to be maintained by Boardroom Share Registrars (HK) Limited. Dealings in the Offer Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained by Estera Trust (Cayman) Limited in the Cayman Islands will not be subject to the Cayman Islands stamp duty.

#### COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Friday, 15 March 2019.

The Shares will be traded in board lots of 5,000 each. The stock code for the Shares is 8096. Our Company will not issue any temporary documents of title.

#### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice from their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

### PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers as to the taxation implications of subscribing for, holding, purchase, or disposal of or dealing in the Shares or exercising rights thereunder. It is emphasised that none of our Group, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, advisers, representatives or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, holding, purchase, disposal of or dealing in, the Shares or exercising any rights attached to them.

#### **PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES**

The procedures for applying for the Public Offer Shares are set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus and the relevant Application Forms.

### STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER SHARES

The procedures for applying for the Public Offer Shares are set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus and the relevant Application Forms.

#### ROUNDING

Certain amount and percentage figures included in this prospectus have been subject to rounding adjustments or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere in this prospectus between totals and sums of individual amounts listed therein are due to rounding.

#### LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. However, names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

#### EXCHANGE RATE

Unless otherwise specified, this prospectus contains translations for the convenience of the reader the following rates: RMB into HK\$ at the rate of RMB0.87 = HK\$1 as at the Latest Practicable Date. These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates at all.

### DIRECTORS

Name	Residential Address	Nationality						
Executive Director								
Mr. Tang Chun Ho Chandler (鄧振豪)	No. 97 Yeung Uk Tsuen Au Tau Yuen Long New Territories Hong Kong	Chinese						
Non-executive Director								
Mr. Tang Hing Chee (鄧慶治)	No. 97 Yeung Uk Tsuen Au Tau Yuen Long New Territories Hong Kong	Chinese						
Independent non-executive Directors								
Mr. Ho Chun Yin Steven (何俊賢)	Ground Floor, No. 92 Fuk Hing Tsuen Wang Chau Yuen Long New Territories Hong Kong	Chinese						
Mr. Ho Lai Chuen (何麗全)	Flat B, 1st Floor Block 2 Beverly Villas 16 La Salle Road Kowloon Tong Kowloon Hong Kong	Chinese						
Mr. Lee Koon Tak (李冠德)	Flat C, 9th Floor Block 9 1 Tsun King Road Phase 2, Royal Ascot Sha Tin New Territories Hong Kong	Chinese						

For further information on the profile and background of our Directors, please refer to the section headed "Directors and Senior Management" in this prospectus.

# PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	Frontpage Capital Limited						
	26th Floor						
	Siu On Centre						
	188 Lockhart Road						
	Wan Chai						
	Hong Kong						
	(A licensed corporation for carrying on type 1						
	(dealing in securities) and type 6 (advising on						
	corporate finance) regulated activities under the SFO)						
Joint Bookrunners and	Alpha Financial Group Limited						
Joint Lead Managers	Room A, 17th Floor						
	Fortune House						
	61 Connaught Road Central						
	Central						
	Hong Kong						
	(A licensed corporation for carrying on type 1						
	(dealingin securities) regulated activity under the SFO)						
	ChaoShang Securities Limited						
	Rooms 2206-2210, 22nd Floor						
	China Resources Building						
	26 Harbour Road						
	Wan Chai						
	Hong Kong						
	(A licensed corporation for carrying on type 1						
	(dealingin securities) and type 2 (dealing in futures						
	contracts) regulated activities under the SFO)						
	Frontpage Capital Limited						
	26th Floor						
	Siu On Centre						
	188 Lockhart Road						
	Wan Chai						
	Hong Kong						
	(A licensed corporation for carrying on type 1						
	(dealingin securities) and type 6 (advising on corporate						
	finance) regulated activities under the SFO)						
	· · · · · · · · · · · · · · · · · · ·						

	Pacific Foundation Securities Limited 11th Floor New World Tower II 16-18 Queen's Road Central Hong Kong (A licensed corporation for carrying on type 1 (dealing in securities) and type 9 (asset management) regulated activities under the SFO)
Co-Lead Managers	China-Hong Kong Link Securities Company Limited 19th Floor 80 Gloucester Road Wan Chai Hong Kong (A licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO)
	Ever Joy Securities Limited Unit 2012-2013, 20th Floor China Merchants Tower, Shun Tak Centre 168 Connaught Road Central Central Hong Kong (A licensed corporation for carrying on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)
Co-Managers	<ul> <li>Future Land Resources Securities Limited</li> <li>Flat B, 20th Floor</li> <li>Guangdong Investment Tower</li> <li>148 Connaught Road Central</li> <li>Sheung Wan</li> <li>Hong Kong</li> <li>(A licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO)</li> <li>I-Access Investors Limited</li> <li>Suites 3208-11, 32nd Floor</li> <li>Tower Two, Times Square</li> <li>1 Matheson Street</li> <li>Causeway Bay</li> <li>Hong Kong</li> <li>(A licensed corporation for carrying on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO)</li> </ul>

### Lego Securities Limited

Room 301, 3rd Floor China Building 29 Queen's Road Central Central Hong Kong (A licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO)

## Merdeka Capital Limited

Room 1108-1110, 11th Floor Wing On Centre 111 Connaught Road Central Hong Kong (A licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO)

## Sino Wealth Securities Limited

Unit 2401, 24th Floor Bank of East Asia Harbour View Centre 56 Gloucester Road Wan Chai Hong Kong (A licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO)

# Zundiao Securities Limited

Room 601, 6th Floor On Hong Commercial Building 145 Hennessy Road Wan Chai Hong Kong (A licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO)

Legal advisers to our Company

As to Hong Kong law: Nixon Peabody CWL 5th Floor Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong (Solicitors of Hong Kong SAR)

	As to PRC law:
	Shu Jin Law Firm
	12th Floor, Taiping Finance Tower
	Yitian Road 6001
	Futian District, Shenzhen
	518017
	China
	(PRC attorneys-at-law)
	As to Cayman Islands law:
	Appleby
	2206-19 Jardine House
	1 Connaught Place
	Central
	Hong Kong
	(Cayman Islands attorneys-at-law)
	As to Macau law:
	Liliana Faria Advogada
	Avenida de Almeida Ribeiro
	n° 99, Edf. Nam Wah Commercial
	9° andar
	Macau
	(Macau attorneys-at-law)
Legal advisers to the Sole Sponsor	As to Hong Kong law:
and the Underwriters	CFN Lawyers in association with Broad and Bright
	Units 4101-4104, 41st Floor
	Sun Hung Kai Centre
	30 Harbour Road
	Wan Chai
	Hong Kong
	(Solicitors of Hong Kong SAR)
Auditors and reporting accountants	Deloitte Touche Tohmatsu
	35th Floor
	One Pacific Place
	88 Queensway
	Hong Kong
	(Certified Public Accountants)
Market research consultant	Frost & Sullivan Limited
	Room 1706, One Exchange Square
	8 Connaught Place
	Central
	Hong Kong

Fan, Mitchell & Co., Limited 25th Floor Tern Centre Tower One 237 Queen's Road Central Hong Kong

**Receiving bank** 

# Industrial and Commercial Bank of China (Asia) Limited 33th Floor, ICBC Tower

3 Garden Road Central Hong Kong

# **CORPORATE INFORMATION**

Registered Office in the Cayman Islands	P.O. Box1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	6th Floor, Goldsland Building 22-26 Minden Avenue Tsim Sha Tsui Kowloon Hong Kong
Company secretary	Ms. Yim Sau Ping (嚴秀屏) <i>(FCPA)</i> Room 502 Tai Tung Building 8 Fleming Road Wan Chai Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Tang Chun Ho Chandler (鄧振豪) No. 97 Yeung Uk Tsuen Au Tau Yuen Long New Territories Hong Kong Ms. Yim Sau Ping (嚴秀屏) (FCPA) Room 502 Tai Tung Building 8 Fleming Road
	Wan Chai Hong Kong
Compliance officer	Mr. Tang Chun Ho Chandler (鄧振豪) No. 97 Yeung Uk Tsuen Au Tau Yuen Long New Territories Hong Kong
Audit committee	Mr. Lee Koon Tak (李冠德) <i>(Chairman)</i> Mr. Ho Chun Yin Steven (何俊賢) Mr. Ho Lai Chuen (何麗全)

# **CORPORATE INFORMATION**

Remuneration committee	Mr. Ho Lai Chuen (何麗全) <i>(Chairman)</i> Mr. Lee Koon Tak (李冠德) Mr. Tang Chun Ho Chandler (鄧振豪)
Nomination committee	Mr. Tang Hing Chee (鄧慶治) (Chairman) Mr. Lee Koon Tak (李冠德) Mr. Ho Lai Chuen (何麗全)
Compliance adviser	Frontpage Capital Limited 26th Floor Siu On Centre 188 Lockhart Road Wan Chai Hong Kong (A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)
Principal share registrar and transfer office in the Cayman Islands	Estera Trust (Cayman) Limited P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	<b>Boardroom Share Registrars (HK) Limited</b> 2103B, 21st Floor 148 Electric Road North Point Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 8th Floor, Tower 2 HSBC Centre, 1 Sham Mong Road, Tai Kok Tsui Kowloon
Company's website address	<u>www.butaoramen.com</u> (the information contained in this website does not form part of this prospectus)

The information set forth in this section has been derived from the F&S Report. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading, and no fact has been omitted that would render such information materially false or misleading. However, the information has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of the respective directors, officers, employees, advisers, agents or representatives or any other party involved in the Share Offer and no representation is given as to its accuracy. Except as otherwise stated, all the data and forecast in this section are derived from the F&S Report.

The information extracted from the F&S Report reflects estimates of market conditions based on sampling, and is prepared primarily as a market research tool. References to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the potential investment of the Shares or in our Group. Our Directors believe that the sources of information extracted from the F&S Report are appropriate sources for such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the F&S Report.

#### SOURCE OF INFORMATION

We have engaged and commissioned Frost & Sullivan, an independent global consulting firm founded in 1961 in New York, to prepare the F&S Report including information on macroeconomy, Japanese ramen market in Hong Kong and other economic data for a fee of HK\$400,000. Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants. Frost & Sullivan has also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the above-mentioned market key drivers.

The F&S Report was compiled based on the following assumptions:

- (a) social, economic and political environment is likely to remain stable in Hong Kong in the forecast period; and
- (b) related industry key drivers are likely to drive the market in the forecast period.

#### OVERVIEW OF MACRO ENVIRONMENT IN HONG KONG

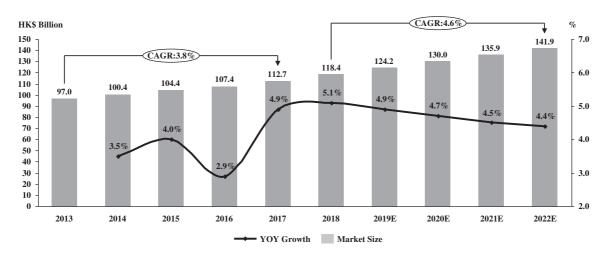
The nominal GDP in Hong Kong has grown from HK\$2,156.7 billion in 2013 to HK\$2,613.7 billion in 2017, representing a CAGR of 4.9%. Driven by the opportunities brought by the "Belt and Road Initiative" and the Guangdong-Hong Kong-Macao Bay Area Initiative, the growth of nominal GDP is expected to increase throughout 2018 to 2022, reaching HK\$3,135.9 billion by end of 2022 representing a CAGR of 3.8%.

### **Composite CPI for Dining Out**

The food price index on dining out in Hong Kong increased by 4.4% in 2013. The growth has been decreasing since 2014, by the end of 2017, the food price index increased by 2.7% from the previous year, the lowest growth in five years. Despite the growth rate of the food price index has declined in Hong Kong, the further economic development and the increase of inflation rate in Hong Kong will drive the food price index to grow from 2018 to 2022. The rising cost of food will inflict financial burden to restaurants and will pass the increase of food cost to consumers through price adjustments for the food items on the menu.

#### OVERVIEW OF CATERING SERVICES MARKET IN HONG KONG

The market size of the catering services marketing in Hong Kong recorded moderate increase from HK\$97.0 billion in 2013 to HK\$112.7 billion in 2017, representing CAGR of 3.8% from 2013 to 2017. The recovery of the economy has encouraged consumers to dine out more often during 2017. The continuous development of the tourism industry and the increasing disposable income for citizens in Hong Kong will continue to support the growth of the catering service marketing in Hong Kong in the next few years, it is estimated to reach HK\$141.9 billion by the end of 2022, representing an estimated CAGR of 4.6% from 2018 to 2022.





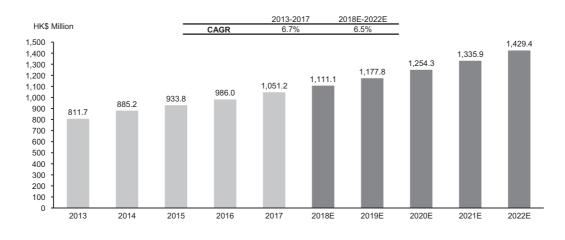
Source: Frost & Sullivan

### **INDUSTRY OVERVIEW**

#### JAPANESE RAMEN RESTAURANT INDUSTRY IN HONG KONG

#### **OVERVIEW**

Japanese cuisine is increasingly popular among consumers in Hong Kong due to its taste, delicacy and use of fresh ingredients. Among which, the ramen subsegment has one of the strongest growth, with the market size increasing from HK\$811.7 million in 2013 to HK\$1,051.2 million in 2017, representing a CAGR of 6.7%. In 2017, the market size of the Japanese ramen restaurant industry accounted for approximately 0.9% of the total market size of the overall catering service market in Hong Kong. With the continued product innovation, and the increasing disposable income in Hong Kong, the Japanese ramen restaurant industry is expected to continue growing at a CAGR of 6.5%, reaching HK\$1,429.4 million in 2022. The graph below sets out the revenue generated from the Japanese ramen restaurants industry in Hong Kong from 2013 to 2022:



Market Size of Japanese Ramen Restaurants (Hong Kong), by Revenue, 2013-2022E

Source: Frost and Sullivan

#### **Market Driver**

#### Growing household income and expenditure on dining out

Over the past years, the stable growth of household income has improved the standard of living of Hong Kong people, which has also encouraged growing expenditure on food and beverages. With a diversified mix of dining options, Hong Kong people are more willing to dine out and are pursuing upgraded dining experience. Thus, the rising dining out expenditure is driving the entire restaurant market in Hong Kong and as Japanese cuisine has been one of the most popular amongst diners today, it is expected to experience a higher market growth than other cuisines.

## **INDUSTRY OVERVIEW**

#### Growing popularity in Japanese food culture in Hong Kong

Japan has always been one of the most popular tourist destinations by Hong Kong people as demonstrated by the increasing number of Hong Kong tourists visiting Japan from 745,881 in 2013 to 2,231,568 in 2017 with a CAGR of 31.5% according to Japan National Tourism Organisation. Thus, Japanese cuisine has been one of the favourite cuisine by Hong Kong consumers in the past decade. The rising popularity of Japanese culture in Hong Kong serves as a strong growth momentum for Japanese restaurants market in Hong Kong.

#### Change in consumer lifestyle driving the demand for convenient food options

Owing to the fast-paced lifestyle and long working hours in Hong Kong, people in Hong Kong have less time and opportunities to prepare their own meal at home, hence dining-out has become a major part of lifestyle and culture. Dining-out helps save time on buying and preparing food ingredients to cook and clean up, which allows great convenience to people. In particular, Japanese ramen's preparation is fast and simple, only requires a short preparation period, allowing diners to enjoy a delicious meal even with a tight schedule.

#### Major cost components

#### • Food ingredients

Prices of pork, soya beans, flour, hen egg and edible oil are the major food ingredients cost items in the Japanese ramen restaurant. The prices of pork has been relatively stable, ranging from HK\$22.3/KG in 2013 to HK\$24.7/KG in 2017, at a CAGR of 2.6%. In 2017, the prices of vegetable has reached HK\$8.4/KG, representing a CAGR of 1.9% from 2013 to 2017. In 2017, the prices of beef and seafood reached HK\$72.1/KG and HK\$83.5/KG respectively, where the price of seafood is almost twice as much as the average price in 2013. With the limited supply of pork in the Hong Kong market, the prices of pork are projected to increase steadily and reach HK\$28.0/KG in 2022 at a CAGR of 2.6%. On the other hand, the prices of soya beans, flour, hen eggs and edible oil have recorded a downward trend from 2013 to 2017 at CAGRs of -6.8%, -5.1%, -8.6% and -1.7% due to the strong supply of the commodities especially in the US in recent years. The expected plunge in the several key raw material prices is anticipated to improve the profitability of restaurant operators in Hong Kong.

### **INDUSTRY OVERVIEW**

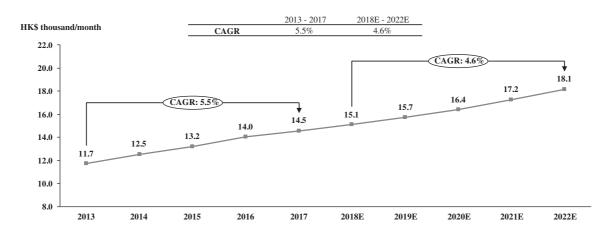
	Raw Material	Unit	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2013- 2017 CAGR	2018E- 2022E CAGR
	Pork	HK\$ /KG	22.3	20.8	22.6	26.1	24.7	25.3	26.2	26.8	27.4	28.0	2.6%	2.6%
	Soya Beans	HK\$ /KG	6.5	6.5	5.9	5.1	4.9	4.7	4.6	4.5	4.3	4.2	-6.8%	-3.1%
	Flour	HK\$ /KG	5.4	5.2	5.1	4.7	4.4	4.3	4.2	4.1	4.0	3.9	-5.1%	-2.4%
(	Edible Oil Vegetable Oil)	HK\$ /KG	11.9	11.2	10.1	10.9	11.1	10.9	10.8	10.6	10.4	10.3	-1.7%	-1.5%
	Hen Egg	HK\$ /KG	13.5	10.9	9.8	8.9	9.4	8.8	8.2	7.7	7.1	6.7	-8.6%	-6.6%

#### Price Analysis on Key Raw Materials (Hong Kong), 2013-2022E

Source: Trade map, Frost & Sullivan

#### • Staff cost

There is a lack of interest from the younger workforce to enter the restaurant industry in Hong Kong. The average monthly salary of employees in the catering services industry recorded a growth from HK\$11.7 thousand in 2013 to HK\$14.5 thousand in 2017, representing a CAGR of 5.5%. The growth of average monthly wage was mainly driven by inflation, higher living cost and labour shortage which will continue to drive a rise in the average monthly salary in the future and it is expected to reach HK\$18.1 thousand by the end of 2022, representing an estimated CAGR of 4.6% between 2018 and 2022.



#### Average Monthly Salary of Employees in Catering Services Industry (Hong Kong), 2013-2022E

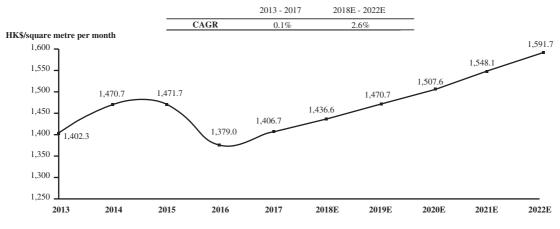
Source: HKSAR census and Statistics Department, Frost & Sullivan

#### Rental cost

Due to the influx of Chinese tourists along the borders such as Yuen Long, Tuen Mun and Sheung Shui in the recent years, the average rental of private retail premises per square metre per month in New Territories jumped the most. Meanwhile, the average rental of private retail premises per square metre per month in Hong Kong and Kowloon both recorded decline mainly due to the retail market slump during 2015 to 2016, causing brands to terminate their rental contracts ahead of time to reduce

# **INDUSTRY OVERVIEW**

loss or renegotiate for reduced rental cost. The overall private retail premises in Hong Kong has grown slightly from HK\$1,402.3/square metre per month in 2013 to HK\$1,406.7/ square metre per month in 2017 at a CAGR of 0.1%. In the following years, rents of private retail premises in Hong Kong are expected to increase due to the improved retail sales seen by retailers and landlords which attracts retailers to look for additional retail locations.



# Average Rental of Private Retail Premises (Hong Kong), 2013-2022E

Source: Frost and Sullivan

#### **Major challenges**

#### Food safety, licences and hygiene issues

Food safety, licences and hygiene are essential to restaurants. Restaurant operators have to keep an eye on the food supply and the logistics to ensure the safety of raw food materials, as well as fulfilling all the licensing requirements for the operation of restaurants. Moreover, environmental hygiene and the health condition of staff are also essential to the operation of restaurants. Any food safety or hygiene scandal will greatly affect their businesses.

#### Turnover rate of staff and increasing operational costs

Skilled staff is a key competitive strength for a full-service restaurant. The resignation of the staff may cause negative effects on the operation of the restaurant, especially for those who take key positions in the restaurant. Given the turnover rate of staff in the catering services industry is generally considered high, restaurant operators might have to increase salary to retain current employees, which boosts up the operational costs. On the other hand, the increasing prices of food ingredients such as pork and vegetables has also put pressure on Japanese Ramen restaurants.

# Competitive Landscape of Japanese Ramen Restaurant Market in Hong Kong

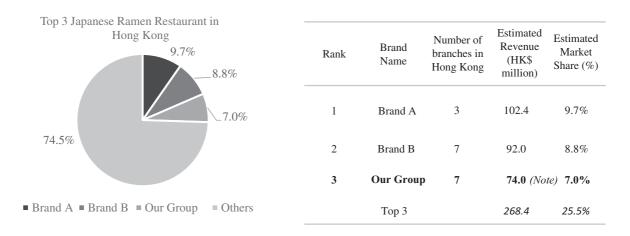
The Japanese ramen restaurant industry is relatively fragmented. As of 2017, there are approximately 400 ramen restaurant establishments in Hong Kong, including both chain stores and non-chain stores, in which there are more than ten major chain brands of various scale operating in Hong Kong. As the Japanese ramen market approaches the mature stage in the industry life cycle, the

# **INDUSTRY OVERVIEW**

techniques of ramen making are fairly mature and there is slowed down but moderate growth stimulated by continued emergence of a wider product portfolio and specialised ramen types. Rising market consolidation activities between players are expected to be seen in the next five years, thus the concentration level is expected to continue to increase.

Japanese ramen restaurants mainly compete with (i) brand reputation (ii) quality of food and services; (iii) price; (iv) location; and (v) sensitivity to the change in taste.

Our Group has recorded sales revenue of approximately HK\$74.0 million in Hong Kong for the year ended 31 March 2018, accounting for approximately 7.0% market share of the Japanese ramen restaurant industry in 2017. Frost & Sullivan has compiled the following table of the top three Japanese ramen restaurant operators in Hong Kong in 2017:



#### Ranking of Japanese Ramen Restaurant in Hong Kong

Source: Frost & Sullivan

*Note:* The figure represents the revenue generated by the operations of our Hong Kong Restaurants for the year ended 31 March 2018.

## **Entry Barriers**

#### • Complicated licensing requirement

To start restaurant businesses in Hong Kong, operators are required to obtain several licenses including but not limited to General Restaurant License, Light Refreshment Restaurant License, Bakery License and Food Factory License from the Food and Environmental Hygiene Department or even Liquor License from the Liquor Licensing Board. Therefore, new market entrants will need to pay extra efforts to meet the regulatory requirements and go through the license application process which may take several months before opening a new restaurant.

## • Quality, Branding and Customer Preference

Quality of food and service is perceived as one of the selection criteria for customers. Generally, established restaurants are able to offer a variety of food with consistent quality and cater to the needs of different customers, and also offer high quality of service such as quick and polite responses to enquires. Hence, customers may prefer those established restaurants due to guaranteed food quality, previous dining experience, branding effect and recommendation on social media and from other customers. Such preference is unlikely to be achieved by new market entrants in a short period of time.

#### • Limited number of skilled labour

The shortage of experienced and skilled labour, especially for chefs, is recognised as one of the major issues for new restaurant operators. According to Census and Statistics Department, the number of vacancies in accommodation and food services industry reached 13,911 as of the fourth quarter of 2017, representing a YOY increase of 4.1%. Thus, new entrants may need to compete with existing restaurants for experienced and skilled staff.

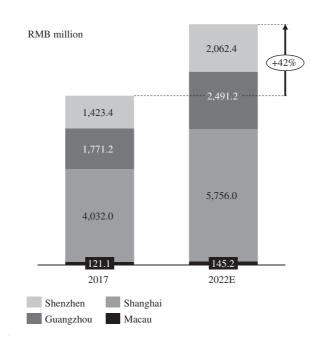
# OVERVIEW OF JAPANESE RAMEN RESTAURANT MARKET IN SELECT CITIES IN THE PRC AND MACAU

With the continuous economic development and rapid urbanisation, the disposable income in the PRC has increased steadily during the years from 2013 to 2017 with a CAGR of 9.1% from RMB 18,310.8 in 2013 to RMB 25,974 in 2017. The booming middle class and rising purchasing power has been driving the restaurant industry as the consumers in China are more willing and able to dine out and thus stimulating the restaurant industry in China. As growing number of specialty Japanese restaurants, such as sushi, ramen, teppanyaki etc., satisfying the rising consumer expectation, the Japanese restaurant market is recording a strong growth in recent years. Japanese ramen restaurants in particular has been gaining popularity in China, especially well-developed cities such as Guangzhou, Shenzhen, Shanghai etc.

The rising penetration of internet had demonstrated a significant impact to the catering industry in China in recent years. With increasing popularity of lifestyle platforms and the abundant information online, consumers are able to access to the basic information about the restaurants, menus, promotion events, customer reviews prior to their visit to the restaurants. Thus, the high penetration of mobile internet offers a potential opportunity for restaurant operators to market their restaurants online to reach out to a large number of potential consumers. Also, restaurants with sound reputation and strong branding are more likely succeed in the competitive restaurants market.

# **INDUSTRY OVERVIEW**

The graph below sets out the revenue generated from the Japanese ramen restaurants industry in Shanghai, Guangzhou, Shenzhen and Macau:

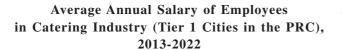


Market Size of Japanese Ramen Restaurant Market in Select Cities in the PRC and Macau

Source: Frost and Sullivan

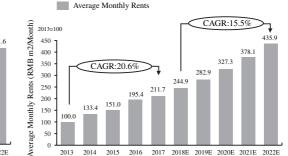
# Staff and rental cost

The average annual salary of employees in the catering services industry in tier 1 cities in the PRC has recorded a rapid growth at a CAGR of 21.6% from 2013 - 2017 with the robust development of the catering industry in the well-developed cities in the PRC and it is expected to continue to grow at a CAGR of 12.5% from 2018 to 2022. On the other hand, driven by the strong economic development and property development, the average rents for retail premises in the tier 1 cities in the PRC has witnessed a vigorous growth at a CAGR of 20.6% from 2013 - 2017 and it is anticipated to increase at a CAGR of 15.5% from 2018 to 2022.





Average Monthly Rents for Retail Premises (Tier 1 Cities in the PRC), 2013-2022



Source: Frost & Sullivan

# Food ingredients

Pork, soya beans, flour, egg, edible oil are major raw materials food ingredients in the Japanese ramen restaurants in the PRC. Prices of pork has been relatively stable in the PRC market, it rises slightly from 106.9 in 2013 to 107.5 in 2017. The soya beans, flour, egg and edible oil prices have been dropping in the past few years at CAGRs of -8.8%, -5.8%, -3.0% and -9.0% respectively from 2013 to 2017. The plummeting food ingredients prices were mainly due to the weak import prices and strong supply of the raw materials. The decreasing food ingredients cost in the PRC is expected to provide positive financial impact to the Japan ramen restaurants in the PRC.

# Competitive Landscape of Japanese Ramen Restaurant Market in Selected Cities in the PRC and Macau

With rising popularity of Japanese cuisine and improving standard of living in the major cities in the PRC, there are increasing number of Japanese ramen restaurants presence in the market to satisfy the growing consumption of Japanese ramen in the country. Japanese ramen restaurant in the PRC mainly compete with (i) price (ii) brand reputation and (iii) location.

The Japanese ramen restaurant industry in the PRC is highly fragmented with over 10,000 ramen restaurant establishments across various regions in the PRC. As of 2017, there are in total approximately 3,640 Japanese ramen restaurants in Shenzhen, Guangzhou, Shanghai and Macau. The Japan ramen market is currently at the developing stage with strong market growth in the PRC, especially in Tier 1 cities.

Frost & Sullivan has complied the following table of the estimated number of Japanese ramen restaurants and the market revenue in 2017 of selected cities in the PRC and Macau:

Cities in the PRC and Macau	Estimated Number of Japanese Ramen Restaurants	Estimated Market Revenue in 2017 (RMB million)
Shenzhen	700	1,423.4
Guangzhou	900	1,771.2
Shanghai	2,000	4,032.0
Macau	40	121.1

Source: Frost and Sullivan

This section summarises the principal laws and regulations of Hong Kong, Macau and the PRC which are relevant to our 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 four principal types of licences required to be obtained for the operation of our restaurants and central kitchen which are as follows:

- (a) a general restaurant licence or light refreshment restaurant licence granted by the FEHD;
- (b) a liquor licence granted by the LLB (for those restaurants which involve the sale of liquor for consumption);
- (c) a food factory licence; and
- (d) a water pollution control licence granted by the DEP of the EPD

The following sets forth the most significant aspects of Hong Kong laws and regulations relating to our business operations.

# **Business registration certificate**

To commence the business of restaurants, in addition to other business licences described below, it is necessary to obtain a business registration certificate pursuant to section 5 of the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong). The business registration application shall be made within one month of the commencement of business.

# General restaurant licence or light refreshment restaurant licence

Any restaurant operator in Hong Kong is required to obtain a general restaurant licence granted by the DFEH under the PHMSO and the FBR before commencing the restaurant business. A general restaurant licence 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 except under and in accordance with a licence granted by the DFEH under the FBR, no person shall carry on or cause, permit or suffer to be carried on, among others, any food factory or restaurant business. The FEHD will consider whether certain requirements in respect of health, hygiene, ventilation, gas safety, building structure and means of escape are met before issuing a licence. In deciding the suitability of the premise for use as a restaurant, the FEHD will consult the Buildings Department and the Fire Services Department, where the fulfilment of the Buildings Department's structural standard and the fulfilment of the Fire Services Department are considered respectively. If their comments are such that its policy or requirements cannot be complied with, the licensing authority will refuse the application and the applicant will be informed of the refusal with reasons. Under section 33C of the FBR, the DFEH

# **REGULATORY OVERVIEW**

may grant provisional restaurant licences 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 licence. A provisional restaurant licence is valid for a period of six months or a lesser period and a full restaurant licence is valid generally for a period of 12 months, both subject to payment of the prescribed licence fees and continuous compliance with the requirements under the relevant legislation and regulations. A provisional restaurant licence is renewable on one occasion only at the absolute discretion of DFEH and a full restaurant licence is renewable annually.

Apart from the general restaurant licence, a light refreshment restaurant licence can be obtained from the FEHD, which is governed by the PHMSO and the FBR. The light refreshment restaurant licence restricts the licensee to prepare and sell for consumption on premises certain kinds of the food items as set out in Appendix B in "A Guide To Application For Restaurant Licences" (September 2016 Edition) published by the FEHD. As in the case of general restaurant licence applications, the application of light refreshment restaurant licence will be considered by the FEHD, the Buildings Department and the Fire Services Department. As light refreshment restaurant licences are intended for the preparation of a limited range of food items, the requirements for this type of restaurants in the context of the minimum area for food room (i.e. kitchen, food preparation room and scullery) are less stringent than those for general restaurants. The light refreshment restaurant licence is generally granted for a term of one year and is subject to annual renewal.

As at the Latest Practicable Date, all of the restaurants of our Group in Hong Kong have either obtained the full general restaurant licence or light refreshment restaurant licence.

#### Liquor licence

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

Any person who intends to operate a business which involves the sale of liquor for consumption at any premises must obtain a liquor licence 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 licence. A liquor licence will only be issued when the relevant premises have also been issued with a full or provisional restaurant licence. A liquor licence will only be valid if the relevant premises remain licensed as a restaurant. All applications for liquor licences 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 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

# **REGULATORY OVERVIEW**

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 executor or administrator or trustee may carry on the business in the licensed premises until the expiration of the licence.

A liquor licence is valid for a period of two years or a lesser period, subject to the continuous compliance with the requirements under the relevant legislation and regulations. Any person who contravenes section 17(3B) of the DCO commits an offence and is liable on conviction to a fine of HK\$1,000,000 and to imprisonment for 2 years.

As at the Latest Practicable Date, all of the restaurants of our Group in Hong Kong have obtained the liquor licence.

#### **Food Factory License**

Under the PHMSO, any person who intends to utilise particular premises for the preparation and/or manufacture of food for human consumption must obtain a food factory licence from the FEHD before commencement of such business. This is to ensure the maintenance of a good standard of hygiene at the premises concerned and the wholesomeness of the food supplied. A provisional licence, which is valid for a period of six months or a lesser period would be issued to a new applicant who has fulfilled the essential requirements in accordance with the FBR pending fulfilment of all outstanding requirements for the issue of a full food factory licence.

Just as in the case of general restaurant licence applications, the application of food factory licence will be considered by the FEHD, the Fire Services Department and the Buildings Department respectively.

As at the Latest Practicable Date, the central kitchen of our Group in Hong Kong has obtained the food factory licence.

## Water pollution control licence

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 licence 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 licence.

Under section 15 of the WPCO, the DEP may grant a water pollution control licence 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 licence may be granted for a period of not less than two years, subject to payment of the prescribed licence fee and continuous compliance with the requirements under the relevant legislation and regulations. A water pollution control licence is renewable.

As at the Latest Practicable Date, all of our restaurants in Hong Kong and our central kitchen have obtained the water pollution control licence.

# Hygiene manager and hygiene supervisor scheme

To strengthen food safety supervision in licensed food premises, the FEHD has introduced the Hygiene Manager and Hygiene Supervisor Scheme (the "Scheme"), under which all large food establishments and food establishments producing high risk food are required to appoint a hygiene manager and a hygiene supervisor; and all other food establishments are required to appoint a hygiene manager or a hygiene supervisor. General restaurants which accommodate over 100 customers are required to appoint a hygiene manager plus a hygiene supervisor.

Food business operators are required to train up their staff or appoint qualified persons to take up the post of hygiene manager or hygiene supervisor. According to "A Guide to Application for Restaurant Licences" of the FEHD (September 2016 Edition), one of the criteria for the issuance of a provisional licence or full general restaurant licence is the submission of a duly completed nomination form for hygiene manager and/or hygiene supervisor together with a copy of the relevant course certificate(s).

As at the Latest Practicable Date, all of the restaurants and central kitchen of our Group in Hong Kong have appointed a qualified person to take up the post of hygiene manager or hygiene supervisor to satisfy the abovementioned requirements.

# 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 licence 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 licence 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 licence will be subject to cancellation;
- (d) for multiple offences 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 licence 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.

# Food labelling

The FDR regulates nutrition facts labels on packaged foods sold in Hong Kong. Regulation 4A(1) of the FDR stipulates that all prepackaged food should be labelled in either English or Chinese or in both languages with its food name or designation, list of ingredients, indication of "best before" or "use by" date, statement of special conditions for storage or instructions for use, count, weight or volume and name and address of manufacturer or packer. Regulation 4B(1) states that, the prepackaged food shall be legibly marked or labelled with a list of nutrients setting out the energy value of the food, the content of certain nutrients contained in the food and if applicable, the content of any other nutrient contained in the food for which a nutrition claim is made on the food label. Under regulation 5(1AA), any person who advertises for sale, sells or manufactures for sale any prepackaged food which is not marked or labelled in compliance with regulation 4A(1) or 4B(1); or has on its label any nutrition claim that does not conform to the statutory requirements set out in Schedule 5, commits an offence and is liable on conviction to a fine of HK\$50,000 and to imprisonment for six months.

#### Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations

The FIU(F)R ensures that the proprietor of every notifiable workplace shall maintain a means of escape from the workplace in good condition and free from obstruction. Under regulation 5(1) of the FIU(F)R, the proprietor of every notifiable workplace shall maintain in good condition and free from obstruction every doorway, stairway and passageway within the workplace which affords a means of escape from the workplace in case of fire. Regulation 14(5) of the FIU(F)R stipulates that the proprietor of any notifiable workplace who contravenes regulation 5(1) without reasonable excuse commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for six months.

## **Employment Ordinance**

The EO provides for, among other things, the protection of the wages of employees, to regulate general conditions of employment, and for matters connected therewith. Under section 25 of the EO, where a contract of employment is terminated, any sum due to the employee shall be paid to him as soon as it is practicable and in any case not later than seven days after the day of termination. Any employer who wilfully and without reasonable excuse contravenes section 25 of the EO commits an offence and is liable to a maximum fine of HK\$350,000 and to imprisonment for a maximum of three years. Further, under section 25A of the EO, if any wages or any sum referred to in section 25(2)(a) are not paid within seven days from the day on which they become due, the employer shall pay interest at a specified rate on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment. Any employer who wilfully and without reasonable excuse contravenes section 25A of the EO commits an offence and is liable on conviction to a maximum fine of HK\$10,000.

#### Minimum wage

With effect from 1 May 2013, the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) provided for a prescribed minimum hourly wage rate at HK\$30 per hour for every employee employed under the EO. With effect from 1 May 2015 and 1 May 2017, the revised statutory minimum wage has been increased from HK\$30 per hour to HK\$32.5 and HK\$34.5 per hour, respectively. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

#### **Employees' compensation**

The ECO establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents. According to section 40 of the ECO, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the ECO and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the ECO to secure an insurance cover is liable on conviction to a fine of HK\$100,000 and imprisonment for two years. Our Company confirms that as at the Latest Practicable Date, employee compensation insurance has been obtained for all of our employees.

According to section 48 of the ECO, an employer shall not, without the consent of the Commissioner for Labour, terminate, or give notice to terminate, the contract of service of an employee (who has suffered incapacity or temporary incapacity in circumstances which entitle him to compensation under the ECO) before occurrence of certain events. Any person who commits breach of this provision is liable on conviction to a maximum fine of HK\$100,000.

# **Trade Descriptions Ordinance**

TDO is one of the key legislations regulating advertising and promotion practices in Hong Kong. A trade description includes an indication of quantity, composition, and fitness for purpose, performance, physical characteristics and place of origin with respect to any goods. It is an offence under the TDO for any person to apply a false or misleading trade description to goods or to supply goods to which false trade descriptions have been applied. The TDO also prohibits the use of false and misleading trade descriptions of goods in advertisements.

In order to enhance protection of consumers against other commonly seen unfair trade practices in consumer transactions and prohibit false trade descriptions to both goods and services, the Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance 2012 has come into operation on 19 July 2013 and brought various amendments to the TDO. The key changes include:

- the expansion of the definition of "trade description" in respect of goods to mean any indication, direct or indirect, and by whatever means given, with respect to any goods or parts of goods such as price indication;
- the extension of the prohibition on false trade descriptions to services made in consumer transactions, and to define "services" under any consumer contract;
- the creation of new offences on practices such as misleading omissions, aggressive commercial practices, bait advertising, bait-and-switch and wrongly accepting payment; and
- an introduction of a mechanism enabling aggrieved consumers to commence civil actions to recover any loss or damage suffered in addition to criminal sanctions.

#### **Mandatory Provident Fund Schemes**

The Mandatory Provident Fund ("MPF") schemes are defined contribution retirement scheme managed by authorised independent trustees. The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) provides that an employer shall participate in an MPF scheme and make contributions for its employees aged between 18 and 65. Under the MPF scheme, an employer and its employee are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. The maximum level of relevant income for contribution purposes is currently HK\$30,000 per month or HK\$360,000 per year.

### **Occupiers** liability

The Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of a premise to take reasonable care of the premise in all circumstances so as to ensure that his visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

#### Occupational safety and health

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- (i) providing and maintaining plant and work systems that are safe and without risks to health;
- (ii) making arrangement for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- (iii) providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- (iv) providing and maintaining safe access to and egress from the workplaces; and
- (v) providing and maintaining a working environment that is safe and without risks to health.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

The Commissioner for Labour may also issue improvement notices against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), or suspension notices against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000, respectively and imprisonment of up to one year.

### THE LAWS AND REGULATIONS OF PRC

The following sets forth a summary of the most related aspects of PRC laws and regulations relating to our business operations in the restaurant industry in the PRC:

#### **Provision on Foreign Investment**

The establishment, operation and management of WFOE in the PRC are governed by (i) the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄(2017年修訂)》) (the "Catalogue"), which was amended and promulgated by the Ministry of Commerce (國家商務部) (the "MOC") and the National Development and Reform Commission (中華人民共和 國國家發展和改革委員會) (the "NDRC") on 28 June 2017 and was effective on 28 July 2017, regulating investment in the PRC conducted by foreign investors and foreign-owned enterprises; (ii) the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單)(2018年版)》) promulgated by the NDRC and the MOC on 28 June 2018 and implemented on 28 July 2018; (iii) the Company Law of the PRC (《中華人民共和 國公司法》), which was adopted by the Standing Committee of the National People's Congress (全國 人民代表大會常務委員會) (the "NPCSC") on 29 December 1993 and was last amended on 26 October 2018; (iv) the Wholly Foreign-Owned Enterprises of the PRC (《中華人民共和國外資企業法》), which was promulgated by the National People's Congress (全國人民代表大會) (the "NPC") on 12 April 1986 and last amended by the NPCSC on 3 September 2016; (v) the Detailed Implementing Rules for the Wholly Foreign-Owned Enterprise Law (《中華人民共和國外資企業法實施細則》), which was last amended on 19 February 2014; and (vi) the Provisional Measures on Administration of Filing for Establishment and Change of Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫 行辦法》), which was promulgated by the MOC on 8 October 2016 and was subsequently amended on 30 July 2017 and 30 June 2018 and applied to the establishment and change of foreign investment enterprises which are not subject to special administrative measures stipulated by the State. Meanwhile, the establishment and change of foreign investment enterprises which are not subject to the Special Administrative Measures (Negative List) for Admission of Foreign Investments to Pilot Free Trade Zones are applied to the Administrative Measures on Filing of Foreign Investments in the Pilot Free Trade Zones (Trial) (《自由貿易試驗區外商投資備案管理辦法(試行)》) promulgated by the MOC on 8 April 2015, became effective on 8 May 2015 and repealed by the Provisional Measures on Administration of Filing for Establishment and Change of Foreign Investment Enterprises.

According to those laws and regulations aforesaid, if establishing a wholly foreign-owned enterprise to conduct the service of food and beverage which is industry permitted to foreign investment in the Pilot Free Trade Zones, such as our Shanghai Restaurant and Guangzhou Restaurant after 8 April 2015, or establishing the aforesaid WFOE after 8 October 2016, such as our Shenzhen Restaurant, the investor shall conduct the record-filing procedures and the foreign investor may remit abroad profits lawfully earned from the enterprise and other income and funds lawfully obtained following the liquidation of the enterprise.

# **Provisions on Food Production and Dining Operations**

The Food Safety Law (《食品安全法》),which was promulgated on 28 February 2009, latest amended on 29 December 2018 and came into force on the same date and the Implementation Rules of the Food Safety Law (《食品安全法實施條例》), which came into force on 20 July 2009 and was amended on 6 February 2016, were designed to guarantee food safety and to safeguard the health and safety of the public. The state sets up a system of the supervision, monitoring and appraisal for food safety risks, compulsory adoption of food safety standards and operating standards for food production, food inspection, food export and import and food safety accident response. Providers for food distribution services and consumer food services shall comply with the foregoing laws and rules.

The Food Safety Law sets forth various penalties in the form of warnings, orders to rectify, confiscation of illegal gains or utensils, equipment, raw materials and other articles used for illegal production and operation, fines, recalls and destructions of food in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation license, and even criminal punishment for violations of food safety laws. The gains and other assets of any restaurant that does not have a proper food service license may be confiscated. The restaurant may also be fined up to twenty times the goods value of food sold at the restaurant. The Implementation Rules of the Food Safety Law, further specify the penalties for violations and the detailed measures to be taken and followed by food producers and business operators in order to ensure food safety.

On 4 March 2010, the Ministry of Health (now integrated into National Health Commission of the PRC (國家衛生健康委員會)) promulgated the Administrative Measures on Food and Beverage Service Licensing (《餐飲服務許可管理辦法》) and Administrative Measures on Food Safety Supervision in Food and Beverage Services (《餐飲服務食品安全監督管理辦法》). Both measures came into force on 1 May 2010. Pursuant to the Administrative Measures on Food and Beverage Service Licensing, providers of consumer food services are required to obtain a food service license (《餐飲服務許可證》) (the "Food Service License") and are responsible for safety in food and beverage services.

Before 30 September 2015, catering providers should obtain a Food Service License according to the Administrative Measures on Food and Beverage Service Licensing. On 31 August 2015, the Administrative Measures for the Licensing of Operating Food (《食品經營許可管理辦法》) (the "**Operation Food License Measures**") was promulgated by the China Food and Drug Administration (now integrated into the State Administration for Market Regulation (國家市場監督管理總局) and became effective on 1 October 2015 and was amended on 17 November 2017. Pursuant to the Operation Food License Measures, any entity or individual who engages in selling or providing food and beverage services within China mainland shall obtain a Food Operation License (《食品經營許可證》) (the "**Food Operation License**"). Further, according to the Announcement on Using the Food

Operation Licenses (關於啟用《食品經營許可證》的公告) which was promulgated by China Food and Drug Administration on 30 September 2015, the Food Service License was replaced by the Food Operation License. Therefore, catering providers only need to obtain a Food Operation License since 1 October 2015.

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 MOC and the NDRC, 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 (國務院價格主管部門); 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.

As at the Latest Practicable Date, all of the restaurants of our Group in the PRC have obtained the Food Operation License.

#### **Provisions on Public Hygiene**

The Administrative Provisions on Hygiene in Public Venues (《公共場所衛生管理條例》) was promulgated by the State Council on 1 April 1987 and was amended on 6 February 2016. The said provisions were adopted for the purposes of creating favourable and sanitary conditions for the public venues, preventing disease transmission and safeguarding people's health.

The Rules for the Implementation of the Administration of Hygiene in Public Venues (《公共場 所衛生管理條例實施細則》) were promulgated by the Ministry of Health on 10 March 2011 and came into force on 1 May 2011 and was amended on 19 January 2016. The Rules stipulate the hygiene conditions and hygiene management systems for public venues, including restaurant, bar, cafe, teahouse, etc. Pursuant to the Rules for the Implementation of the Administration of Hygiene in Public Venues, public venues shall obtain a hygiene license (《衛生許可證》) (the "**Hygiene License**") from the local health authority before it enters into business.

On 3 February 2016, the State Council's Decision on Consolidating and Adjusting the Public Venue Hygiene License and Food Operation License Related to Catering Venue (the "**Decision**") (《國務院關於整合調整餐飲服務場所的公共場所衛生許可證和食品經營許可證的決定》) was promulgated by the State Council and took effect on 3 February 2016. The Decision announces that the health authority no longer issue the Hygiene License to the following public venues: restaurant, cafe, bar and teahouse no longer need to obtain the Hygiene License from the local hygiene authority. As a result, the Hygiene License for the above public venues (restaurant, cafe, bar and teahouse) had been replaced by the Food Operation License.

Therefore, before 3 February 2016, operators of restaurant, cafe, bar and teahouse should obtain the Hygiene License to prove the hygiene of their public venues were qualified. Since 3 February 2016, the operators only have to obtain the Food Operation License.

## **Provisions on Consumer Protection**

The Law on Protection of Consumer Rights and Interests (《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 the second time on 25 October 2013, stipulates that the merchandise or services provided by business operators should meet safety requirements. Business operators of venues such as restaurants must fulfil their obligation in protecting the safety of their customers. Business operators are forbidden to impose unfair and unreasonable rules 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 Interests 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.

#### **Provision on Liquor Circulation**

The Administrative Measures for Liquor Circulation (《酒類流通管理辦法》) (the "Liquor Circulation Measures") promulgated on 7 November 2005 and implemented on 1 January 2006 stipulated that "liquor circulation" includes business operations like the wholesale, retail and storage and transport of liquor. The liquor operators should make the archival filing and registration formalities in the competent department of commerce before operating their business. In addition, the process of the liquor circulation requires the Attached Document of Liquor Circulation (《酒類流通 隨附單》) recording details about the products and the producers. Pursuant to the Decision on Abolishing Some Administrative Rules (《商務部關於廢止部分規章的決定》) promulgated by the MOC on 3 November 2016, the Liquor Circulation Measures had been abolished. Thus, the liquor operators no longer have to make the archival filing and registration, and the Attached Document of Liquor Circulation was cancelled at the same time. And the Administrative Regulations of Shenzhen Special Economic Zone on Liquors had been abolished since 25 June 2004. The licensing on the production, retail and wholesale of the liquors within Guangzhou had been abolished since 31 December 2011.

However, the Administration Provisions of Shanghai on the Production and Trade of the Liquors (《上海市酒類商品產銷管理條例》) promulgated on 1 January 1998 and amended on 17 September 2010 stipulates that, the production, retail and wholesale of the liquors within Shanghai shall obtain license. Therefore, the liquor operators in Shanghai shall acquire the Liquor Production/Wholesale/Retail License (《酒類商品生產/批發/零售許可證》) from the related administration department of liquor. As at the Latest Practicable Date, our Shanghai Restaurant as a liquor retailer, has obtained the Liquor Retail License.

# **REGULATORY OVERVIEW**

# **Provision on Taxation**

#### Enterprise Income Tax

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) promulgated by the NPC on 16 March 2007, effective on 1 January 2008 and latest amended on 29 December 2018, as well as Regulation on the Implementation of the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法實施條例》),which was promulgated on 6 December 2007 and became effective on 1 January 2008, impose a uniform enterprises income tax rate of 25% on both domestic and foreign-invested enterprise, unless they qualify for certain exceptions, and terminate most of the tax exemptions, reductions and preferential treatments available under previous tax laws and regulations. Meanwhile, for the small low-profit enterprise, the enterprise income tax is paid at the tax rate of 20%.

According to the Regulations on the Implementation of the PRC Enterprise Income Law, for enterprises other than industrial enterprises, with an annual taxable income of no more than RMB300,000, a payroll size of at most 80 persons, a total amount of assets not exceeding RMB10 million, and operate in an industry not restricted or forbidden by the state, shall be eligible to be qualified as small low-profit enterprises and such enterprises are given the reduced enterprise income tax rate of 20%.

According to the Notice on Further Widening the Coverage Income Tax Preferential Policies for Small Low-profit Enterprises (《關於進一步擴大小型微利企業所得税優惠政策範圍的通知》), which was promulgated on 2 September 2015 by the Ministry of Finance (the "**MOF**") and the State Administrative of Taxation (國家税務總局) (the "**SAT**") and repealed on 1 January 2017, from 1 January 2015 to 31 December 2017, a small low-profit enterprise with an annual taxable income between RMB200,000 and RMB 300,000 (inclusive), can include its income is in the taxable income at the reduced ratio of 50%, and the enterprise income tax is paid at the tax rate of 20%.

According to the Notice of the MOF and the SAT on Widening the Coverage of Income Tax Preferential Policies for Small Low-profit Enterprises (《財政部、國家税務總局關於擴大小型微利企業所得税優惠政策範圍的通知》) promulgated on 6 June 2017 and repealed on 1 January 2018, from 1 January 2017 to 31 December 2019, a small low-profit enterprise with an annual taxable income less than RMB500,000 (inclusive), can include its income in the taxable income at the reduced ratio of 50%, and the enterprise income tax is paid at the tax rate of 20%.

According to the Notice of the MOF and the SAT on Further Widening the Coverage of Income Tax Preferential Policies for Small Low-profit Enterprises (《財政部、國家税務總局關 於擴大小型微利企業所得税優惠政策範圍的通知》) promulgated on 11 July 2018, from 1 January 2018 to 31 December 2020, a small low-profit enterprise which an annual taxable income less than RMB1,000,000 (inclusive) can include its income in the taxable income at the reduced ratio of 50% and the enterprise income tax is paid at the tax rate of 20%.

# Value-added tax

The Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例》) (the "VAT Provisional Regulations") was officially implemented on 1 January 1994 and amended on 6 February 2016 and 19 November 2017, and its implementing rules (《中華人民共和國 增值税暫行條例實施細則》) was promulgated by the MOF on 25 December 1993 and amended by the MOF and the SAT on 15 December 2008 and 28 October 2011 respectively. The VAT Provisional Regulations stipulate that value-added tax is payable on the sale or import of goods, the sale of services, intangible assets and real estate and the provision of processing, repair and assembly services in the PRC. The tax rate for taxpayers engaging in sale of services and intangible assets shall be 6%, unless otherwise stipulated in the VAT Provisional Regulations.

According to the Notice of the MOF and the SAT on Adjusting the Value-added Tax Rate (《財政部、税務總局關於調整增值税税率的通知》), effected on 1 May 2018, the VAT tax rates on sales or imported goods are adjusted from 17% and 11% to 16% and 10% respectively.

Since 1 January 1994, business tax and value-added tax are implemented together upon different sorts of business incomes. From 1 January 2012, the SAT and the MOF had promulgated several notices on including more industries on switching from business tax to value-added tax.

On 23 March 2016, the SAT and the MOF promulgated Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的 通知》(財税[2016]36號)), according to which the pilot program of replacing business tax with value-added tax shall be implemented nationwide effective from 1 May 2016 and all business tax payers in construction industry, real estate industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot program and pay value-added tax instead of business tax. The tax rate of general tax activities (excluding the provision of services in transportation, postal services, basic telecommunications, construction or real property lease, the sale of real property or the transfer of land use right, the provision of tangible personal property lease services, the cross-border taxable activities, etc.) applied to general tax payers will be 6%. On 19 November 2017, the State Council promulgated the Decision on Abolition of the Provisional Regulations on Business Tax of the PRC and Revision of the VAT Provisional Regulations (《國務院關於廢止<中華人民共和國營業稅暫 行條例>和修改<中華人民共和國增值稅暫行條例>的決定》), the Business Tax of the PRC have been abolished since 19 November 2017.

# **Provisions relating to Foreign Exchange**

Pursuant to the Foreign Exchange Administrative Regulations of the PRC (《中華人民共和國外 匯管理條例》), which was promulgated on 29 January 1996 and became effective on 1 April 1996, and amended on 14 January 1997 and 5 August 2008 respectively and became effective on 5 August 2008, conversion of Renminbi and remittance of the foreign currency outside the PRC for capital account items, such as direct equity investment, loans and repatriation of investment, are subject to the obtaining of prior approval from the State Administration of Foreign Exchange (國家外匯管理局) and/or one of its branches.

# **REGULATORY OVERVIEW**

#### **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 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 offence.

The Environmental Impact Evaluation Method of the PRC (《中華人民共和國環境影響評價法》) implemented on 1 September 2003 and latest amended on 29 December 2018, stipulated that classified administration of environmental impact assessment for construction projects shall be applied in accordance with the degree of environmental impacts of construction projects. The enterprise shall compile environmental impact reports and environmental impact statements or complete environmental impact registration forms. The environmental impact report and environmental impact statement of a construction project shall be submitted by the construction unit according to the relevant provisions of the State Council to the environmental protection department for examination and approval. And the environmental impact registration forms are applied to the record-filing administration. According to the Classified Management Category on the Environmental Impact Assessment for Construction Projects (《建設項目環境影響評價分類管理名錄》) implemented on 1 October 2008 and amended on 9 April 2015, 29 June 2017 and 28 April 2018, enterprise engaging in food and beverage shall complete environmental impact registration forms.

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, last amended on 27 June 2017 and implemented on 1 January 2018 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》) implemented on 12 December 1996 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 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 stipulate 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 Labour Services**

The Labour Law of the PRC (《中華人民共和國勞動法》) (the "Labour Law") was promulgated by the NPCSC, implemented on 1 January 1995 and amended on 27 August 2009 and 29 December 2018. The Labour 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.

Based on the Labour Law, when an enterprise cannot follow the stipulations to provide normal rest days and holidays for the labourers due to the characteristic of its production, it may, with the approval of the administrative department of labour, adopt other rules on working hours and rest.

The Labour 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 written labour contracts must be executed in order to establish a labour relationship between the employer unit and the labourer. When an employer unit is recruiting labourers, it should inform the labourers truthfully the content of work, working conditions, place of work, occupational hazards, safe production conditions, labour remuneration and other circumstances requested to be known by the labourers. The Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) promulgated on 28 October 2010, amended on 29 December 2018 and effective as of 29 December 2018 stipulates that employer units must purchase social insurance for labourers. 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, stipulate that employer units must register housing provident fund deposits with the housing provident fund management centre 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 centre. If an employer unit fails to make deposits after the due date, the housing provident fund management centre may apply for enforcement with the People's Court.

#### **Provision relating to Intellectual Property**

The Copyright Law of the PRC (《中華人民共和國著作權法》) (the "Copyright Law"), which was promulgated on 7 September 1990 and amended on 27 October 2001 and 26 February 2010, respectively, and its implementation regulations (《中華人民共和國著作權法實施條例》) implemented on 15 September 2002 and amended on 30 January 2013, protects copyrights and copyright-related rights and interests of authors of literary, artistic and scientific works.

Under the Copyright Law and its implementation regulations, "works" shall include literature, art and natural science, social science, engineering and technical works and etc. Works of Chinese citizens, legal persons or other organisations shall, regardless if they are published or not, are entitled to the copyright. Works of foreigners and Stateless persons first published in China shall are entitled to the copyright pursuant to the Copyright Law.

Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law, shall constitute infringements of copyrights.

The Trademark Law of the PRC (《中華人民共和國商標法》) (the "Trademark Law") was promulgated on 23 August 1982 and amended on 22 February 1993, 27 October 2001 and 30 August 2013, respectively, and the Implementation Regulations on the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) were promulgated on 3 August 2002 by the State Council and were amended on 29 April 2014.

According to the Trademark Law and its implementation regulations, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. Registered trademarks are granted on a term of ten years, commencing from the date of registration. Twelve months prior to the expiration of the ten-year term, an applicant can renew the application and reapply for trademark protection. Infringement on the exclusive rights of registered trademarks may result in the imposition of fines, confiscation and destruction of the infringing commodities. Where the infringement constitutes a criminal offence, the criminal liability shall be pursued in accordance with the relevant law.

# THE LAWS AND REGULATIONS OF MACAU

#### Laws in relation to franchising

Under the Laws of Macau, franchise agreements are those by which one of the parties (franchisor), against payment, grants to the other party (franchisee), within a certain zone and in a stable manner, the right to sell certain goods or provide certain services under the franchisor's trade or business image, according to its know-how, technical assistance and control.

Franchise agreements which are governed by Macau law must be executed in writing and are regulated by the Macau Commercial Code, as approved by the Decree-Law no. 40/99/M, as amended by the Laws 4/2015, 16/2009 and 6/2000.

The terms and conditions of franchise agreements are freely agreed between the parties, provided compliance with the minimum mandatory provisions of, and protection stated in, the Macau Commercial Code is ensured. Such mandatory legal provisions include, *inter alia*, a minimum contractual term of three years and:

- a) For the franchisor: minimum quality guarantees, information and disclosure obligations, obligation to act in good faith;
- b) For the franchisee: obligation to have the franchisor's approval before changing the location of the premises, to price the goods as recommended by the franchisor, to act in good faith, to follow the franchisor's instructions in order to fully achieve the purpose of the agreement, to follow strict confidentiality obligations in respect of know-how and trade secrets, to safeguard the core identity, image and reputation of the franchise, to not promote the sale of goods in competition with those produced or distributed by the franchisor, to obtain the franchisor's written consent before using the know-how for other purposes other than the operation of the franchise or before disclosing it to a third party, to promptly inform the franchisor in respect of any infringement of the intellectual and industrial property rights used in the franchise.

The franchise agreement includes, by nature, the franchisee's right to use the franchisor's industrial and intellectual property rights and other elements that identify the business of the franchisor as well as to peaceful enjoyment of the industrial and intellectual property rights authorised, and of the know-how provided to the franchisee. A franchise agreement provides sufficient title for the valid usage of intellectual property rights in the context of the franchise.

# **REGULATORY OVERVIEW**

# Laws in relation to intellectual property rights

Macau law protects the various forms of intellectual or industrial property and complies with the standards set in the main international conventions. Intellectual property rights protection in Macau is provided by the Juridical Regime of Industrial Property, as approved by the Decree-Law no. 97/99/M and as amended by Law no. 11/2001.

Under the Juridical Regime of Industrial Property the intellectual property rights' protection in Macau, including trademarks, is obtained after successful registration of the intellectual property rights with the Macau Economic Services Bureau.

Under the Juridical Regime of Industrial Property, intellectual or industrial property rights may be fully or partially licensed in writing. The licensee is not allowed to assign the rights unless it obtains permission or if such is expressly agreed in the relevant agreement.

## **OUR HISTORY**

Our history can be traced back to 2010 when we launched our first Japanese ramen restaurant in Central under the brand " $\mathbb{K}\mathbb{E}$ ". Being aware of the business potential of offering premium quality "Hakata-Style" Japanese ramen in Hong Kong around 2010, Mr. C Tang, our executive Director and Chief Executive Officer, established the brand " $\mathbb{K}\mathbb{E}$ " in Hong Kong with his personal savings. Since the inception of our business, we have positioned our brand " $\mathbb{K}\mathbb{E}$ " as a Japanese ramen specialist offering premium quality "Hakata-Style" Japanese ramen to our customers. Leveraging on Mr. C Tang's knowledge and insights on the Japanese ramen market in Hong Kong, our brand " $\mathbb{K}\mathbb{E}$ " gained increasing popularity and recognition over the years. Under the leadership and effort of Mr. C Tang and other members of the management, we have captured business opportunities from tourists and the local population and expanded our operations to geographic footprints covering more than 10 locations in Hong Kong, Macau and the PRC.

# **OUR KEY MILESTONES**

Year	Event
2010	We opened our first Japanese ramen restaurant at Wo On Lane in Central
2011	We were awarded "Best Japanese Restaurant" by OpenRice
March 2013	We established our central kitchen in Kwun Tong
2015	We were awarded "Best-Ever Dining Awards 2015" by Weekend Weekly
2015-2017	We were awarded "Hong Kong Top 100 Cuisine Awards" by Group Buyer
November 2015	We expanded our restaurant operations to the PRC by opening our Shanghai Restaurant
June 2016	We expanded our restaurant coverage to Macau by franchising our brand "豚王" to a Macau hotel operator to operate the Macau Restaurant
June 2017	We expanded our restaurant operations to Guangzhou
November 2017	We expanded our restaurant operations to Shenzhen
2017	We were awarded "Certificate of Popularity for the year 2017" by Dianping.com

#### **OUR GROUP**

Our Group has a number of direct and indirect subsidiaries incorporated in the BVI, Hong Kong and the PRC. Details of the members of our Group and their respective corporate history are set out below.

#### **OUR COMPANY**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 July 2018 with an authorised share capital of HK\$10,000 divided into 1,000,000 shares of par value HK\$0.01 each. On 23 July 2018, one fully-paid Share was allotted and issued to the initial subscriber who is an Independent Third Party, which was subsequently transferred to Brilliant Trade on the same day. Since its incorporation, our Company has been an investment holding company with no business operations. Upon completion of a series of steps of reorganisation as described under the paragraph headed "Reorganisation" in this section below, our Company became the ultimate holding company of our Group for the purposes of the Listing and directly holds Butao Global and indirectly holds all the interests in the various subsidiaries of our Group.

#### **OUR SUBSIDIARIES**

#### HONG KONG

#### **Billion Kingsway**

Billion Kingsway was incorporated in Hong Kong with limited liability on 5 December 2012 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Billion Kingsway is principally engaged in the procurement and processing of food ingredients for the operation of our restaurants in Hong Kong and the franchise restaurant in Macau.

On 5 December 2012, one fully-paid share of Billion Kingsway was allotted and issued to an Independent Third Party as the initial subscriber and was subsequently transferred to Brilliant Trade on 2 January 2013 at a consideration of HK\$1. On 26 March 2015, Brilliant Trade transferred one share, being the entire issued share capital of Billion Kingsway to Butao Ramen at a consideration of HK\$1. Since then, Billion Kingsway has been a directly wholly-owned subsidiary of Butao Ramen.

# Butao Asia

Butao Asia was incorporated in Hong Kong with limited liability on 9 September 2011 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Butao Asia is principally engaged in the provision and management of human resources of our Group.

On 9 September 2011, 100 fully-paid shares of Butao Asia were allotted and issued to Butao Ramen BVI as the initial subscriber. On 26 March 2015, Butao Ramen BVI transferred 100 shares, being the entire issued share capital of Butao Asia to Butao Ramen at a consideration of HK\$1 per share. Since then, Butao Asia has been a directly wholly-owned subsidiary of Butao Ramen.

# **Butao China**

Butao China was incorporated in Hong Kong with limited liability on 26 February 2015 with an issued share capital of HK\$100 divided into 100 shares. Butao China is an investment holding company of each of Butao Shanghai, Butao Shanghai (Trading), Butao Guangzhou and Butao Shenzhen which operates our Shanghai Restaurant, Guangzhou Restaurant and Shenzhen Restaurant respectively, and are all principally engaged in the sales of Japanese ramen in the PRC.

On 26 February 2015, 100 fully-paid shares of Butao China were allotted and issued to Butao Ramen as the initial subscriber at a consideration of HK\$1 per share. Since then, Butao China has been a directly wholly-owned subsidiary of Butao Ramen.

# Butao HK

Butao HK was incorporated in Hong Kong with limited liability on 13 September 2012 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Butao HK is an investment holding company to each of Butao International, Right Direction, New Topworld and Fortune City and operates our Causeway Bay Restaurant 2, Taikoo Shing Restaurant, Tsim Sha Tsui Restaurant 2 and Tsuen Wan Restaurant, which are all principally engaged in the sales of Japanese ramen.

On 13 September 2012, 100 fully-paid shares of Butao HK were allotted and issued to Mr. C Tang as the initial subscriber at a consideration of HK\$1 per share. On 26 March 2015, Mr. C Tang transferred the entire issued share capital of Butao HK to Butao Ramen at a consideration of HK\$1 per share. On 21 April 2016, 499,900 shares were further allotted and issued to Butao Ramen at a consideration of HK\$1 per share. Since then, Butao HK has been a directly wholly-owned subsidiary of Butao Ramen.

# **Butao International**

Butao International was incorporated in Hong Kong with limited liability on 24 April 2012 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Butao International is principally engaged in the operation of our Central Restaurant.

On 24 April 2012, 100 fully-paid shares of Butao International were allotted and issued to Butao Ramen as the initial subscriber at a consideration of HK\$1 per share. On 30 March 2015, Butao Ramen transferred 100 shares, being the entire issued share capital of Butao International to Butao HK at a consideration of HK\$1 per share. Since then, Butao International has been a directly wholly-owned subsidiary of Butao HK.

# Butao Ramen

Butao Ramen (formerly known as Nagi, Ramen Limited) was incorporated in Hong Kong with limited liability on 25 June 2010 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Butao Ramen is an investment holding company engaged in the provision of management services to the subsidiaries of our Group.

On 25 June 2010, 6,000 fully-paid shares and 2,000 fully-paid shares of Butao Ramen were allotted and issued to Mr. C Tang and an Independent Third Party as initial subscribers at a consideration of HK\$1 per share. Pursuant to a sale and purchase agreement dated 28 March 2011 entered into between Mr. C Tang and the Independent Third Party, the Independent Third Party agreed to sell and Mr. C Tang agreed to purchase the 2,000 shares in Butao Ramen for a consideration of HK\$700,000, whereby such transfer was completed on 30 March 2011. On 10 January 2017, 72,000 shares were further allotted and issued to Brilliant Trade at HK\$0.01 per share. On 6 February 2017, Mr. C Tang transferred his 8,000 shares in Butao Ramen to Brilliant Trade at a consideration of HK\$1 per share. Immediately prior to Reorganisation, Butao Ramen was wholly owned by Brilliant Trade.

#### **Fortune City**

Fortune City was incorporated in Hong Kong with limited liability on 22 May 2013 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. On 5 June 2013, the authorised share capital was subsequently increased to HK\$500,000 divided into 500,000 shares of HK\$1 each by the creation of an additional 490,000 shares. Fortune City is principally engaged in the operation of our Shatin Restaurant.

On 22 May 2013, one fully-paid share of Fortune City was allotted and issued to an Independent Third Party as the initial subscriber a consideration of HK\$1 per share. On 5 June 2013, 299,999 shares were allotted and issued to Butao Ramen at a consideration of HK\$1 per share. On 6 June 2013, the initial subscriber transferred one share in Fortune City to Butao Ramen at a consideration of HK\$1 per share. On 30 March 2015, Butao Ramen transferred 300,000 shares, being the entire issued share capital of Fortune City to Butao HK at a consideration of HK\$1 per share. Since then, Fortune City has been a directly wholly-owned subsidiary of Butao HK.

# Kind Most

Kind Most was incorporated in Hong Kong with limited liability on 16 December 2010 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Kind Most is a private company which was set up to hold the intellectual property rights of our Group.

On 16 December 2010, one fully-paid share of Kind Most was allotted and issued to an Independent Third Party as the initial subscriber and was subsequently transferred to Mr. C Tang on 10 January 2011 at a consideration of HK\$1 per share. On 23 October 2013, three shares were further allotted and issued to Mr. C Tang at a consideration of HK\$1 per share. On 26 March 2015, Mr. C Tang transferred four shares, being the entire issued share capital of Kind Most, to Butao Ramen at a consideration of HK\$1 per share. Since then, Kind Most has been a directly wholly-owned subsidiary of Butao Ramen.

## **New Topworld**

New Topworld was incorporated in Hong Kong with limited liability on 18 November 2011 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. New Topworld is principally engaged in the operation of our Tsim Sha Tsui Restaurant 1.

On 18 November 2011, one fully-paid share of New Topworld was allotted and issued to an Independent Third Party as the initial subscriber. On 28 February 2012, the initial subscriber transferred the entire issued share capital in New Topworld to Butao Ramen BVI at a consideration of HK\$1 per share, which was subsequently transferred to Butao HK on 30 March 2015 at a consideration of HK\$1 per share. Since then, New Topworld has been a directly wholly-owned subsidiary of Butao HK.

#### **Right Direction**

Right Direction was incorporated in Hong Kong with limited liability on 13 July 2011 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Right Direction initially operated our Causeway Bay Restaurant 1 which ceased to have business operations since August 2016.

On 13 July 2011, one fully-paid share of Right Direction was allotted and issued to an Independent Third Party as the initial subscriber. On 19 July 2011, 59 and 40 shares were further allotted and issued to each of Mr. C Tang and Mr. Ikuta Satoshi, an Independent Third Party, respectively, at a consideration of HK\$1 per share. On 5 August 2011, the initial subscriber transferred one share in Right Direction to Mr. C Tang at a consideration of HK\$1 per share. On 7 September 2011, each of Mr. C Tang and Mr. Ikuta Satoshi transferred all their respective issued shares in Right Direction to Butao Ramen BVI at a consideration of HK\$1 per share, which was subsequently transferred to Butao HK at a consideration of HK\$1 per share on 30 March 2015. Since then, Right Direction has been a directly wholly-owned subsidiary of Butao HK.

# THE PRC

#### Butao Guangzhou

Butao Guangzhou was established in the PRC as a WFOE on 25 December 2015 with a registered capital of RMB2,000,000. Since its establishment, Butao Guangzhou has been wholly-owned by Butao China. Butao Guangzhou is principally engaged in the operation of our Guangzhou Restaurant through Butao Guangzhou (Tianhe).

On 20 February 2017, Butao Guangzhou established Butao Guangzhou (Tianhe), in accordance with applicable laws and regulations in the PRC, for the operation of our Guangzhou Restaurant.

# Butao Shanghai

Butao Shanghai was established in the PRC as a WFOE on 30 April 2015 with a registered capital of RMB2,000,000. Since its establishment, Butao Shanghai has been wholly-owned by Butao China. Butao Shanghai is principally engaged in the operation of our Shanghai Restaurant through Butao Shanghai (Jing'an).

On 7 September 2015, Butao Shanghai established a branch office in Jing'an, Shanghai, in accordance with applicable laws and regulations in the PRC, for the operation of our Shanghai Restaurant.

#### Butao Shanghai (Trading)

Butao Shanghai (Trading) was established in the PRC as a WFOE on 20 November 2015 with a registered capital of RMB500,000. Since its establishment, Butao Shanghai (Trading) has been wholly-owned by Butao China. Butao Shanghai (Trading) has not commenced business since its establishment. On 3 September 2018, Butao Shanghai (Trading) passed a shareholder resolution on dissolution. As at the Latest Practicable Date, Butao Shanghai (Trading) was dissolved by deregistration.

# **Butao Shenzhen**

Butao Shenzhen was established in the PRC as a WFOE on 11 July 2017 with a registered capital of RMB500,000. On 20 September 2017, the registered share capital of Butao Shenzhen was subsequently increased to RMB3,000,000. Since its establishment, Butao Shenzhen has been wholly-owned by Butao China. Butao Shenzhen is principally engaged in the operation of our Shenzhen Restaurant.

# **BRILLIANT TRADE**

Brilliant Trade was incorporated in the BVI with limited liability on 30 November 2012, which is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1. On 11 December 2012, 1 share of Brilliant Trade was allotted and issued, for cash at par value, to Mr. C Tang.

On 8 September 2016, 34 shares of Brilliant Trade were further allotted and issued, for cash at par value, to Mr. C Tang. On the same day, 35 shares, 15 shares and 15 shares of Brilliant Trade were allotted and issued, for cash at par value, to Mr. HC Tang, Ms. Tai and Ms. A Tang, respectively. Since then, Brilliant Trade has been held as to 35%, 35%, 15% and 15% by Mr. C Tang, Mr. HC Tang, Ms. Tai and Ms. A Tang, respectively.

# **PRE-IPO INVESTMENT**

On 3 July 2018, Butao Global and Mr. Ng, the pre-IPO investor, entered into a subscription agreement, pursuant to which Mr. Ng agreed to subscribe for 900 shares (representing 9% of the enlarged share capital of Butao Global at the time of completion of such Pre-IPO Investment) for a total consideration of HK\$6,000,000.

# **Details of the Subscription Agreement**

Set out below are the details of the Subscription Agreement:

Date of the Subscription Agreement	:	3 July 2018
Parties to the Subscription Agreement	:	Butao Global, Mr. Ng
Number of shares issued by Butao Global	:	900 shares
Amount of consideration paid by Mr. Ng	:	HK\$6,000,000
Payment date and completion of Pre-IPO Investment	:	3 July 2018
Total number of Shares held by Mr. Ng after the Capitalisation Issue	:	33,750,000 Shares
Percentage shareholding held by Mr. Ng	:	9% of the total issued shares of our Company before the Capitalisation Issue and the Share Offer
		6.75% of the total issued shares of our Company immediately after the Capitalisation Issue and the Share Offer (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)
Cost per Share paid	:	Approximately HK\$6,666.67 per Share before the Capitalisation Issue
		Approximately HK\$0.178 per Share after the Capitalisation Issue

Discount to the Offer Price	:	Approximately 75% discount to the Offer Price assuming the Offer Price of HK\$0.70, being the maximum Offer Price
Use of proceeds	:	The proceeds from the Pre-IPO Investment of HK\$6,000,000 shall be used for the purpose of opening our new restaurant in Tsuen Wan, general working capital and payment of professional fees in connection with the Listing

The consideration paid by Mr. Ng in the Pre-IPO Investment (hence the Shares upon Listing) was determined based on arm's length negotiation and by reference to the financial position and net asset value of our Group at the time, the investment risk assumed by Mr. Ng in investing in an unlisted company and the strategic benefits which would be brought by the Pre-IPO Investment to our Group. The Pre-IPO Investment was properly and legally completed and the consideration has been duly settled on 3 July 2018. As at the Latest Practicable Date, we have applied all HK\$6.0 million of the proceeds from the Pre-IPO Investment for opening the Tsuen Wan Restaurant and payment of professional fees in connection with the Listing.

# Information regarding Mr. Ng

Mr. Ng, aged 60, has over 20 years of experience in the management and operation of photography audio equipment trading business. Mr. Ng is a personal friend of Mr. HC Tang and is a private investor. Mr. Ng is an Independent Third Party prior to the Pre-IPO Investment and is not connected (as defined in the GEM Listing Rules) with our Group or any of its connected persons (including the Controlling Shareholders). As advised by Mr. Ng, Mr. Ng invested in our Group due to his confidence in the management and potential of our Group and the room for growth and expansion of Japanese ramen restaurants in the fast casual market in Hong Kong and Asia. Our Company believes that the Pre-IPO Investment provides additional capital to our Group and would strengthen the business network of our Group. Moreover, given that Mr. Ng has accumulated years of experience in the management and operation of photography audio equipment trading business, that requires knowledge and experience in different aspects of business, such as regulatory compliance, tax compliance, business development, communications with suppliers, staff management and stock management, our Directors are of the view that his commitment to our Company can benefit our Group's corporate governance and internal control by sharing his experience and knowledge in these different aspects of business that he gathered in the retail market in Hong Kong with our Directors.

Given that Mr. Ng will be holding less than 10% of the total issued share capital of our Company immediately following the completion of the Capitalisation and the Share Offer, Mr. Ng is solely a passive investor in our Group and not a substantial Shareholder under the GEM Listing Rules, as such, the Shares held by Mr. Ng will be counted as part of the public float for the purpose of Rule 11.23 of the GEM Listing Rules.

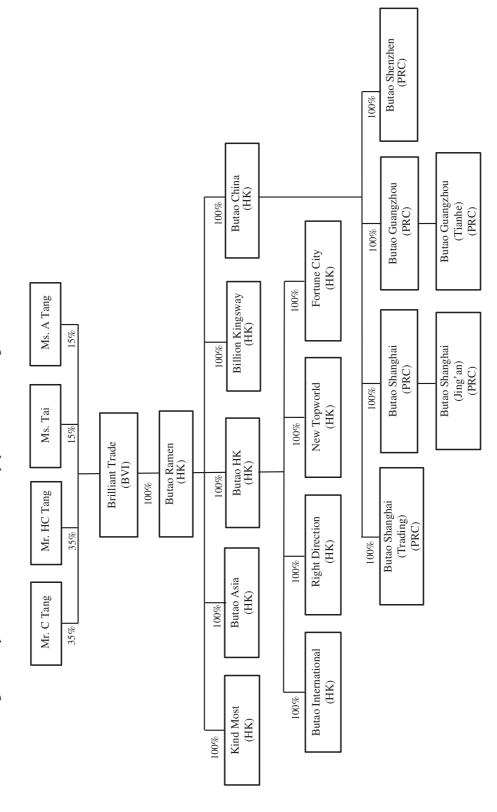
The terms of the Subscription Agreement did not grant Mr. Ng with any special right in connection with the Pre-IPO Investment and did not impose any lock-up obligations over the Shares held by Mr. Ng upon Listing.

# Sole Sponsor's view

The Sole Sponsor is of the view that the Pre-IPO Investment is in compliance with the Guidance Letters HKEx-GL-29-12, HKEx-GL43-12 and HKEx-GL44-12 in respect of guidance on Pre-IPO Investments issued by the Stock Exchange, as the Pre-IPO Investment has been completed at least 28 days before the date of our Company's first submission of the listing application.



The shareholding and corporate structure of our Group prior to the Reorganisation is set out below:



In preparation for the Listing, our Group underwent the Reorganisation through the following major steps:

# 1. Incorporation of Butao Global

Butao Global was incorporated in the BVI with limited liability on 14 June 2018, which is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1. On 21 June 2018, 9,090 shares of Butao Global were allotted and issued, for cash at par value, to Brilliant Trade.

# 2. Disposal of the entire equity interests in Butao Ramen by Brilliant Trade to Butao Global

Pursuant to a share swap agreement dated 27 June 2018, Butao Global acquired 80,000 shares in Butao Ramen from Brilliant Trade, in consideration of 10 new shares in Butao Global credited as fully paid at par, being allotted and issued to Brilliant Trade. Upon completion of the disposal of the 80,000 shares in Butao Ramen by Brilliant Trade, Butao Global held the entire issued share capital in Butao Ramen.

# 3. Subscription of shares in Butao Global by Mr. Ng

On 3 July 2018, Mr. Ng, as subscriber, and Butao Global, as issuer, entered into a subscription agreement whereby Mr. Ng agreed to subscribe and Butao Global agreed to allot and issue 900 shares in Butao Global to Mr. Ng at a total consideration of HK\$6,000,000, which was settled in cheque by Mr. Ng on the same day. Upon completion of the subscription, Butao Global was held as to 91% and 9% by each of Brilliant Trade and Mr. Ng, respectively.

# 4. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 July 2018, with an initial authorised share capital of HK\$10,000 divided into 1,000,000 Shares of par value of HK\$0.01 each. Our Company is an investment holding company. Upon incorporation, one share was allotted and issued for cash at par to the initial subscriber, an Independent Third Party, which was subsequently transferred to Brilliant Trade on the same day.

# 5. Disposal of the entire equity interest in Butao Global by Brilliant Trade and Mr. Ng to the Company

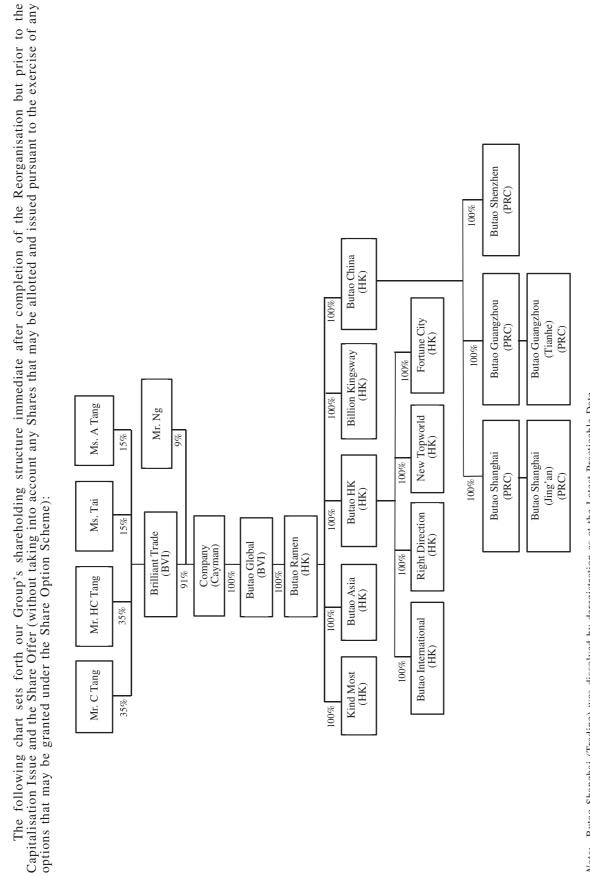
Our Company acquired the entire 10,000 shares in Butao Global from Brilliant Trade and Mr. Ng respectively, in consideration of 9,099 Shares and 900 Shares credited as fully paid at par, being allotted and issued to Brilliant Trade and Mr. Ng respectively, pursuant to a share swap agreement dated 21 February 2019. Upon completion of the disposal of the entire equity interest in Butao Global by Brilliant Trade and Mr. Ng, our Company held the entire interest in Butao Global. Our Company is in turn owned by each of Brilliant Trade and Mr. Ng as to 91% and 9% respectively.

# 6. Capitalisation Issue and Share Offer

The authorised share capital of the Company was increased from HK\$10,000 divided into 1,000,000 Shares of par value HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of par value HK\$0.01 each by the creation of an additional 9,999,000,000 Shares of par value HK\$0.01 each on 21 February 2019.

Subject to (i) all the Shareholders passing the necessary shareholders resolutions and (ii) the Share Offer becoming unconditional and the share premium account of our Company having sufficient balance, our Directors were authorised to capitalise the amount of HK\$3,749,900 standing to the credit of the share premium account of our Company by applying such sum in paying up a total at par of 374,990,000 Shares for allotment and issue to the then Shareholders as at 21 February 2019 in proportion to their respective shareholding in our Company.

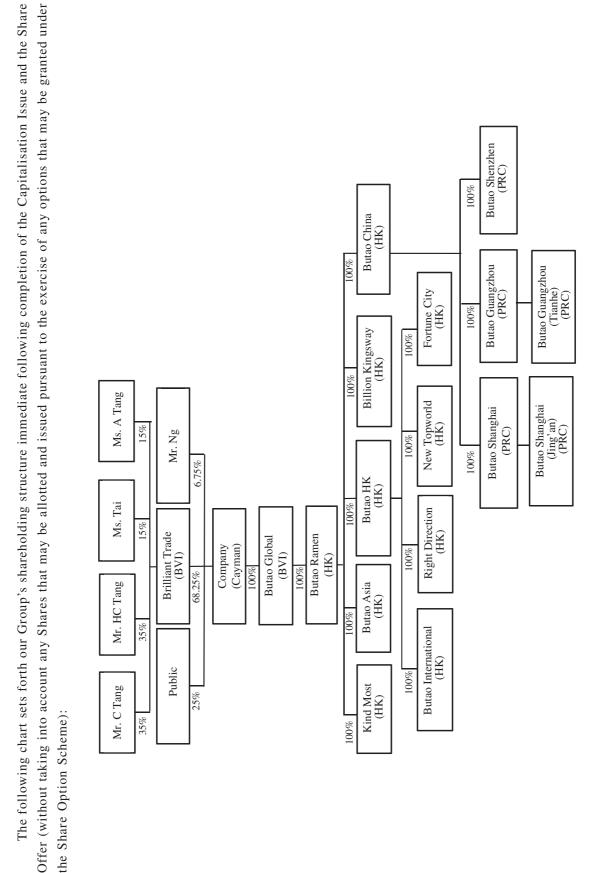
Our Company will offer 12,500,000 Public Offer Shares under the Public Offer for subscription by the public of Hong Kong and 112,500,000 Placing Shares under the Placing, representing a total of 25% of the enlarged issued share capital of our Company upon Listing.



# HISTORY, DEVELOPMENT AND REORGANISATION

Note: Butao Shanghai (Trading) was dissolved by deregistration as at the Latest Practicable Date.

**GROUP STRUCTURE** 



Note: Butao Shanghai (Trading) was dissolved by deregistration as at the Latest Practicable Date.

# HISTORY, DEVELOPMENT AND REORGANISATION

#### **OVERVIEW**

We are a well-known restaurant chain operator selling Japanese ramen in Hong Kong, Macau and the PRC under the brand "豚王". We launched our first Japanese ramen restaurant at Wo On Lane in Central in 2010 with a business objective to provide premium quality Japanese ramen to our customers, and we placed a lot of effort and emphasis on the quality control of our Japanese ramen. To establish the status of quality Japanese ramen specialist, we only offer 4 to 5 types of Japanese ramen with different flavours in our shops, but the production process and quality of each flavour of our Japanese ramen is carefully monitored. The Japanese ramen we offer are mainly "Hakata-Style" that we use a lot of fresh meat and pork bones in making the pork bone broth, giving it a strong flavour and thick texture. Over the years, this strategy has proven to be successful and our Japanese ramen and our "豚王" brand became well-known and popular, and we expanded quickly in Hong Kong, Macau and the PRC. As at the Latest Practicable Date, we operate 10 ramen restaurants in Hong Kong and the PRC, all of them are strategically located. We also franchised our brand "豚王" to an Independent Third Party to operate the Macau Restaurant and granted an exclusive licence to an Independent Third Party to use our trademarks in relation to the manufacture and sale of the licensed products. As a testament to the quality of our ramen and the popularity of our "豚王" brand, we have obtained various awards and recognition, including the "Hong Kong Top 100 Cuisine Awards", "U Favorite Food Awards", "Best-Ever Dining Awards 2015", "Best Japanese Restaurant" and "Certificate of popularity for the year 2017" granted by different media and organisations.

For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, our Group's revenue amounted to approximately HK\$83.8 million, HK\$99.6 million and HK\$45.2 million, respectively. The following table sets out the breakdown of our revenue by restaurants and nature during the Track Record Period.

		For the year ended 31 March 2017 2018				For the five months ended 31 August 2017 2018			
Restaurant	Year of commencement of operation	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000	% of total revenue %	<b>Revenue</b> HK\$'000 unaudited)	% of total revenue %	Revenue HK\$'000	% of total revenue %
Self-operated Restaurant									
Causeway Bay Restaurant 1	2011	17(1	57						
( <i>Note 1</i> ) Tsim Sha Tsui Restaurant 1	2011 2012	4,764	5.7	11 025	11.0	5 110	13.4	2 0 4 7	0.5
Central Restaurant	2012	13,471	16.1 15.7	11,825 12,717	11.9 12.8	5,110 5,139	13.4	3,847 5,027	8.5 11.1
Shatin Restaurant	2013	13,208 23,472	28.0	24,422	24.5	9,747	25.5	11,885	26.3
Causeway Bay Restaurant 2	2013	23,472	28.0	24,422	24.5	9,747	25.5	11,005	20.5
(Note 1)	2016	9,230	11.0	14,095	14.1	5,848	15.3	5,807	12.9
Taikoo Shing Restaurant	2010	4,472	5.3	9,682	9.7	3,976	10.4	3,972	8.8
Tsim Sha Tsui Restaurant 2	2010	1,172	5.5	9,002	2.1	5,770	10.1	5,772	0.0
(Note 2)	2018	_	_	1,294	1.3	_	_	3,482	7.7
Shanghai Restaurant	2015	11,128	13.3	9,835	9.9	4,262	11.2	3,432	7.6
Guangzhou Restaurant (Note 2	) 2017			5,901	5.9	1,679	4.4	2,148	4.8
Shenzhen Restaurant (Note 2)	2017	_	_	4,143	4.2	_	_	3,110	6.9
Sub-total		79,745	95.1	93,914	94.3	35,761	93.7	42,710	94.6
Franchised Restaurant									
Macau Restaurant (Note 3)	2016	4,087	4.9	5,723	5.7	2,402	6.3	2,416	5.3
Royalty (Note 4)								34	0.1
Total		83,832	100.0	99,637	100.0	38,163	100.0	45,160	100.0

Notes:

- Causeway Bay Restaurant 1 was relocated to Shop 4, Ground Floor, V Point, 18 Tang Lung Street, Causeway Bay, Hong Kong as Causeway Bay Restaurant 2 in August 2016 to accommodate our Group's need for a shop with a larger floor area.
- 2. Our Tsim Sha Tsui Restaurant 2, Guangzhou Restaurant and Shenzhen Restaurant commenced business in February 2018, June 2017 and November 2017, respectively.
- 3. Revenue generated from the Macau Restaurant, which commenced business in June 2016, includes franchise fee and sales of food and accessories products for franchisee's operation under the Macau Franchise Agreement.
- 4. Royalty represents the income generated from the exclusive licence granted to the licensee to use our trademarks in relation to the manufacture of the licensed products pursuant to the Trademark Licencing Agreement. For further details, please refer to the section headed "Business — Trademark Licencing Agreement" in this prospectus.

# **COMPETITIVE STRENGTHS**

We believe that our historical success and future prospects are underpinned by a combination of competitive strengths including:

# We have developed a strong and popular brand name

We have successfully established an image as a provider of high quality Japanese ramen. We adopt a consistent and high level of quality control to ensure excellence in quality of our Japanese ramen and customer service for maximum customer satisfaction. Since commencing business in 2010, we have successfully built a reputation for our Japanese ramen as a premium quality product. Our " $\mathbb{KE}$ " brand is well-recognised and popular and therefore, we have been able to attract new customers and enhance customers' loyalty with our strong brand name.

In addition, our strong brand name has given us leverage to successfully establish our restaurant network strategically in prime locations with higher consumption power, easy accessibility and high pedestrian traffic. We also believe that we are a valued and preferred tenant for landlords who wants to introduce ramen or japanese restaurant to their shopping malls and shops, allowing us to negotiate for more favourable leasing terms as compared to other potential tenants.

As our brand " $\mathbb{WE}$ " is self-developed, our Group has control over our branding, image and marketing strategy. We are able to be flexible and innovative with our branding efforts as we have the discretion to utilise our intellectual property as we see fit in order to cater to changes in market trends and customer sentiment.

#### We place strong emphasis on the quality of our Japanese ramen and services

Our Directors believe that providing premium quality in both our Japanese ramen and customer service are key to our success. We therefore place strong emphasis on the quality control of the food and services provided. To ensure our Japanese ramen has a consistent flavour and quality, some food selection, food processing and seasoning are conducted in our central kitchen, our chefs are required to follow our cooking procedures and we have a comprehensive quality control manual for our chefs and employees to follow. In addition, we have a quality control team to ensure the good quality of our Japanese ramen. Also, we have a service manual for our wait staff to follow in order to ensure the quality of services we provide. Furthermore, we provide regular in-house training to our staff in order to ensure that they are equipped with the most up-to-date industry knowledge and skills to provide quality service to our customers and keep our restaurants in good condition. Our staff are also intermittently assessed to ensure they are aware of and maintain service protocols. We also provide channels, such as distributing feedback forms, for customers to leave their comments, suggestion, appreciation or, if applicable, complaints. We would from time to time analyse these feedbacks and utilise them in designing trainings and service manual in the future.

We also provide our customers with new offerings in the form of our "limited king" (限定王) which consists of a new Japanese ramen flavour, typically available for a single calendar month at a time. During the Track Record Period, we introduced 25 flavours as part of our "limited king" (限定王) product line-up.

#### Our restaurants are strategically located

We believe that locations of our restaurants are critical to our Group's strategy of targeting a customer base with higher consumption power and the promotion of our Group's brand and reputation. Our restaurants in Hong Kong are strategically located in prominent commercial areas, residential areas or shopping complexes in Central, Causeway Bay, Taikoo Shing, Tsim Sha Tsui, Tsuen Wan and Shatin. The locations of our restaurants in the PRC and the Macau Restaurant are also strategically planned, and at prime locations with higher consumption power and high pedestrian traffic, such as commercial areas or shopping complexes.

# **BUSINESS STRATEGIES**

We have formulated the following business strategies to strengthen our position as a Japanese ramen specialist:

#### Setting up of new outlets in Hong Kong

Our chain of restaurants in Hong Kong are our principal source of income and earnings and we intend to continue to expand our network of restaurants to new locations in Hong Kong where we currently do not have a presence and/or open additional restaurants in districts where we have existing operations and there is potentially untapped demand.

In addition to our new restaurant in Tsuen Wan, we currently expect to set up four new restaurants under the brand " $\[mathbb{K}\] \pm$ " in (i) Mongkok in or around mid-2019; (ii) Tseung Kwan O in or around late-2019; (iii) Tuen Mun in or around mid-2020; and (iv) Kwun Tong in or around late-2020.

Our Group will closely monitor the performance of our restaurants and make appropriate adjustments based on each restaurant's financial performance and the market opportunities available to maximise return on investment to our Shareholders.

# Enhancement of our existing central kitchen

Our central kitchen in Kwun Tong supports our Group's operations in Hong Kong as well as our franchisee in Macau by acting as a centralised location for, among others, food procurement and processing, seasoning of certain key ingredients, semi-product testing, storage and quality control. In order to fulfil these responsibilities with efficiency and ensure the necessary support is made available to our expanding network of restaurants in Hong Kong, we will enhance our central kitchen facilities and capacity.

We currently plan to expand our existing central kitchen by mid 2019. The process will entail acquiring additional machineries and facilities. Based on the current market conditions, we estimate the corresponding cost for expansion of our existing central kitchen would be HK\$7.5 million, which will be funded by the net proceeds from the Share Offer.

#### Further enhancement of our brand recognition

While we intend to increase our geographical presence throughout Hong Kong by opening additional restaurants in Hong Kong, we will also keep up with our current strategies in promoting our self-owned brand " $\ensuremath{\mathbb{R}}\xspace$ " and existing restaurants and to increase customer traffic and restaurant visits in Hong Kong and the PRC by increasing the annual advertising expenses. We will enhance our current marketing efforts which have traditionally been heavily reliant on word-of-mouth marketing and enhance promotions in conventional media channels and online platform. We also intend to engage in more marketing campaigns and other marketing activities as well as participate in more different cooking competitions.

We also plan to allocate resources to develop a mobile marketing platform application. In addition to promoting our brand, the mobile application will be a platform to allow our Group to inform the public of our Group's new product offerings and act as a loyalty programme to reward returning customers. Our Directors believe this will assist in increasing the rate and number of returning customer visits to our restaurants.

#### **OUR BUSINESS AND RESTAURANTS**

We are a restaurant chain operator with restaurants selling Japanese ramen in Hong Kong and the PRC under the brand "im  $\pm$ ".

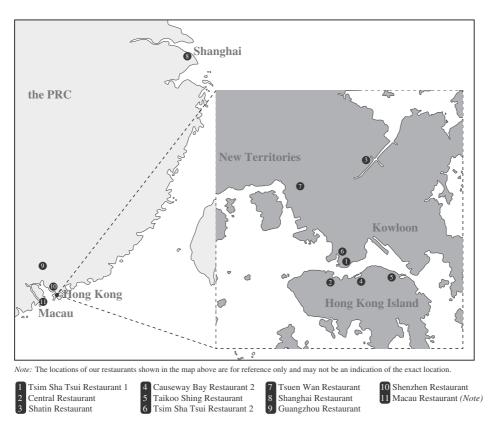
The table below summarises the movement of number of restaurants during the Track Record Period and up to the Latest Practicable Date:

	Number of self-o restauran	Number of franchised restaurant	Total	
	Hong Kong	PRC	Macau	
As at 1 April 2016	4	1	_	5
Commencement of operation during the year (Note 1)	2	_	1	3
Closure of restaurant during the year				
(Note 1)	(1)			(1)
As at 1 April 2017	5	1	1	7
Commencement of operation during the				
year (Note 2)	1	2		3
Closure of restaurant during the year				
As at 1 April 2018	6	3	1	10
Commencement of operation during the year ( <i>Note 3</i> )	1		_	1
Closure of restaurant during the year				
As at the Latest Practicable Date	7	3	:	11

#### Notes:

- During the year ended 31 March 2017, our self-operated Taikoo Shing Restaurant commenced operation, and Causeway Bay Restaurant 1 was relocated to a larger outlet as Causeway Bay Restaurant 2 to accommodate the business needs. During the same financial year, Macau Restaurant commenced business under the operation of the franchisee under the Macau Franchise Agreement.
- 2. During the year ended 31 March 2018, our self-operated restaurants, namely Tsim Sha Tsui Restaurant 2, Guangzhou Restaurant and Shenzhen Restaurant commenced operation.
- 3. During the period from 1 April 2018 and up to the Latest Practicable Date, our self-operated Tsuen Wan Restaurant commenced operation.

All of our restaurants are strategically located in prominent commercial areas, residential areas or shopping complexes in Hong Kong. Our restaurants in Hong Kong are located in Central, Causeway Bay, Taikoo Shing, Tsim Sha Tsui, Tsuen Wan and Shatin according to their respective customer base. Our Macau Restaurant is located within the Galaxy Macau and our Shanghai Restaurant is situated in the Jing'an District of Shanghai. We also have restaurants located in the Tianhe District of Guangzhou and Futian District of Shenzhen. The following map illustrates the locations of our restaurants in Hong Kong, Macau and the PRC as at the Latest Practicable Date:



Note: Macau Restaurant is operated by the franchisee under the Macau Franchise Agreement.

The following images show the environment of our restaurants.

Tsim Sha Tsui Restaurant 1



Central Restaurant



Shatin Restaurant



Causeway Bay Restaurant 2



Taikoo Shing Restaurant



Tsim Sha Tsui Restaurant 2



Tsuen Wan Restaurant



Shanghai Restaurant





Guangzhou Restaurant



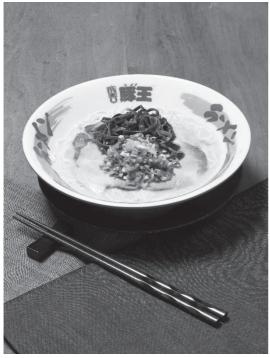
Shenzhen Restaurant



Macau Restaurant



We have strength in cooking "Hakata-Style" Japanese ramen. We use a large amount of fresh meat and pork bones in making the broth of our ramen, that gives a strong flavour and is thick in texture. In addition, the sauce and the ingredients used are carefully selected. The following images show the signature dishes of our restaurants.



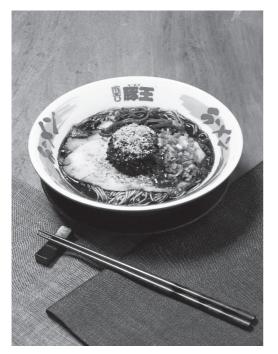
Butao (豚王)

Signature pork bone broth ramen. The pork bone broth (Tonkotsu) is with top quality ingredients and long preparation time to define a full-bodied texture with layers of flavours.



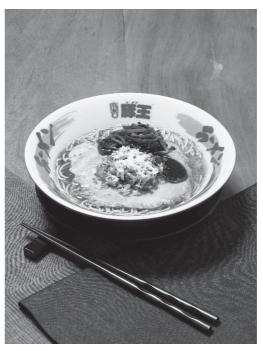
Red King (赤王)

Based on signature pork bone broth ramen with spicy sauce and "red ball". The sauce and the balls are made with chilli powder, spicy sauce, miso, sesame oil and minced pork.



Black King (黑王)

Based on signature pork bone broth ramen with "black sauce" and "black ball". The sauce and the balls are made with black garlic, squid ink, minced pork, vegetable and tantalising mixture of seasonings.



Green King (翠王)

Based on signature pork bone broth ramen infused with olive oil and fresh basil leaves and parmesan cheese powder on top.



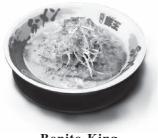
Black Truffle King (黑松露王)



Sea Salt Niboshi King (海鹽王)



Genki King (元氣王)



Bonito King (鰹魚王)



Black Vinegar King (黑醋王)

Limited King (限定王) Periodic special based on signature pork bone broth ramen

# **Macau Franchise Agreement**

We entered into the Macau Franchise Agreement in May 2016, to franchise our brand " $\mathbb{W}\Xi$ " to the franchisee, who is a hotel operator in Macau and an Independent Third Party, to operate the Macau Restaurant which commenced operation on 10 June 2016. The Macau Franchise Agreement grants the franchisee the exclusive right to operate a restaurant under the brand " $\mathbb{W}\Xi$ " in Macau. Our Directors believe that the Macau Franchise Agreement would have positive impact on our Group's performance and image. Save for the Macau Franchise Agreement, during the Track Record Period and as at the Latest Practicable Date, we have not entered into any other franchise agreements.

Set out below are the major terms of the Macau Franchise Agreement:

Location:	Macau
Scope:	For the operation of the Macau Restaurant and the use of the brand "豚王" in Macau
Tenure:	5 years commencing from the date on which the Macau Restaurant commences operation (renewable for an additional 3 years at the franchisee's option)
Amount and nature of franchise fees to be paid:	HK\$500,000 as an one-off licence fee and 5% of monthly sales as a royalty fee
Roles and responsibilities of the contracting parties:	Franchisor to provide franchisee with various types of operational support, including all raw and semi-processed food ingredients (at an additional fee), operation workflow, advices on the restaurant fitting out, cooking equipment and techniques and uniforms
	Franchisee to obtain exclusive right to use the trademark for the business in Macau

We place great emphasis on quality control with respect to our franchisee. We provide upfront and continuing training to our franchisee and we sell the necessary semi-processed food ingredients, such as broth, meat, noodles and seasonings to them to ensure consistency in quality of their ramen. In addition, we have a dedicated team to monitor the performance of our franchisee. Our franchisee is subject to our periodic or unscheduled review on food quality and safety as well as customer satisfaction. Our Directors are of the view that the operating cost incurred by us through the provision of advices on restaurant fitting out, cooking equipment, techniques and uniforms is immaterial as compared to the respective royalty fee received during the Track Record Period. Pursuant to the Macau Franchise Agreement, we have the right to terminate the agreement if the franchisee fails our review and fails to remedy the deficiencies within a specified period of time. During the Track Record Period and up to the Latest Practicable Date, there had not been any material deficiencies identified by us in the review on the franchisee and we would prefer to renew the Macau Franchise Agreement with similar terms upon its expiry, including the franchise fees.

## **Trademark Licencing Agreement**

On 19 July 2018, we entered into a Trademark Licencing Agreement with the licensee, which is an instant noodles manufacturer and distributor, granting an exclusive licence to the licensee and its subsidiaries which are incorporated in Hong Kong, Macau and the PRC and involved in the production of licensed products to use our trademarks "**NEE**" and "**NEE**", where applicable, in relation to the manufacture and sale of the licensed products. Set out below are the material terms of the Trademark Licencing Agreement:

Duration of agreement:

- Two years
- Automatically renewed on the same terms and conditions for further terms of one (1) year upon expiration, unless otherwise determined by either or both parties by giving a written notice of at least ninety days in advance

#### Royalty:

 A royalty fee will be charged depending on the production volume of the licensed products using our trademarks

Exclusive licence

 We grant an exclusive licence to the licensee and its subsidiaries to use our trademarks on licensed products Quality control

- Right to use the trademarks is conditional on the licensee and its subsidiaries complying with the standards of quality, design and presentation applied or approved by us
- We have the right to request for representative samples of products and other materials on or in respect of which the trademarks are used

As at the Latest Practicable Date, the licensee has manufactured cup noodles using our trademarks "**\*\*\*\***" and "**\*\*\*\***" in Hong Kong under the Trademark Licencing Agreement. For the five months ended 31 August 2018, the royalty fee received by us pursuant to the Trademark Licencing Agreement amounted to approximately HK\$34,000.

ڻ
Ζ
1
Ξ
E
KE
R
-
$\geq$
~
$\mathbf{Z}$
S
Ξ
L
~
$\mathcal{I}$

Sales

The table below sets forth the general information of our Group's restaurants operated during the Track Record Period:

# Business, Restaurants and Customers

			BUSIN	IESS				
	Approximate average spending per customer	(HK\$)	N/A	112	113	107	116	106
August 2018	Al pproximate seat turnover rate	(times)	N/A	6.2	12.1	9.9	10.3	8.5
For the five months ended 31 August 2018	Approximate Approximate average seat daily turnover revenue rate	(HK\$)	N/A	25,146	32,853	77,680	37,952	25,961
or the five mo	A Number of operation days		N/A	153	153	153	153	153
E	roximate average Approximate spending number of per customer ustomer visits		N/A	34,281	44,394	110,591	50,265	37,497
	Approximate average A spending per customer	(HK\$)	N/A	Ξ	110	106	108	104
arch 2018	A pproximate seat turnover rate	(times)	N/A	8.1	13.3	8.7	11.3	8. 9.
For the year ended 31 March 2018	Approximate Approximate average seat daily turnover revenue rate	(HK\$)	N/A	32,666	35,130	67,277	38,830	26,671
For the year	A) Number of operation days		N/A	362	362	363	363	363
	roximate average Approximate spending number of per customer visits		N/A	106,091	115,532	231,185	131,018	93,430
	Approximate average A spending per customer	(HK\$)	103	109	107	102	104	102
rrch 2017		(times)	11.0	9.5	14.2	8.7	12.0	11.7
the year ended 31 March 2017	Approximate Approximate average seat daily turnover revenue rate	(HK\$)	36,366	37,111	36,386	64,659	39,785	34,664
For the year	Al Number of operation days		131	363	363	363	232	129
			46,115	124,133	123,541	230,113	89,071	43,897
	Approximate Approximate number of seating customer capacity visits	(seats)	32	36	24	73	32	29
	A Approximate floor area	(sq.m.)	34.5	78.9	41.2	122.0	70.5	53.0
	Year of commencement Approximate of operation floor area		2011	2012	2013	2013	2016	2016
	Location		Shop C, G/F, Tang Fai Building, 36-48 Tang Lung Street, Causeway Bay, Hong Kong	Shop A & B, G/F, Kam Wing Commercial Bldg, 28 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong	G/F, Fortuna Building, 69 Wellington Street, Central, Hong Kong	Shop 167, L1, New Town Plaza, Phase 1, Shatin, New Territories, Hong Kong	Shop no.4, G/F, V Point, 18 Tang Lung Street, Causeway Bay, Hong Kong	Shop G404, G/F, Yuan Kung Mansion, 20 Taikoo Shing Road, Taikoo Shing, Hong Kong
	Name of restaurant		Causeway Bay Restaurant 1 (Note 1)	Tsim Sha Tsui Restaurant 1	Central Restaurant	Shatin Restaurant	Causeway Bay Restaurant 2 (Note 1)	Taikoo Shing Restaurant
				તં	ι.	4	è.	ý.

				BU	JSINESS		
A pproximate average spending per customer	(HK\$)	Ξ	101	6	66		it 2016
	(times)	5.4	3.7	1.5	3.7		in Augus
Approximate Approximate average seat daily turnover revenue rate	(HK\$)	22,759	22,429	14,041	20,326		urant 2
A Number of operation days		153	153	153	153		ay Resta
roximate average Approximate spending number of per customer ustomer visits		31,510	34,029	22,220	31,437		seway B
Approximate average A spending per customer	(HK\$)	108	96	93	26		g as Cau
	(times)	6.1	4.8	2.3	5.6		ong Kon
Approximate Approximate average seat daily turnover revenue rate	(HK\$)	24,894	27,471	21,225	30,024		Bay, Ho
A) Number of operation days		52	358	278	138		auseway
oximate average Approximate pending number of per customer ustomer visits		12,016	102,108	63,508	42,727		Street, C
Approximate average A spending per customer	(HK\$)	N/A	88	N/A	N/A		g Lung (
	(times)	N/A	5.9	N/A	N/A		, 18 Tan
Approximate Approximate average seat daily turnover revenue rate	(HK\$)	N/A	31,083	N/A	N/A		V Point ea.
A) Number of operation days		N/A	358	N/A	N/A		ıd Floor, floor ar
A pproximate number of customer visits		N/A	126,179	N/A	N/A		4, Groun a larger
Ar Approximate seating capacity	(seats)	38	90	98	5.5		o Shop ' op with
Year of Al commencement Approximate of operation floor area	(sq.m.)	83.8	198.0	473.0	164.0		relocated t ed for a sh
Year of commencemer of operation		2018	2015	2017	2017		ant 1 was roup's ne
Location		Shop No.6, G/F, Champagne Court, 40-46 Carnaron Road, Tsim Sha Tsui, Kowloon, Hong Kong	Room L112 & L212, 1st & 2nd Floor, 88 Tongren Road, Jing 'an District, Shanghai	Unit 8B, 3/F, Kingold Century, 62 Jinsui Road, Zhujiang New Town, Tianhe District, Guangzhou	Shop N603-b, 6/F, Ping An International Finance Centre, 5033 Yi Tian Road, Futian District, Shenzhen		Causeway Bay Restaurant 1 was relocated to Shop 4, Ground Floor, V Point, 18 Tang Lung Street, Causeway Bay, Hong Kong as Causeway Bay Restaurant 2 in August 2016 to accommodate our Group's need for a shop with a larger floor area.
Name of restaurant		Tsim Sha Tsui Restaurant 2 ( <i>Note 2</i> )	Shanghai Restaurant	Guangzhou Restaurant (Note 2)	Shenzhen Restaurant (Note 2)	es.	Causev to accc
Namu resta		7. Tsim Resta ( <i>Note</i>	8. Shang Resta	9. Guany Resta ( <i>Note</i>	10. Shenz Resta (Note	Notes:	i.

For the years ended 31 March 2017 and 2018, the average daily revenue of our restaurants generally remained stable, mainly resulted from the increase in average spending per customer following our price adjustment during the year while the seat turnover rate decreased slightly. Our Taikoo Shing Restaurant and Shanghai Restaurant recorded a decrease in average daily revenue for the year ended 31 March 2018. Our Directors consider that such decrease was mainly attributable to the decrease in seat turnover rate resulted from the increasing competitions of food services near our Taikoo Shing Restaurant and Shanghai Restaurant.

#### Capital investment, renovation and refurbishment of our restaurants

In view of our Group's business nature, significant capital expenditures are considered necessary for renovation and installation of new equipment and facilities at the time our new restaurants are opened. For our existing restaurants, the initial capital expenditures were generally funded by internal resources and bank loans obtained by our Group. In addition, we also renovate and refurbish our restaurants from time to time as our management consider necessary in order for our restaurants to stay competitive. Generally, our Group does not have a specific renovation and refurbishment cycle. According to our past experience, the initial installation could remain in good condition for longer than the respective rental term of our restaurants. As such, large-scaled renovation and installation are generally not required upon the expiry of our lease agreements, and only minor renovation and refurbishment of our existing restaurants, which cost much less than the initial capital expenditures, is required. During the Track Record Period, our Group incurred capital expenses on leasehold improvements and fixtures and equipment of approximately HK\$5.8 million, HK\$8.2 million and HK\$3.1 million for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, respectively.

Our Directors consider that the successful renewal of lease agreements of our restaurants would allow us to considerably reduce the depreciation expenses for those restaurants, and hence improve our Group's profitability as a whole.

#### Operating breakeven period and investment payback period of our restaurants

According to the past experience of our Group, our Directors expect that we would normally achieve operating breakeven period of approximately one to three months for our new restaurants, in terms of EBITDA. Based on our past experience and the current estimations of our Group, our Directors also expect that it would normally take approximately one year for our new restaurants to reach investment payback points, which our Directors consider being the time when the accumulated net cash flows generated from operating activities of a restaurant exceeds its costs of opening and ongoing capital expenditures. The following table sets out the approximate historical operating breakeven period and investment payback period of our Group's restaurants, based on the unaudited management accounts or statutory financial statements of the relevant operating subsidiaries:

Restaurant	Historical operating breakeven period (months) (Note 1)	Investment payback period (months) (Note 2)
Causeway Bay Restaurant 1 (Note 3)	within 5	within 12
Tsim Sha Tsui Restaurant 1	2	8
Central Restaurant	4	9
Shatin Restaurant	2	7
Causeway Bay Restaurant 2	1	5
Taikoo Shing Restaurant	1	4
Tsim Sha Tsui Restaurant 2	2	13 (Note 4)
Tsuen Wan Restaurant	1	9 (Note 4)
Shanghai Restaurant	7	38
Guangzhou Restaurant	2	24 (Note 4)
Shenzhen Restaurant	3	18 (Note 4)

Notes:

- 1. Operating breakeven period is the period required for a restaurant to record a positive monthly EBITDA for the first time following the month of commencement of business of the restaurant, based on the unaudited management accounts of the relevant operating subsidiaries.
- 2. Investment payback period is the estimated period required for the investment cost of a restaurant to be fully covered by its accumulated net cash flows from operating activities since the commencement of business of the restaurant, based on the unaudited management accounts of the relevant operating subsidiaries.
- 3. Causeway Bay Restaurant 1 commenced operation since 2011. Operating breakeven period and investment payback period were calculated based on the statutory financial statements of the relevant operating subsidiary.
- 4. Our Tsim Sha Tsui Restaurant 2, Tsuen Wan Restaurant, Guangzhou Restaurant and Shenzhen Restaurant have yet to achieve their respective investment payback period. The figures represent the expected investment payback period of the restaurants, which is based on the unaudited management accounts of the relevant operating subsidiaries and the forecast profit before tax adjusted for depreciation for the relevant restaurants.

The investment payback period of our restaurants in the PRC is generally much longer than that of our restaurants in Hong Kong. It is mainly because our restaurants in PRC were not supported by our central kitchen in Hong Kong and hence each of them had to invest in its own facilities and machineries for processing all of the pork bone broth, chasu, seasonings and other toppings instead of relying on the supplies processed by our central kitchen, which contributed considerably to their initial investment cost.

# Our expansion plans for opening new restaurants and existing central kitchen

In October 2018, our Group opened a new restaurant in Tsuen Wan. Further, we plan to open new restaurants in Mongkok and Tseung Kwan O in mid-2019 and late-2019, respectively, and in Tuen Mun and Kwun Tong in mid-2020 and late-2020, respectively. An analysis and breakdown of our expected capital expenditure required for the five new restaurants for the period indicated is set forth below:

<b>Restaurant</b> location	Direct competition of Japanese ramen restaurants in the proposed site	Target customers	expendi	Expected capital expenditure for the year ending 31 March			
			<b>2019</b> <i>HK\$'000</i>	<b>2020</b> <i>HK</i> \$'000	<b>2021</b> <i>HK\$'000</i>		
Tsuen Wan	Moderate	Moderate population flow from residential and industrial units with moderate average spending power	3,213	_			
Mongkok	High	High population flow from commercial units with moderate average spending power		2,850	_		
Tseung Kwan O	Moderate	Moderate population flow from residential units with moderate average spending power	_	2,850	_		
Tuen Mun	Moderate	High population flow from residential and industrial units with moderate average spending power		_	2,850		
Kwun Tong	Low	High population flow from residential, commercial and industrial units with moderate to high average spending power	_	_	2,850		

The total planned capital expenditure for our Group's network expansion in Hong Kong is expected to be approximately HK\$3.2 million, HK\$5.7 million and HK\$5.7 million for the years ending 31 March 2019, 2020 and 2021, respectively, which will be funded by the net proceeds of the Share Offer and internal resources generated from the operating activities of our Group. As at the Latest Practicable Date, our Group paid an aggregate of approximately HK\$0.3 million as rental deposit and approximately HK\$3.2 million as capital expenditure for the restaurant opened in Tsuen Wan. The capital expenditure for the Tsuen Wan Restaurant is funded by the proceeds from the Pre-IPO investment and our internal resources.

In accessing the locations of our new restaurants, we have taken into account: (i) the locations of our existing restaurants; (ii) competitions in particular with respect to perception of Japanese food and ramen that may be faced in the area; and (iii) the estimated population flow and average spending power of such locations. Based on our past experience, our Directors are of the view that customers of our existing restaurants are mainly local pedestrian. Given that our restaurants in Hong Kong are located either in the Hong Kong Island, Tsim Sha Tsui or Shatin, our Directors consider that our new restaurants in Tsuen Wan, Mongkok, Tseung Kwan O, Tuen Mun and Kwun Tong are strategically located and would be able to capture their own local customer traffic and therefore would not impose material competitions with our existing restaurants.

It is estimated that with reference to the current operations, each of our restaurants would require a kitchen with a minimum area of 15 to 25 sq.m. and a restaurant hall with a minimum area of 45 to 65 sq.m. to be practically functional and economical for serving our current products in the proposed locations. As such, we are targeting potential premises of approximately 60 to 90 sq.m. for our new restaurants in Hong Kong. Based on our past experience, we estimate each of our new restaurants would require an average capital expenditure of approximately HK\$2.9 million, rental deposit of approximately HK\$1.0 million and initial working capital of approximately HK\$2.3 million.

According to our estimates, we expect our investment in the new restaurants will have an operating breakeven period of approximately one month, and a payback period of approximately one year, based on our Directors' understanding on the expected customer flows and the estimated operating cost of the new restaurants.

To support our expansion plans of opening new outlets in Hong Kong, we plan to further expand our fully-utilised existing central kitchen by renting a suitable premises for setting up the new central kitchen and acquiring new facilities and machinery, such as new production lines for pork bone broth, chasu, seasonings and other toppings for our dishes. It is estimated that with reference to the current operations and the estimated sales growth in the future, our Directors are of the view that a new central kitchen of approximately 350 sq.m., which represents approximately 60.8% of our existing central kitchen would be necessary for our expansion plan. As such, as at the Latest Practicable Date, we are in the course of identifying a potential new processing base of approximately 350 sq.m. in the industrial area in Kwun Tong, which is close to our existing central kitchen. Based on the quotations obtained by Independent Third Parties, we plan to further invest approximately HK\$8.1 million, out of which (i) approximately HK\$3.7 million will be invested as fitting out, renovation and installation of the new central kitchen, including the freezer and cool storage area; (ii) approximately HK\$2.8 million will be invested in the acquisition of additional facilities and machineries, such as production lines for pork bone broth, chasu, seasonings and other toppings; and (iii) approximately HK\$1.6 million will be used as working capital for operating the new kitchen. We estimate that approximately

three months would be required for the renovation and application and approval of the food factory license for the new central kitchen and the expansion would be completed by mid 2019 before or at about the time of the opening of our new restaurant in Mong Kok. Upon completion of the expansion, our processing capacity is expected to increase by approximately 60% from serving approximately 8 outlets to approximately 13 outlets. To cope with the expansion of our business scale in Hong Kong, we also plan to further increase our marketing efforts by applying approximately HK\$2.1 million from the Listing proceeds to develop mobile marketing application platform and engage in more promotion campaigns and other marketing activities. In addition, we plan to upgrade our existing information system and recruit additional personnel to further strengthen our operational capability and efficiency. For details of our implementation plans, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

Having considered that (i) despite the staff costs and rental expenses having been continuously rising in the past few years, our restaurants can still generally generate operating profits; (ii) the performance of our newly operated Tsuen Wan Restaurant is satisfactory and has achieved a daily seat turnover rate of approximately 13.5 for the first month of operation; (iii) the estimated payback period is approximately one year, which is reasonable and will be shorter than the lease terms of the lease agreements expected to be signed; (iv) based on our past experience, our Directors are of the view that our Group would normally be able to renew the lease agreements upon the expiry of their respective first lease term, and therefore only minimum renovation and refurbishment is required to continue our operations, which could further improve the profitability of our restaurants after the high start-up cost is recovered; (v) our Group can enjoy economies of scale upon our restaurant networks expansion and a considerable fixed portion of our costs, mainly the expenses incurred by our headquarters, product development, marketing activities, central kitchen, warehouse operations and management team, could be shared amongst our enlarged restaurant operations, and that the net profitability of our Group could be further improved as a whole; (vi) expanding our restaurant networks could further enhance our brand awareness and image and landlords, such as large property developers and shopping mall operators, may provide better terms to attract us to operate our restaurants at their premises; (vii) increase in our operation size and market share could further strengthen our bargaining power over our suppliers and better terms from creditors may also be obtained; and (viii) the Japanese ramen restaurant industry in Hong Kong is expected to have stable growth in the near future driven by the expected increase in average household income and expenditure on dining out in Hong Kong as stated in the F&S Report, therefore our Directors believe that there is sufficient demand and rationale to justify our expansion plans of opening new restaurants.

# Seasonality

Given the business nature of our Group, our business did not experience material seasonal fluctuations during the Track Record Period.

# **Pricing Policy**

In deciding the price of each menu item, our Group takes into account factors such as the cost of raw materials and food ingredients, seasonal factors, target operating profit margins, general market trends, purchasing power of our target customers and prices set by competitors. Our head chef and management periodically review and change the price of items on our menu. Our Directors believe that in the event of cost pressures in sourcing our food ingredients, our Group will be capable of adjusting the ingredients used, while maintaining the taste, portion size and quality of food. Our Directors believe that the pricing policy we adopted helps to create an attractive price-value proposition typically favoured by customers. Our Group allows for limited price adjustments in the menu items in response to special menus or promotional events launched by our Group. During the Track Record Period, all of our restaurants in Hong Kong adopted an identical pricing level, while our restaurants in the PRC shared another pricing level. Our Directors believe that such pricing policy could better assist our restaurants to cater for different culture and competitions between the PRC and Hong Kong.

# Settlement and Cash Management

The majority of our customers in Hong Kong settle their bills by cash or EPS and our customers in the PRC usually settle their bills using Alipay and WeChat Pay.

The table below illustrates the breakdown of the revenue generated from restaurants we operate by types of settlement during the Track Record Period:

	Fo	r the year en	ded 31 Mar	ch	For the five months ended 31 August				
	20	2017 2018			20	17	20	2018	
		% of total		% of total		% of total		% of total	
		revenue		revenue		revenue		revenue	
		generated		generated		generated		generated	
		from		from		from		from	
		restaurants		restaurants		restaurants		restaurants	
	HK\$'000	we operate	HK\$'000	we operate	HK\$'000	we operate	HK\$'000	we operate	
					(unaudited)				
Cash	72,984	91.5	71,172	75.8	30,791	86.1	29,307	68.6	
EPS	_	—	6,146	6.5	1,639	4.6	3,872	9.1	
Alipay and									
WeChat Pay	6,761	8.5	16,596	17.7	3,331	9.3	9,531	22.3	
Total	79,745	100.0	93,914	100.0	35,761	100.0	42,710	100.0	

# Cash

For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, settlement by cash represented approximately 91.5%, 75.8% and 68.6% of our total revenue generated from restaurants we operate, respectively. We have adopted measures to prevent misappropriation of cash, such as implementing a policy of designating a front-line service staff member as cashier and limiting access to the safe to such staff member and store manager across all of our restaurants. All of our restaurants are installed with security camera system. We also conduct reconciliations of sales recorded by summaries generated from our POS System with the actual cash receipts and cash deposits in banks of each restaurant on a daily basis. We keep spare cash for the purpose of sporadic procurement of supplies, cash received at a restaurant pending delivery to our banks and service tips are kept in separate safes located in each restaurant. For our restaurants in Hong Kong, we have engaged an independent security services company to collect and deposit cash that we received from the daily operations of each restaurant to banks for generally five times per week. Cash received from daily operations for the other days of the week is still generally collected by the independent security services company but will be deposited to banks by them on the next banking day. For the case where the independent security services company is not collecting the cash receipt, such as on certain public holidays, the cash receipt will be deposited to banks through the cash deposit machines by our store managers or designated staff. Given most of our customers in the PRC pay with Alipay or WeChat Pay, we generally receive an insignificant amount of cash for our PRC operations. Once the accumulated cash received from daily operation reach the threshold set by our Directors, the restaurant managers of our PRC restaurants would deposit such cash to banks and at a frequency not less than once per month. During the Track Record Period, there was no incident of any material cash misappropriation or theft of cash by our employees, customers or other third parties.

#### EPS

In order to offer more payment options for our customers, we introduced settlement by EPS in 2018 for our restaurants in Hong Kong. For the year ended 31 March 2018 and the five months ended 31 August 2018, settlement by EPS represented approximately 6.5% and 9.1% of our total revenue generated from restaurants we operate. We incur debit card charges of 1% of the value of the transactions in respect of payments from customers with EPS.

## Alipay and WeChat Pay

For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, forms of settlement other than cash, normally Alipay and WeChat Pay, were offered to our customers, which represented approximately 8.5%, 17.7% and 22.3% of our total revenue generated from restaurants we operate respectively.

We have adopted internal control policies and measures to prevent occurrence of fraud, theft, bribery, corruption and other misconduct, including for instance, illegitimate rebates from suppliers. For example, our anti-fraud policy provides that staff is strictly prohibited from receiving gifts without approval of the management. In the event that employees are sceptical on any inappropriate instances, they are encouraged to report to the senior management of our Group for further investigation. We also deploy "mystery shoppers" to our restaurants on a periodic basis to ensure our in-store policies are being followed and services are provided to customer satisfaction.

# Marketing

Our Group adopts a word-of-mouth marketing strategy. Our Group's marketing team consists of 3 staff members as at the Latest Practicable Date, who are headed by our marketing and operations manager. Our marketing team is responsible for formulating and implementing our Group's marketing strategies to promote our business, image, brand and reputation. Our marketing team is also responsible for managing our Group's website, monitoring food discussion forums, promoting our brands through WeChat, food blogs and food websites in order to capture the ratings, recommendations and criticisms posted by diners or food critics. Any negative reviews posted by food critics are brought to the attention of our Directors and senior management for internal discussion to decide what actions may be taken to improve our food and/or services. During the Track Record Period, we carried out the following marketing activities including, among others:

- In-store pop-up store partnered with a popular Hong Kong illustrator
- Crossover/co-branding campaign with local fashion brands
- "Visit Kyushu Special Campaign" with Japan National Tourism Organisation

# **CUSTOMERS**

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

## **RAW MATERIALS AND SUPPLIERS**

#### **Procurement of raw materials**

The major raw materials that we use in our restaurants are food ingredients, including but not limited to, pork, seasoning, noodles, vegetables and other agricultural product and beverages, originating from various countries, such as Japan, Hong Kong and the PRC.

Generally, our central procurement department, based on individual restaurants sales forecast and inventory levels, will procure the majority of items used in our restaurants including those items which require processing or marinating, such as noodles, frozen meat, sauces and food seasoning and fresh food ingredients such as fresh meat and vegetables from pre-approved suppliers whom our senior management has negotiated the general terms. Generally, each restaurant manager is responsible for communicating inventory levels to our procurement department who will then place orders and procure food ingredients and beverages from our suppliers before delivery to the restaurant using our third party logistics provider. Majority of the semi-processed or processed food ingredients used in our Group's restaurants are first processed at our central kitchen before delivery. All of our supplier invoices are settled centrally by our finance department. We believe this arrangement will maximise the quality and consistency of the food ingredients as we have direct control over the quality of ingredients going to our restaurants while maintaining a steady supply of fresh and perishable ingredients according to our restaurants' individual needs.

When supplies are delivered, our restaurant managers and kitchen staff will check the quantity, integrity of the package, conditions of frozen goods and fresh produce, appearance and smell of the ingredients, and the expiry date of the items delivered before the same will be accepted. If there is any discrepancy in quality, the delivery will not be accepted. We will inform our suppliers of the issue and will request them to redeliver within a time frame. Generally, suppliers will arrange for a re-delivery of the goods. If the relevant supplier fails to do so, we will deduct from our payables to them any costs we incurred as a result of procuring similar items from another supplier to avoid potential disruption to our restaurant operations.

We did not rely on any single supplier for any raw materials, food ingredients, beverages, kitchen and restaurant equipment during the Track Record Period.

#### **Purchase cost control**

For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, our cost of inventories amounted to approximately HK\$17.7 million, HK\$21.2 million and HK\$9.4 million, representing approximately 21.1%, 21.3% and 20.8% of our revenue, respectively. We have not experienced any major price fluctuations that had a material adverse impact on our cost of inventories during the Track Record Period. For non-perishable or food ingredients with a longer shelf life, we may purchase in bulk to benefit from bulk discount and ensure stability in supply. These bulk purchases must be approved by our Chief Executive Officer in advance. We also adopt other measures to mitigate against potential adverse impact of increases in prices of food ingredients such as screening for additional suppliers who could provide food ingredients of similar quality but at a lower price as well as adjusting our menu prices from time to time to take into account the increase of cost of inventories.

# Suppliers

We believe that consistency in the supply and quality of our food ingredients are important to our ability in providing quality menu items in our restaurants. In order to ensure the consistency and stability in the supply of quality food ingredients, we maintain a suppliers list that is pre-approved by our management. We maintain a list of over 80 different pre-approved suppliers of food ingredient and seasonings. These pre-approved suppliers have gone through our supplier selection process and have been approved by our procurement manager or executive Director.

Our Group's business strategy is to serve delicious, safe, fresh and quality food to our customers, which is reflected in the quality of food ingredients our Group uses and in our food preparation processes. Food ingredient suppliers are selected carefully based on a set of selection criteria, which includes type and quality of ingredients, cost, reputation, service, flexibility, delivery efficiency and past performance. The procurement department maintains a list of approved food ingredient suppliers. Potential suppliers are assessed and approved by our executive Director and procurement manager of the procurement department based on their backgrounds and business operations. In order to secure a continuous supply of food ingredients with consistent quality and to locate the source of supply promptly, there are at least two suppliers for any particular ingredient. For the supply of ancillary equipment and utensils, our Group also maintains a list of approved suppliers and approvals are obtained from our executive Director and procurement manager before making the purchase.

Our Group has not entered into any long-term contract with our existing suppliers, which we consider to be consistent with industry practice. As the number of suppliers is abundant, such arrangement helps us to maintain flexibility in our operations and pricing. During the Track Record Period, we have established and maintained stable relationships with a number of our Group's top-five suppliers who have been supplying food ingredients to our Group for over four years on average. During the Track Record Period, none of our Group's top five suppliers ceased or indicated that it would cease their supplies to our Group, and our Group did not experience any material delay or interruption in securing the supply of food ingredients from our top five suppliers. In view of this, we believe that our Group will not experience any difficulty in securing the supply of food ingredients from our major suppliers.

For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, the total purchases from our Group's five largest suppliers in aggregate accounted for approximately 62.8%, 50.8% and 44.4%, respectively, and our largest supplier accounted for approximately 19.9%, 13.0% and 12.7%, respectively, of our Group's total purchases. We maintain stable relationships with our suppliers.

The table below sets forth the background information of our top five suppliers based on the ranking of purchase made by our Group during the Track Record Period:

Rank	Name of supplier	Principal business	Location	Types of products purchased by our Group	relationship with our	credit terms offered by	Payment method	Total purchases	Percentage of our Group's total purchases
								HK\$'000	%
1	Supplier A	Meat wholesale	Hong Kong	Frozen meat and fresh meat	2013	30 days	Bank transfer	3,463	19.9
2	Supplier B	Noodles manufacturer	Hong Kong	Noodles and seasoning	2011	30 days	Bank transfer	2,526	14.5
3	Supplier C	Meat wholesale	Hong Kong	Frozen meat	2013	30 days	Bank transfer	1,934	11.1
4	Supplier D	Meat wholesale	Hong Kong	Fresh meat	2014	30 days	Bank transfer	1,735	10.0
5	Supplier E	Trading company	Japan	Seasoning	2013	30 days	Bank transfer	1,272	7.3

10,930

62.8

#### For the year ended 31 March 2017

# For the year ended 31 March 2018

Rank	Name of supplier	Principal business	Location	Types of products purchased by our Group	relationship with our	credit terms offered by	Payment method	Total purchases HK\$`000	Percentage of our Group's total purchases %
1	Supplier B	Noodles manufacturer	Hong Kong	Noodles and seasoning	2011	30 days	Bank transfer	2,800	13.0
2	Supplier D	Meat wholesale	Hong Kong	Fresh meat	2014	30 days	Bank transfer	2,593	12.0
3	Supplier F	Meat wholesale	Hong Kong	Frozen meat	2015	30 days	Bank transfer	2,299	10.7
4	Supplier E	Trading company	Japan	Seasoning	2013	30 days	Bank transfer	1,750	8.1
5	Supplier C	Meat wholesale	Hong Kong	Frozen meat	2013	30 days	Bank transfer	1,512	7.0
								10,954	50.8

# For the five months ended 31 August 2018

Rank	Name of supplier	Principal business	Location	Types of products purchased by our Group	relationship with our	credit terms offered by	Payment method	Total purchases HK\$'000	Percentage of our Group's total purchases %
1	Supplier B	Noodles manufacturer	Hong Kong	Noodles and seasoning	2011	30 days	Bank transfer	1,164	12.7
2	Supplier D	Meat wholesale	Hong Kong	Fresh meat	2014	30 days	Bank transfer	930	10.1
3	Supplier F	Meat wholesale	Hong Kong	Frozen meat	2015	30 days	Bank transfer	899	9.8
4	Supplier E	Trading company	Japan	Seasoning	2013	30 days	Bank transfer	543	5.9
5	Supplier G	Meat and vegetables wholesale	PRC	Frozen meat and fresh meat	2017	30 days	Bank transfer	539	5.9
								4,075	44.4

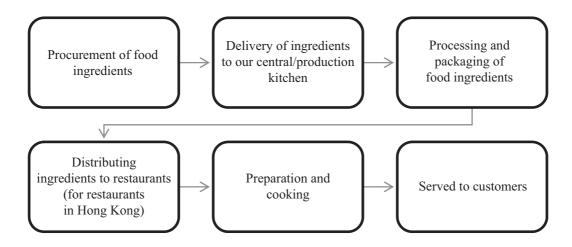
As at the Latest Practicable Date, none of our Directors, their respective close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our Company's issued share capital as at the Latest Practicable Date, has any interest in any of our top five suppliers during the Track Record Period.

# Credit and payment terms

During the Track Record Period, most of our purchases from our suppliers were denominated in Hong Kong dollars, Renminbi or Yen and settled by bank transfer. Our suppliers generally offer us a credit term of 30 days.

# **OPERATION PROCESS**

Set out below is our standard operation process workflow:



## **Procurement of food ingredients**

Our Group imposes strict purchase policy and lengthy quality control procedure to ensure all food ingredients are able to meet our internal technical specification so as to maintain a standardised taste in every of our menu items in every of our restaurants. Some of our ingredients and seasonings are imported by our suppliers from different provinces in Japan with a view to create an authentic and rich flavour under the traditions of Japanese ramen. Product testing or sampling of product testing reports from our suppliers will also be conducted at least four times a year by our procurement department to ensure their products are able to fulfil our Group's requirements. We entrusted our procurement manager to manage each level of supplies ranging from the raw materials to produce ramen, the broth to the supplementary toppings and snacks, in order to monitor its quantity, freshness and seasonality pursuant to the respective demands of each restaurant. If we experience a shortage of core ingredients such as fresh meat, pork bones and Japanese miso and other seasonings, these items will be sourced from our alternative list of carefully selected suppliers according to our contingency manual.

#### Delivery of ingredients to our central production kitchen

Since most of the ingredients sourced are perishable and subject to potential deterioration under varying temperature, storage conditions and environments, we engage a number of logistics companies specialised in delivering food ingredients requiring careful handling and refrigeration. Upon the receipt of ingredients by our central kitchen staff for our Hong Kong operation and by our production kitchen staff for our PRC operations, they will follow the standard protocol and check the delivery notes against the invoices to avoid misdelivery. Next, they will begin a detailed inspection, record each item by weight, type and quantity and place them at the corresponding storage facilities. If certain batch of ingredients falls below our default requirement, we will report such sub-standard supplies to the procurement manager and he/she will subsequently be investigating the cause for such unsatisfactory quality and reviewing the performance of those suppliers and logistics service providers in question. In most instances, we will request for a re-delivery of items capable of passing our stringent quality threshold and only at the most extreme circumstances like repeated supply of substandard ingredients will we consider termination of service.

#### Processing and packaging of food ingredients

Broth is the soul of our ramen and tiny miscalculation of ingredients to be put in the stock base could cause significant deviation in the flavours and richness of the end products. Due to the high technicality and preciseness required, we decided to process the broth in our central kitchen for our Hong Kong operations. The ramen for our PRC restaurants are processed at the restaurants under the same stringent control. Following the guidance of and under the oversight of our head production manager or restaurant managers in the PRC, our staff will commence a streamlined operation in preparing and processing the food ingredients, which among the others includes preparation of pork bone broth, marinated chasu pork and ramen noodles of varying thickness, portioning and repackaging of stock, sauce, noodles, vegetables, meat and seasonings for dissemination. Processed and packaged food ingredients will be properly refrigerated or frozen, and the respective production dates and expiry dates of each batch of processed food products will be properly recorded. Product testing and sampling will also be conducted to ensure full compliance with the relevant food safety regulations and maintain consistency in taste, absorbency and texture of each bowl of ramen. Our head production manager or restaurant managers in the PRC will also be responsible for overall management of food preparation functions and implementing our quality management system as to achieve the highest level of customer satisfaction.

#### Distributing ingredients to restaurants (for Hong Kong operation only)

After the food is processed, the food to be used by our restaurants are dispatched immediately to our respective restaurants by employing refrigerated vehicles with optimum temperature to ensure the freshness of the food ingredients. The distribution of the ingredients and processed food to our restaurants depends on the level of inventory at the individual store as advised by each restaurant manager. Generally, we would process the food ingredients with the earliest expiry dates first to ensure the freshness of the food ingredients and avoid any expiring processed food products. Upon receipt, the inventory is checked and counted by the store manager or the designated staff.

#### Preparation and cooking

The processed food served in our restaurants are mixed together with other food ingredients and cooked in our restaurant kitchens before being served to our customers. To ensure our food is prepared in accordance to our customer's preferences, we adopt a system in which our customers may customise their orders based on the preferred texture of ramen, the amount of garlic and spring onions added, the richness of soup sauce, the level of spiciness and the oil content of the broth. Our chefs in turn prepares the ramen according to the selected preferences by following standardised recipes and preparation processes for each of our ramen. We have standardised procedures and training in place over the entire food handling process, including areas such as cooking time, temperature, and method, personal and environmental hygiene. Such standardisation at every step of the food preparation process ensures the consistency of our food quality and promotes food safety. Our restaurants have strict requirements to ensure the taste as well as the presentation of our ramen are consistently maintained at a high standard.

# Service to our customers

Our wait staff is responsible for ensuring our dishes are served in an orderly, accurately and timely manner to the respective table of our customers. The quality of our service is an important principle in our Group, and this is monitored by the collection of customer feedback through feedback forms. We also deploy "mystery shoppers" to our restaurants on a periodic basis to ensure our service policies are being followed by our staff. Our staff also wears traditional Japanese uniforms and greet our customers in Japanese to allow our customers to experience the Japanese heritage at our restaurants.

As we are determined to preserve the quality and taste of our ramen, we do not offer any takeaway or delivery options which we believe would lead to deterioration in the overall quality of our ramen. To cater to the general market demand for such options, in December 2015, we introduced a "Butao Ramen to-go" product in our signature Tonkotsu flavour. For details, please refer to the paragraph headed "Product development" in this section.

# **INVENTORY MANAGEMENT**

We centralise our inventory management system in our central kitchen located in Kwun Tong for our operations in Hong Kong and franchise store in Macau. Our restaurant managers report the inventory level to our procurement department which in turn places orders with our approved suppliers. Our suppliers will deliver all of our raw materials to our central kitchen which has placed the order. After examining and inspecting the raw materials in terms of variety, quality and quantity, our staff will store our raw materials which are of a perishable nature in refrigeration facilities. We will deliver the processed food products, which generally have shelf life of approximately 3 days to 3 months, to our restaurants in Hong Kong and the Macau Restaurant and we ensure that they are delivered within the same day they leave our central kitchen so as to maintain the freshness of the products. All processed food ingredients delivered to each of our restaurants are checked against the delivery order for quantity.

Our operations in the PRC do not utilise a centralised inventory management system due to the logistical difficulties involved. The inventory level of our PRC restaurants is reported by our restaurant managers to our procurement department in Hong Kong, which generally places orders with our PRC suppliers.

# **PRODUCT DEVELOPMENT**

Apart from our signature flavours, namely "butao" (豚王), "black king" (黑王), "red king" (赤王) and "green king" (翠王), we also periodically introduce "limited king" (限定王) with new flavours exclusively for some of our restaurants to attract more customers and retain more recurrent customers. Our head chef develop new flavours after taking into consideration seasonal food ingredients and different types of ramen from various areas. Once the recipe for a new flavour has been developed and approved by our management team, we then work towards standardising the production procedures in order to ensure the new ramen we launch could maintain consistency in flavour and quality.

In December 2015, we developed a frozen packaged noodle product "Butao Ramen to-go" available for order at our Hong Kong restaurants and on our website for delivery in Hong Kong. The "Butao Ramen to-go" contains packaged ramen, soup condiments, sauce, chasu and black fungus, which allows our customers to enjoy our signature "Hakata-Style" Tonkotsu ramen at home conveniently.

## **QUALITY CONTROL**

Our Group believes our dedication in providing ramen of the highest quality and served in the authentic Japanese Tonkotsu broth has been key to the unwavering popularity enjoyed by all of our restaurants. With a view to the continued success of our Group, we maintain effective quality management system and adopt high food safety and hygiene standards throughout our entire food production chain, beginning from procurement of raw food materials to delivery to end customers, which our staff strictly adheres to. Our head procurement manager and head production manager are appointed as gatekeepers responsible for the overall implementation of our quality control measures and oversight of all central kitchen and restaurant operations, and to safeguard our Group's long-established reputation for quality food, service and dining environment. During the Track Record Period, no material complaints or claims on restaurants operating by our Group were received nor were the restaurants operated by our Group subject to any investigations regarding hygiene of its food by any government authorities or customer protection organisations.

#### Food preparation and quality

Our Group believes our uncompromised dedication to food quality and hygiene are the cornerstone for the continued growth and sustainable development of our restaurant business. Therefore, we have carefully designed the food preparation protocol and quality control manual covering all procedure involved in our delivery, production and service operations.

# a) Sourcing of food ingredients

Placement of orders are only made with our Group's pre-approved list of suppliers to ensure the quality of the ingredients sourced. Our procurement manager will regularly visit selected suppliers to

perform detailed inspection and evaluation of their production capacity and quality. In addition, we only purchase a smaller batch of food ingredients each time to maintain freshness and seasonality, which also contributes to prevention of excessive food wastage.

#### b) Inspection of food ingredients

The production manager and his team stationed at our central kitchen will check the delivery notes against the invoices, upon arrival of the food carriers to make sure the type and quantity of the orders do match. Further, the production manager, who has over 5 years of experience in the ramen production industry in Hong Kong, and his team will perform examinations to ensure all food ingredients delivered are fresh and meet our prescribed quality standard.

#### c) Storage

Our Group issued internal guideline on the storage procedure and conditions, specifying the appropriate facilitates, temperature and placement methods for different type of perishable and non-perishable food ingredients such as meat, seasonings, noodles, eggs and vegetables.

Regular checks will be performed on the quantity of inventory to avoid overstocking or prolonged storage of expired items.

#### d) Method of cooking

Our Group is committed to serving premium quality Japanese ramen. Our head chef and management team utilise their own industry knowledge and expertise in creating the best formula comprising, *inter alia*, the level of cookedness, absorbency, heat, texture, thickness, richness, aroma and food representation together with input of customers' preferences. Those formulas, including the production of pork bone broth, chasu, seasonings and other toppings, are standardised and only made known to limited and responsible parties in charge and the management. Standardised cooking methods and techniques for further processing these semi processed or processed food ingredients, such as the cooking time of noodles and presentations of our ramen dishes are circulated among our cooking staff so as to ensure all end products are conforming to the established standards and personal hygiene, food safety and quality control to ensure that its operations are conducted in a safe and proper manner.

## e) Internal inspection

Before the ramen are served to our customers, our restaurant managers and other kitchen staff will ensure the food appearance is more or less identical to the pictures in the menu, attaining to a certain level of customer expectation. The flavour of broth and other premade toppings like chasu pork slices, soft-cooked eggs will be examined before the opening hours of the restaurants to ensure a smooth service flow throughout the day in our operations. Senior management will also pay visits on a regular basis to assess the food and service quality as well as maintenance of hygiene and ambiance of environment. Operation manuals are also distributed to ensure full compliance with the food safety regulations and internal guidance of our Group.

#### **Customer service**

Knowing that quality service could help our Group differentiate from its competitors, we endeavoured to create a satisfying dining experience for all of our customers by designing a thoughtful and smooth service flow, from the moment customers being greeted, being seated, ordering food, being served the food to paying for the food, for our staff to follow and performing regular review over the service we provided. Reaching beyond customer expectation has always been our priority and for such purpose we review our menu periodically and provide extensive customised options allowing customers to indicate their preference on richness of broth, volume of oil sauce, volume of garlic, provision of pork, cheese and/or spring onion, the level of spiciness, the texture of noodles and addition of extra toppings.

Prior to commencement of operation each morning, briefing sessions will be held to remind our front-line staff of important issues like etiquette and manner, food handling and personal hygiene and motivate team performance to ensure the service provided is up to the standard. With a view to continuously improving the taste of our food and the quality of our services, we distribute feedback forms and customers are welcome to leave their comments, suggestions, appreciation or, if applicable, complaints. These feedbacks will be collected and consolidated by our marketing department which would then be analysed and utilised in designing trainings, service manual and new advertising activities in the future. In case of complaints, our operation manager will investigate, at his/her best endeavour in rooting out the cause of problem and making proper response to resolve customer concerns and rebuild their confidence in us.

#### **Dining environment**

Our Group believes that cultivating a comfortable dining environment and atmosphere, apart from food quality and variety, is vital in driving foot traffic in our restaurants. Therefore, we focus on five major areas, namely music, lighting, decoration, spacing and cleanliness to create sense of comfort, pleasure and warmth. In addition to daily thorough cleaning after closing hours, we engage professional hygiene maintenance, cleaning and pest control service providers to attain to the highest cleanliness and hygiene standard, ahead of the average industry practice. In the furtherance of our traditional Japanese ambiance, we provided basic Japanese training for our restaurant staff to allow them to greet customers in Japanese.

# HEALTH AND WORK SAFETY

In line with the local regulatory requirements, our Group strives to create and ensure a safe working environment is provided to our employees. To ensure that our operations are operated in a safe environment and to ensure that our staff has the necessary knowledge on work safety, we have established and implemented workplace safety guidelines for all staff in our restaurants which clearly state the workplace safety policies and promoting on-site work safety. Any accidents occurred will be reported to staff in our administration and human resources department and handled accordingly. Our Directors believe these measures help to reduce the number and seriousness of work injuries of our employees and are adequate and effective to prevent serious work injuries. These guidelines are provided to our staff at the time of hiring. The staff handbook also includes information on, among

other things, staff behaviour and grooming standards, prevention of bribery and corruption, work hours, staff benefits and dealing with media. Our Group believes that our employee's job satisfaction is a critical factor to the success of our restaurant operations, and therefore there are procedures available to our employees if they have any grievances relating to their job.

As at the Latest Practicable Date, our Group was involved in a number of employees' compensation claims and a personal injury claim arising out of and in connection with the accidents caused during the usual and ordinary business of our Group. For details, please refer to the paragraph headed "Legal proceeding and potential claims" in this section.

During the Track Record Period and up to the Latest Practicable Date, our Group was subject to one conviction for an offence under the Factories and Industrial Undertakings Regulations (Chapter 59A of the Laws of Hong Kong) ("FIUR") in relation to a failure to keep the surface of the floor rendered and maintained in an even and non-slippery condition. Pursuant to Regulation 46(2) of the FIUR, a person convicted of such an offence is liable to a maximum fine of HK\$50,000. Upon conviction, our Group was fined HK\$5,000. Our Directors consider the incident had no material effect on our Group's operations or financial performance. Apart from this incident, our Directors confirm that no other complaints or claims on our restaurants regarding our operation during such period by any government authorities were received.

# **ENVIRONMENTAL PROTECTION**

During the food preparation process and operations of our restaurants, certain sewage, garbage and used oils would be produced by our Group. We have in place standard procedures to manage, treat and reduce the pollution and wastage in accordance with national and local requirements. Apart from the daily cleaning procedures adopted by our Group, our Group also engaged external cleaning services providers, which are Independent Third Parties, from time to time, to provide pest control and cleaning services, such as floor cleaning, stains removal and disinfection and deodorisation to our restaurants.

Our Group's operations are subject to environmental protection laws and regulations in Hong Kong and the PRC. For details, please refer to the section headed "Regulatory Overview" in this prospectus. As at the Latest Practicable Date, we had, where required, obtained the water pollution licences for all of our restaurants. We are committed to delivering high quality food while also developing environmental friendly business practices. Our Group has adopted electric cooking appliances for some of our restaurants, which can reduce operating costs and improve the working environment for our kitchen staff, and can also greatly reduce flue gas, lower temperature in kitchens and save energy costs. Our Group has also implemented policies within our Group to ensure that there is minimal wastage from our operations.

# **RESEARCH AND DEVELOPMENT**

Our Directors consider that the nature of our business does not require any research and development activities.

#### INTELLECTUAL PROPERTY

We are the registrant of two domains, four trademarks and three series of trademark in Hong Kong. We have registered 20 and 15 trademarks in the PRC and Macau, respectively. In addition, we have registered 18 trademarks in other countries including Australia, Canada, the EU, Singapore, Taiwan and the USA. Please refer to the section headed "Statutory and General Information — B. Further information about the Business — 2. Intellectual property rights of our Group" in this prospectus for further details.

As at the Latest Practicable Date, our Group was not aware of any infringement (i) by it of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by our Group and it was also not aware of any pending or threatened claims against our Group in relation to the infringement of any intellectual property rights of third parties. Our Group is also not aware of any material damages actually suffered during the Track Record Period as a result of restaurants passing themselves off as part of our Group by using the same of similar names to those of our Group's restaurants.

#### **EMPLOYEES**

As at the Latest Practicable Date, we directly employed 156 full-time employees in Hong Kong and the PRC. A breakdown of our full-time employees by function as at the Latest Practicable Date is set forth below:

Function	As at the Latest Practicable Date
Management	3
Administration and human resources	6
Finance and accounting	5
Marketing	2
Operations (Production kitchen)	12
Operations (Restaurants)	128
	156

Our employees are mostly located in Hong Kong where the majority of our revenues are generated. Out of 156 employees, 121 and 35 were based in Hong Kong and the PRC, respectively. During the Track Record Period, our Group generally maintain 2 to 3 headcounts for chefs for each of our restaurants in Hong Kong and the PRC. For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, we recorded average monthly chefs turnover rate, being the number of chefs left during the year/period divided by the average total number of chefs for the relevant year/period and the number of month comprising the relevant year/period of approximately 7.3%, 7.8% and 4.0% for our restaurants in Hong Kong. For the same period, we recorded average monthly chefs turnover rate of approximately 4.0%, 5.7% and 4.4% for our restaurants in the PRC.

We generally recruit our employees from the open market by placing recruitment advertisements. We endeavour to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

We entered into separate labour contracts with each of our full-time employees in accordance with the applicable labour laws of Hong Kong and the PRC. The remuneration offered to employees generally includes salaries and bonuses. In general, we determine salaries of our employees based on their qualifications, position and seniority. Our Directors consider that the average wage of our operational staff is well-above the statutory minimum wage that is currently in effect and the potential increase in the statutory minimum wage in the foreseeable future would not impose a significant adverse impact on our profitability.

We provide various types of trainings to our employees. Our Directors consider that our training programme can increase our overall efficiency and facilitate us to retain quality employees.

In addition to our full-time staff, at times when there may be shortage of staff due to illness or holiday leave taken by staff, we have employed casual workers which are paid on hourly basis.

In an effort to maintain employee loyalty and retention, our Directors have taken steps to provide a supportive and rewarding workplace by (i) providing a comfortable working culture and safe working environment; (ii) providing competitive wages and other benefits, such as personnel bonuses if our restaurant or our Group achieves certain performance targets; (iii) inviting employees to attend the management meetings and encouraging them to express their views and ideas in these meetings; (iv) conducting training programmes to improve their job skills; and (v) providing career advancement opportunities within our Group. During the Track Record Period and up to the Latest Practicable Date, we did not experience any labour disputes nor did we experience any difficulties in the recruitment and retaining of experienced or skilled staff members which would have had a material impact on our business, financial condition or results of operations. Our Group has not set up any trade union for our employees.

#### COMPETITION

Details of our competitive strengths are set out in the paragraph headed "Competitive Strengths" in this section.

For further information on the industry in which we operate, please refer to the section headed "Industry Overview" in this prospectus.

#### INSURANCE

Our Group maintains insurance for (i) employees' compensation liability for personal injury and occupational disease, (ii) public liability to cover our Group against any claims of illness, and (iii) property liability for our Group's premises under leases for all risks or accidental damages to cover any liability for damages arising out of the business operation.

For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, our Group incurred insurance expenses of approximately HK\$0.9 million, HK\$0.8 million and HK\$0.3 million, respectively.

Our Directors are of the view that (i) the aforesaid insurance coverage is sufficient; (ii) our past insurance claims have no material impact on the insurance premiums to be paid by our Group in the future; and (iii) the nature of coverage is in line with normal industry practice in Hong Kong and the PRC.

#### AWARDS AND CERTIFICATIONS

The following table sets out the various awards and certifications obtained by our Group up to the Latest Practicable Date:

Year of Grant	Restaurant/ Brand Awarded	Award/Certificate	Awarding Body
2011	Butao Ramen	Best Japanese Restaurant	OpenRice
2012	Butao Ramen (Central Restaurant)	Best Japanese Restaurant in Central	OpenRice
2012-2013	Butao Ramen (Causeway Bay Restaurant 1)	Best Restaurant in Causeway Bay	OpenRice
2012-2015	Butao Ramen	U Favorite Food Awards	U Magazine
2013	Butao Ramen (Causeway Bay Restaurant 1)	Best Japanese Restaurant	OpenRice
2013-2017	Butao Ramen	Hong Kong Top 100 Cuisine Awards	Group Buyer
2015	Butao Ramen	Best-Ever Dining Awards 2015	Weekend Weekly
2017	Butao Ramen	Certificate of Popularity for the Year 2017	Dianping.com

LICENCE AND PERMITS

The following table set out the details of our major licences as at the Latest Practicable Date:

# Central kitchen in Hong Kong

The table below sets out details of the food factory licence and water pollution control licence in respect of our Group's central kitchen operating in Hong Kong:

			Food factory licence	ence	Wa	Water pollution control licence	licence
Operating capacity	Address	Holder	Licence number	Validity period of the current licence	Holder	Licence number	Validity period of the current licence
Billion Kingsway	Workshop 1, 2/F., Seaview Centre, 139 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong	Billion Kingsway	2951805273	26 February 2019 — 25 February 2020	Billion Kingsway	WT00032032-2018 22 August 2018	22 August 2018 31 August 2023

## **Restaurants in Hong Kong**

- 140 -

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

icence	Validity period of the current licence	16 August 2018 — 31 August 2023
Water pollution control licence	Licence number	WT00031887-2018
Wat	Holder	New Topworld
	Validity period of the current licence	16 August 2017 — 15 August 2019
Liquor licence	Licence number	5261825843
	Holder	Tang, Chun Ho Chandler
icence	Validity period of the current licence	11 January 2019 — 10 January 2020
General restaurant licence	Licence number	2261809095
Gener	Holder	New Topworld
rant licence	Validity period of the current licence	N/A
Light refreshment restaurant licence	Licence number	N/A
Light refr	Holder	N/A
	Address	Shops A and B, Ground Floor, Kam Wing Commercial Building, 28 Muiden Ave, Tsim Sha Tsui, Kowloon, Hong Kong
	<b>Operating</b> capacity	New Topworld
	Name of restaurant	Tsim Sha Tsui Restaurant 1

14 August 2018 — 31 August 2023	15 August 2018 — 31 August 2023	14 August 2018 — 31 August 2023	21 August 2018 — 31 August 2023	6 July 2018 — 31 July 2023	9 October 2018 — 31 October 2023	
WT00031856-2018	WT00031911-2018	WT00031827-2018	WT00032124-2018	WT00031606-2018	WT00032444-2018	
Butao International	Fortune City	Butao HK	Butao HK	Butao HK	Butao HK	
18 February 2019 — 17 February 2021	6 January 2019 — 5 January 2020	13 September 2018 — 12 September 2019	22 November 2018 — 21 November 2019	7 August 2018 – 8 May 2019 (Note 2)	15 November 2018 — 3 April 2019 (Note 2)	
5218825485	5297821161	5212830470	5211823994	5261832845	5292823436	
Wang Chun-mui, Nelda	Fan Chi Yan	Lee Yuk-lan	Cheung Lai-hing	Sze, Hoi Yiu	Cheng Chun Ming Kelvin	
N/A	16 April 2018 — 15 April 2019 (Note 2)	N/A	A/A	N/A	Ν/Α	
N/A	2297803423	N/A	N/A	N/A	Α'N	
N/A	Fortune City	N/A	N/A	N/A	N/A	
29 April 2018 — 28 April 2019 (Note 2)	N/A	22 March 2018 — 21 March 2019 (Note 2)	16 May 2018 	31 July 2018 	4 October 2018 — 3 April 2019 (Note 2)	
3113136242	N/A	3112806467	3111803197	3961808113	3992802500	
Butao International	N/A	Butao HK	Butao HK	Butao HK	Butao HK	
Ground Floor, Fortuna Building, 69 Wellington Street, Central, Hong Kong	Shop 167, L1, New Town Plaza, Phase 1, Sha Tin, New Territories, Hong Kong	Shop 4, Ground Floor, V Point, 18 Tang Lung Street, Causeway Bay, Hong Kong	Shop 404, Ground Floor, Yuan Kung Mansion, Kam Diin Terrace 20 Taikoo Shing Road, Taikoo Shing, Hong Kong	Shop No.6, Ground Floor, Champagne Carnar, 40-46 Carnar von Road, Tsim Sha Tsu, Kowloon, Hong Kong	Shop No. 115 on Level 1 of Tsuen Wan Plaza Town, Tsuen Wan, New Territories, Hong Kong	
Butao International	Fortune City	Butao HK	Butao HK	Butao HK	Butao HK	
Central Restaurant	Sha Tin Restaurant	Causeway Bay Restaurant 2	Taikoo Shing Restaurant	Tsim Sha Tsui Restaurant 2	Tsuen Wan Restaurant	Notes:
	ButaoGround Floor,Butao311313624229 AprilN/AN/AN/AWang521882548518 FebruaryButaoW700031856-2018antInternationalFortuma Building,International2018 - 28W100031856-2018N100031856-201869 WellingtonApril 2019April 2019NeldaFebruaryFebruaryN100031856-2018Street, Central,April 2019NeldaFebruary2021Hong KongKongNelda2021	ButaoGround Floor, hternationalButao31131524229 April 2018N/AN/AWang Nelda521882548518 February 2019ButaoWT00031856-2018International Street, Central, Hong KongFortuna Building, internationalinternational April 2019N/AN/AN/AWang Nelda521882548518 February ThernationalWT00031856-2018Fortune City New Town Plaza, New Territories, Hong KongN/AN/AN/AN/AN/AWT00031856-2018	Butto International International Fortune Study Street, Central, Harmanional Street, Central, Hore Kong Harmanional Street, Central, Hore KongButto International Street, Central, Hore KongButto International Street, Central, Mone 2)Butto Mani Mone 2)Butto Mani Mone 2)Butto Mone 2)Butto Mone 2)Butto Mone 2)Butto Mone 2)Butto Mone 2)Butto Mone 2)Mang Mone 2)Mang <b< td=""><td>IntBatue for mark Building breact Carrier teek Carrier</td><td>IntBureBureCount Fore, Forma Building, BernationsBureInteractionsState<th< td=""><td>InterfaceBarbonBa</td></th<></td></b<>	IntBatue for mark Building breact Carrier teek Carrier	IntBureBureCount Fore, Forma Building, BernationsBureInteractionsState <th< td=""><td>InterfaceBarbonBa</td></th<>	InterfaceBarbonBa

These licences are currently in the process of renewal applications.

6.

			ł	Food operation licence			Liquor retail licence	Ð
Name of restaurant	Operating capacity	Address of the restaurant as shown in the general restaurant	Holder	Licence number	Validity period of the current licence	Holder	Licence number	Validity period of the current licence
Shanghai Restaurant	Butao Shanghai (Jing'an)	Room L112 & L212, 1st and 2nd Floor, 88 Tonren Road, Jing'an District, Shanghai	Butao Shanghai (Jing'an)	JY2310106000067	18 April 2018 — 29 October 2020	Butao Shanghai (Jing'an)	1006030210002663	2 August 2018 
Restaurant in Guangzhou	noyzbu							
The table belo	w sets out the	The table below sets out the details of the lice	nces and pern	icences and permits in respect of the restaurant operating in Guangzhou:	he restaurant	operating in C	Juangzhou:	
		Address of the		Food operation licence	nce		Liquor retail licence	ce
Name of restaurant	Operating capacity	restaurant as shown in the general restaurant	nt Holder	Licence number	Validity period of the current licence	od 1t Holder	Licence number	Validity period of the current licence
Guangzhou Restaurant	Butao Guangzhou (Tianhe)	Unit 8B, 3/F, Kingold Century, 62 Jinsui Road, Zhujiang New Town, Tianhe District, Guangzhou	Butao Guangzhou (Tianhe)	JY24401060200516	6 8 June 2017 - 7 June 2022	N/A	N/A	A/A

Restaurant in Shanghai

u
N
2
6
4
5
•1
~
2
ij
*
2
2
a
1
-
2
a
*
5
0
$\simeq$
Y

The table below sets out the details of the licences and permits in respect of the restaurant operating in Shenzhen:

	Validity period of the current licence	N/A
licence	Licence number	N/A
Liquor retail licence	Holder	N/A
	Validity period of the current licence	7 November 2017 — 6 November 2022
uce	Licence number	Butao Shenzhen JY24403040199466 7 November 2017 — 6 November 207
Food operation licence	Holder	Butao Shenzhen
Foo Address of the	restaurant as shown in the general restaurant Holder	Butao Shenzhen Shop N603-b, 6/F, PAFC Mall, 5033 Yi Tian Road, Futian District, Shenzhen
	<b>Operating</b> capacity	Butao Shenzhen
	Name of restaurant	Shenzhen Restaurant

Our Directors confirmed that as at the Latest Practicable Date, save as disclosed in the paragraph headed "Non-compliance" in this section, our Group had obtained all the licences and permits required for operation of all of our restaurants in Hong Kong and all of these licences or permits were valid. The application for renewal of light refreshment restaurant licences, general restaurant licences and liquor licences in Hong Kong shall be submitted at least three months before expiry of current licences, respectively. Our Directors confirm that our Group did not experience any material difficulties in obtaining and/or renewing such licences, certificates, consents and approvals. Further, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licences, permits, consents and approvals.

The PRC Legal Adviser confirmed that as at the Latest Practicable Date, our Group had obtained all the licences and permits required for our operations in the PRC, and all of these licences or permits were valid, and that our Group was not in contravention of the applicable PRC laws and regulations in any material aspects, respectively.

#### PROPERTY

As at the Latest Practicable Date, our Group leased the following properties in Hong Kong and the PRC for use as our existing restaurants, central kitchen, offices and staff dormitories. During the Track Record Period, our Group would generally prefer to renew the expiring tenancy and did not encounter any material difficulties in renewing leases for our restaurant, and as at the Latest Practicable Date, our Directors have no intentions to terminate any expiring tenancy in the near future.

The following table sets out the details of our Group's existing operating leases for our restaurants:

Res	staurant Name	Property	Approximate floor area (sq.m.)	Lease term	Basic monthly rent	Monthly turnover rent
Ho	ng Kong					
1.	Tsim Sha Tsui Restaurant 1	Shop A and B on G/F of Kam Wing Commercial Building, No. 28 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong	78.9	16 April 2017 to 15 April 2019 ( <i>Note 1</i> )	Rent free for the period of 16 April 2017 to 15 May 2017 and 16 March 2019 to 15 April 2019; HK\$134,000	Nil
2.	Central Restaurant	G/F of Fortuna Building, No. 69 Wellington Street, Central, Hong Kong	41.2	22 May 2018 to 21 May 2020	HK\$135,000	Nil
3.	Sha Tin Restaurant	Shop 167, L1, New Town Plaza, Phase 1, Sha Tin, New Territories, Hong Kong	122.0	1 August 2017 to 31 July 2019	HK\$218,720 for the first year; and HK\$232,390 for the second year	The amount by which 11% of the monthly gross receipts exceeds the basic monthly rent

Res	staurant Name	Property	Approximate floor area (sq.m.)	Lease term	Basic monthly rent	Monthly turnover rent
4.	Causeway Bay Restaurant 2	Shop no.4, G/F, V Point, 18 Tang Lung Street, Causeway Bay, Hong Kong	70.5	1 May 2016 to 30 April 2019 ( <i>Note 1</i> )	HK\$150,000	The amount by which 12% of the monthly gross receipts exceeds the basic monthly rent
5.	Taikoo Shing Restaurant	Shop G404, G/F, Yuan Kung Mansion, 20 Taikoo Shing Road, Taikoo Shing, Hong Kong	53.0	3 October 2016 to 2 October 2020	HK\$36,660 for the first year; HK\$38,490 for the second year; HK\$41,550 for the third year; and HK\$45,830 for the fourth year	The amount by which 10% of the monthly gross receipts exceeds the basic monthly rent
6.	Tsim Sha Tsui Restaurant 2	All that front portion of the G/F of No. 44 Carnarvon Road, Tsim Sha Tsui, Kowloon, Hong Kong	84.1	6 December 2017 to 5 December 2020	HK\$140,000	Nil
7.	Tsuen Wan Restaurant	Shop No. 115 on Level 1 of Tsuen Wan Plaza Town, Tsuen Wan, New Territories, Hong Kong	78.9	24 July 2018 to 23 July 2022	HK\$73,185 for the first year; HK\$77,490 for the second year; HK\$81,795 for the third year; and HK\$86,100 for the fourth year	The amount by which 11% of the monthly gross receipts exceeds the basic monthly rent
Sha	anghai					
8.	Shanghai Restaurant	Room L112 & L212, 1st and 2nd Floor, 88 Tongren Road, Jing'an District, Shanghai	198.0	1 July 2015 to 30 June 2020	RMB126,473 for the first year; RMB139,120 for the second year; RMB153,032 for the third year; RMB168,329 for the fourth year; and RMB185,192 for the fifth year	Nil
Gu	angzhou					
9.	Guangzhou Restaurant	Unit 8B, 3/F, Kingold Century, 62 Jinsui Road, Zhujiang New Town, Tianhe District, Guangzhou	473.0 (construction area)	1 November 2016 to 31 October 2021	Rent free for the first three months; RMB56,760 for the following 9 months of the first year; RMB60,165 for the second year; RMB63,774.59 for the third year; and RMB67,601.16 for the fourth year	Nil

Restaurant Name	Property	Approximate floor area (sq.m.)	Lease term	Basic monthly rent	Monthly turnover rent
Shenzhen					
10. Shenzhen Restaurant	Shop N603-b, 6/F, PAFC Mall, 5033 Yi Tian Road, Futian District, Shenzhen	164.0	26 May 2017 to 25 May 2021	RMB98,400 for the first two years; RMB108,240 for the third year; and RMB119,064 for the fourth year ( <i>Note</i> )	The amount by which 10% of the monthly gross receipts exceeds the basic monthly rent for the first two years; and the amount by which 11% of the monthly gross receipts exceeds the basic monthly rent for the following two years

#### Notes:

- 1. Our Group intends to renew the respective tenancy with similar lease terms and rent and is currently in negotiation with the respective landlord.
- 2. The basic monthly rent and monthly turnover rent (if any) for year 2017 was subsequently waived. For year 2018, our Group was granted 50%, 25% and 20% discount for the basic monthly rent for January to March, April to June and July to December, respectively.

The following table sets out the details of our Group's existing operating leases for our offices, central kitchen and staff dormitories:

Pr	operty	Usage	Approximate floor area (sq.m.)	Lease term	Monthly rent
Но	ong Kong				
1.	6th Floor of Goldsland Building, Nos. 22, 24 and 26 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong	Office	211.35	1 March 2018 to 29 February 2020	HK\$62,563
2.	Workshop Nos. 1, 2, 3, 5 and 6 on the 2nd Floor and Workshop No. 10 on the 17th Floor of Seaview Centre, Nos. 139-141 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong	Central kitchen	575.24	1 March 2017 to 28 February 2021	HK\$107,398.5 for the first and second year; and HK\$121,407 for the third and fourth year

Property		Usage	<b>Approximate</b> <b>floor area</b> ( <i>sq.m.</i> )	Lease term	Monthly rent
Sh	anghai				
1.	Room 1801, No. 501 Yanan West Road, Xuhui District, Shanghai	Staff dormitory	70.47	1 August 2018 to 31 July 2019	RMB8,000
2.	B54, 2nd Floor, 473 Fute West 1st Road, China (Shanghai) Pilot Free Trade Zone	Office	30	15 April 2018 to 14 April 2019	RMB1,667
Gu	angzhou				
1.	Room 1807, Building B1, Wanda Plaza, Nansha District, Guangzhou	Office	38.45	8 March 2018 to 7 March 2019	RMB1,600
2.	Room 1008, No. 15, Yangji Street, Yuexiu District, Guangzhou	Staff dormitory	49	1 January 2019 to 31 December 2019	RMB5,000
Sh	enzhen				
1.	31E, Building 7, Huangting Century Garden, Intersection of Binhe Avenue and Yitian Road, Futian District, Shenzhen	Staff dormitory	57.54	12 September 2018 to 11 September 2019	RMB7,000

#### LEGAL PROCEEDING AND POTENTIAL CLAIMS

As at the Latest Practicable Date, our Group was involved in a number of claims and litigations. Set out below is a summary of the outstanding claims and litigations against our Group as at the Latest Practicable Date arising in the ordinary and usual course of our business.

### (a) Outstanding employees' compensation claims against our Group as at the Latest Practicable Date

As at the Latest Practicable Date, there was two outstanding employees' compensation claims submitted to the Labour Department against our Group. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group's business.

All of the two outstanding employees' compensation claims were fully covered by the relevant insurance taken out by our Group. As at the Latest Practicable Date, our Group has not received the certificate of compensation assessment from the Labour Department in relation to the two outstanding employees' compensation claims.

#### (b) Civil litigation against our Group as at the Latest Practicable Date

Save as disclosed herein, as at the Latest Practicable Date, our Group is not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group. As such, our Directors consider that no provision for contingent liabilities in respect of current, pending and potential litigations is necessary.

#### Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into a Deed of Indemnity on 21 February 2019 whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms of the Deed of Indemnity, in respect of all liabilities and penalties which may arise as a result of any outstanding and potential litigations and claims of our Group on or before the date on which the Share Offer becomes unconditional. Please refer to the section headed "Statutory and General Information — F. Other information — 1. Tax and other indemnities" in Appendix IV to this prospectus for details.

#### **NON-COMPLIANCE**

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

Reasons for the non-compliance

Internal control measures	As at the Latest Practicable Date, the following measures have been implemented to address the underlying reasons for the non-compliance: The management team assigned the marketing who has been responsible for working with the for working with the responsible for responsible for new incenting matters, to be communicating with the responsible for new incenting issues, including incenting issues, including incenting issues, including incenting issues, including programment openings, in order to assist the policienting issues, including incenting issues, including incentes, permits and approvals and
Analysis of the risk to our Group	On the basis that the inducerent and based on an honest but mistaken belief of the requirements under the WFCO, the remedial actions taken to implement internal controls to prevent incidences of non-compliance, and the non-compliance all the non-compliances as our control licences as at the Legal Counsel is of the view that the risk of prosecution against and imposition of penalty on the relevant operating subsidiaries and our Directors is very remote. Legal Counsel further advises that having considered the maximum considered the maximum easures taken and the Group's previous case authorities, public statistics, the remedial measures taken and the Group's previous control of about the freevent of about the the imposition of about the the imposition of about the the imposition of a built the the imposition of a built the the imposition of a built the the imposition of a und the view that the imposition of a und the view that the imposition of a und the view that the imposition of a built the such adverse effect on our operations.
Potential maximum penalty/fine	Under section 11 of the wPCO, the maximum estience for contravention of section 9(1) of the if ist offence a maximum first offence a maximum first offence a maximum first offence, a maximum offence, a maximum first offence, a maximum first offence, a maximum first offence, a maximum offence, a maximum first offence, a maximum from the EPD.
Remedial actions	In May 2018, our Group applied for the water for all of our existing restaurants and central victor in Hong Kong. Our Group has obtained pollution control licences and central kitchen in Hong Kong as at the Latest Practicable Date.
Reasons for the non-compliance	Due to the oversight of the external licencing officer, who spectalises in assisting restaurants in licences and has been engaged by many well-known restaurant groups in Hong Kong for licencies matters for more pour Group to handle licencies matters, the management was not aware of such non-compliance until company's legal advisers as to Hong Kong laws were engaged to advise on Listing. In addition, some of the restaurants of our Group in Hong Kong laws were engaged to advise on Listing. In addition, some of the restaurants of our Group in Hong Kong laws were engaged to advise on Listing. In addition, some of the restaurants of our Group in Hong Kong laws are plocated in certain malts discharge of polluting effluents is tightly controlled for instance by the implementation of grease interceptors which the massures adopted by the malls of which our comply with the would have been sufficient or comply with the WPCO and our Group water stor our restaurants.
Particulars of the non-compliance	During the Track Record Period, our Group did not oblution control Jinences for the business operations of our seven restaturants and central kitchen, which is in breach of sections 8 and 9 of the WPCO.
Property(ies) involved	Central Restaurant, Causeway Bay Restaurant I, Causeway Bay Restaurant 2, Taikoo Shing Restaurant 1, Tsim Sha Tsui Restaurant 1, Tsim Sha Tsui Restaurant and our central kitchen in Kwun Tong
	-

#### BUSINESS

Internal control measures	As at the Latest Practicable Date, the following measures have been implemented to address the underlying reasons for the non-compliance: The management team assigned the marketing and operations manager, who has been responsible for working with the external licencing officer engaged by our Group on licencing matters, to be communicating with the relevant government bodies and agonts on licencing issues, including licencing for new restaurant openings, in order to assist the Directors to identify, assess and manage the risks associated with operations and ensure applicable laws and from time to time.	In addition, the management team supervises the renewal of all required licences, permits and approvals by monitoring the pending expiration dates of all licences, permits and approvals and coordinating the timely preparation and submission of relevant licences renewal applications.	Our administration department also prepared a checklist of the licensing requirements of new restaurants and a schedule for renewal requirements of existing restaurants and food factory and will report to our compliance officer in the future for the itensing procedures.
Analysis of the risk to our Group	As advised by the Legal Counsel, under section 26 of the Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong), there is a time limit of six months for making any information in respect of summary offences, and thus our subsidiary and its responsible officers are not liable to the risk of prosecution or imposition of penalty.		
Potential maximum penalty/fine	Pursuant to section 35 of the FBR, any person who is guily of an offence under section 31(1) of the FBR shall be liable on summary conviction with a maximum fine of HK\$50,000, imprisonment for 6 months and a daily fine of HK\$900. As at the Latest Practicable Date, our Group has not received any notice, warning, prosecution from the EPD.		
Remedial actions	The full light refreshment restaurant licence was obtained and became effective since 22 March 2017		
Reasons for the non-compliance	The omission was due to the inadvertent oversight of the expiry date of the provisional light refreshment restaurant licence by the external licencing officer, who specialises in assisting restaurants in obtaining has been engaged by many well-known restaurant groups in Hong Kong for licencing matters for more than 10 years, engaged by our Group to handle licensing matters.		
Particulars of the non-compliance	Causeway Bay Restaurant 2 continued to operate in the FBR between 11 February 2017 to 21 March 2017 when the provisional light freshment restaurant licence expired on 10 February 2017 before the full light refreshment restaurant licence became valid on 22 March 2017.		
Restaurant(s) involved	Causeway Bay Restaurant 2		

#### **INTERNAL CONTROL**

- .

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our quality management system.

The internal control policies of our 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, kickbacks arrangement from customers or suppliers. For examples, policies or guidelines in relation to conflict of interest, monitoring, handling and reporting misconduct is set out in the staff handbook and other relevant manual of our Group of which all employees are required to follow and channel of reporting frauds and misconducts are provided to staff. In the event that employees are suspicious on any inappropriate instances, they are encouraged to report to the senior management of our Group directly via a whistleblowing system for further investigation.

To enhance our internal controls as well as in connection with the Listing, our Group has engaged an independent internal control consultant (the "IC Consultant") on 29 May 2018 to perform a review over our internal controls over financial reporting, covering areas such as entity level control, revenue and receivables, procurement to pay, processing and food management, fixed assets management and inventory management, treasury management, human resources, financial reporting, tax management and information technology.

As a result of a review of our internal controls over financial reporting by the IC Consultant, we identified certain areas in our internal control system, policies and procedures that require improvements, in addition to the deficiencies disclosed under the paragraph headed "Non-compliance" in this section, certain deficiencies identified and remedial actions taken are set out in the table below.

	Internal control review findings	Remedial actions taken
1.	Our Group did not have an implemented written code of conduct and policy in monitoring and refraining conflict of interest	Our Group has formulated a code of conduct to ensure all conflict of interest are timely reported, handled and disclosed
2.	Our Group did not establish a compliance manual for Listing Rules and other relevant regulatory requirements	Our Group has introduced a comprehensive compliance manual which includes controls and procedures in relation to obligation of our Group and our Directors
3.	Our Group did not establish a formal periodic risk assessment mechanism to govern the risks management process	Our Group has set out solid risk assessment policies covering areas such as the characteristics and level of risks, the probability of occurrence of risks and their associated impacts

#### Internal control review findings

- 4. Our Group did not set out a written anti-bribery and anti-money laundering policies to prevent, identify and control risk fraud and corruption
- 5. Our Group did not develop a solid budget setting and review mechanism to ensure the direction of operation is consistent with the management business plan

#### **Remedial actions taken**

Our Group has put in place a sound fraud prevention policies and procedures which consists of fraud risk assessment, plan for reporting irregularities and the establishment of preventive, detective and corrective measures, etc.

Our Group has established a procedure to prepare an annual budget (covering income and expense, capital expenditure, staff headcount, number of project, borrowing and investment (if any) and cash flow) for the coming financial year at the end of each financial year, based on the business objectives, strategic plans, past business performance and market condition

6. Our Group did not have a completed written policies and procedures for purchase cycle
Our Group has updated the written policies and procedures on purchase cycle which consists of supplier evaluation and review, maintenance of supplier master file, detailed record of the basis of the selection process, the reasons of selecting such supplier and the accounts payable of such purchases

Our Directors are of the view that none of the issues are considered to be material and substantially all issues will be resolved prior to Listing.

The IC Consultant also performed follow-up procedures on our Group's system of internal controls in July 2018 and noted that remedial actions to deficiencies identified had been taken by the Group. Our Directors confirmed that there is no material weakness in our internal control measures.

#### **OUR CONTROLLING SHAREHOLDERS**

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), our Company is owned as to 68.25% by Brilliant Trade. Brilliant Trade is owned as to 35% by Mr. C Tang, 35% by Mr. HC Tang, 15% by Ms. Tai and 15% by Ms. A Tang, respectively. Mr. C Tang, Mr. HC Tang, Ms. Tai, Ms. A Tang and Brilliant Trade are the Controlling Shareholders of our Company. Each of Mr. HC Tang, Ms. Tai and Ms. A Tang confirm that each of them irrevocably delegated their voting rights in the shareholder meetings and board meetings of Brilliant Trade granted by their respective interests and roles held in Brilliant Trade to Mr. C Tang, throughout the Track Record Period and to be continued following the Listing.

Mr. C Tang, Mr. HC Tang, Ms. Tai, Ms. A Tang and Brilliant Trade confirm that they and their respective close associates do not have any interest, individually or together, in any business which competes or is likely to compete, directly or indirectly, with our Group's business, which would require disclosure under Rule 11.04 of the GEM Listing Rules. Save for our Controlling Shareholders' interests in our Company, none of our Directors and our Controlling Shareholders and their respective close associates are engaged in any business which competes or is likely to compete, directly or indirectly, with our Group's business, which would require disclosure under Rule 11.04 of the GEM Listing Rules.

#### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that our Group is capable of carrying out our business independently from our Controlling Shareholders, their close associates or any other parties upon Listing for the reasons stated below:

#### (i) Financial independence

We have an independent financial system and makes financial decisions according to our business needs. As at 31 August 2018, our Group had amount due from Mr. C Tang of approximately HK\$2.2 million and Ideal Butao Limited ("Ideal Butao") of approximately HK\$0.8 million, which are non-trade in nature, unsecured, interest-free and recoverable on demand. Ideal Butao is a company incorporated in Hong Kong on 22 November 2017 and is held as to 51% by Mr. C Tang and 49% by an Independent Third Party. Ideal Butao was initially set up as a joint venture for tendering for the opening of our Japanese ramen restaurant at the Hong Kong International Airport and such project has not been proceeded with. Ideal Butao is in the process of deregistration and will not be part of our Group upon Listing. All outstanding balances due from Mr. C Tang, one of our Controlling Shareholders, and due from Ideal Butao were fully settled by cash on 28 December 2018 and 3 October 2018, respectively. In addition, all of the personal guarantees executed by Mr. C Tang in favour of our Group will be released or replaced by corporate guarantees executed by our Company upon Listing. We have sufficient capital to operate our business independently, and have adequate internal resources to support our daily operations. Our Directors confirm that we will not rely on our Controlling Shareholders for financing upon Listing as we expect that our working capital will be funded by our operating income.

Our Group has its own financial management system and the ability to operate independently of the Controlling Shareholders from a financial perspective.

Based on the above, our Directors believe that we are able to maintain financial independence from the Controlling Shareholders.

#### (ii) Operational independence

While our Board has full rights to make decisions on the overall strategic development and management and operational aspects of our Group, our Group has established its own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their close associates. Our Directors are of the view that there is no operational dependence on our Controlling Shareholders.

#### (iii) Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The main function of our Board includes the approval of its overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Company has an independent management team, which is led by a team of senior management with substantial experience and expertise in its business, to implement our Group's policies and strategies.

Our Board comprises one executive Director, one non-executive Director and three independent non-executive Directors. Mr. C Tang, one of our Controlling Shareholders, is an executive Director and our Chief Executive Officer. Mr. HC Tang, one of our Controlling Shareholders, is a non-executive Director and our Chairman.

Each of our Directors is aware of his fiduciary duties as a director which require, among others, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and any of our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum for the relevant meeting. The interested Director(s) shall not attend any independent board committee meetings comprising our independent non-executive Directors only.

Based on the above, our Directors are satisfied that our Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

#### NON-COMPETITION UNDERTAKING

On 21 February 2019, Mr. C Tang, Mr. HC Tang, Ms. Tai, Ms. A Tang and Brilliant Trade (each a "**Covenantor**" and collectively, the "**Covenantors**") entered into a Deed of Non-Competition in favour of our Company (for itself and as trustee for and on behalf of its subsidiaries), pursuant to which the Covenantors irrevocably undertake to us that they will not, and will procure their close associates (except any member of our Group) not to, directly or indirectly (whether in the capacity of principal or agent, whether for its own benefit or jointly with or on behalf of any person, firm or company), commence, engage in, participate in or acquire any business which competes or may compete directly or indirectly with the core business of our Group (the "**Restricted Business**") or own any rights or interests in such business.

The Covenantors have further irrevocably undertaken that during the Restricted Period (as defined below), they will and will procure their close associates (except any member of our Group) (the Controlling Shareholders and their close associates together, "Offeror") to offer new business opportunities to us first in the following manner when any business, investment or other business opportunities ("New Business Opportunities") related to the Restricted Business become available to the Offeror:

- (i) The Offeror will make referral of the New Business Opportunities to us, and will as soon as possible inform us in writing ("Offer Notice") about all necessary and reasonably required information in respect of any New Business Opportunities (including but not limited to details of the nature and investment or acquisition cost of the New Business Opportunities) for us to consider (a) whether the relevant New Business Opportunities will compete with our Group's business and (b) whether taking up the New Business Opportunities is in the interest of our Group.
- (ii) Upon receipt of the Offer Notice, our independent non-executive Directors will consider whether to pursue the New Business Opportunities taking into account whether the relevant New Business Opportunities would be able to achieve a sustainable profitability level, whether they are in line with the prevailing development strategies of our Group, and whether they are in the best interest of the Shareholders. We must inform the Offeror in writing within 20 Business Days after receipt of the Offer Notice about the Company's decision on whether the New Business Opportunities will be pursued.
- (iii) Only when (a) the Offeror has received our notice to reject the New Business Opportunities and our confirmation that the relevant New Business Opportunities are not considered to be able to compete with the Restricted Business; or (b) the Offeror has not received the relevant notice from our Company within the period as stated above in paragraph (ii) after the Offer Notice has been received by us, then the Offeror is entitled to take up the New Business Opportunities on terms and conditions not more favourable than those specified in the Offer Notice issued to us.

If material changes occur in the terms and conditions of the New Business Opportunities after the referral of which have been made or procured to be made to us by the Offeror, referral of the revised New Business Opportunities shall be made by the Offeror to us again in the manner as stated above.

The undertakings under the Deed of Non-Competition are not applicable in the following circumstances:

- (i) the Covenantors and/ or their close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in any member of our Group; or
- (ii) the Covenantors and/ or their close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in listed companies other than our Group, with the following conditions being satisfied:
  - (i) the Restricted Business (and relevant assets) conducted or carried out by such company represents less than 10% of the revenue or total assets of such company according to the latest audited accounts of such company; and
  - (ii) our Controlling Shareholders and/ or their close associates (except any member of our Group) hold in aggregate not more than 10% of the issued share capital of the relevant class of shares of such company, and our Controlling Shareholders and/or their close associates (except any member of our Group) have no right to appoint the majority of directors of such company or participate in the management of such company.

Pursuant to the Deed of Non-Competition, the restricted period ("**Restricted Period**") refers to the period commencing from the Listing Date and ending on the following dates (whichever occurs first):

- (i) the date on which our Shares cease to be listed on the Stock Exchange; or
- (ii) the date on which the Covenantors and their close associates, jointly and severally, cease to be Controlling Shareholders (having the meaning ascribed to it in the GEM Listing Rules) of our Company.

#### CORPORATE GOVERNANCE MEASURES

To avoid potential conflicts of interest, our Group will implement the following measures:

- a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his close associates have a material interest nor shall such Director be counted as quorum present at the meeting;
- (ii) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the board meetings on matters in which such Director or his close associates have a material interest;
- (iii) we have appointed Frontpage Capital as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal control measures.

#### **BOARD OF DIRECTORS**

Our Board of Directors currently consists of five Directors, comprised of one executive Director, one non-executive Director and three independent non-executive Directors. The following table sets forth certain information regarding each of our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as our Director	Roles and responsibilities	Relationship with other Directors and senior management
Executive Director						
Mr. Tang Chun Ho Chandler (鄧振豪)	34	Executive Director and Chief Executive Officer	25 June 2010	23 July 2018	Overall strategic management, brand management and development of our Group's business operations and serving on the Remuneration Committee	Son of Mr. HC Tang
Non-executive Director						
Mr. Tang Hing Chee (鄧慶治)	63	Non-executive Director and Chairman	1 January 2016	28 August 2018	Formulating overall business development strategy of our Group and serving on the Nomination Committee	Father of Mr. C Tang
Independent non-execut	ive Dire	ectors				
Mr. Ho Chun Yin Steven (何俊賢)	39	Independent non-executive Director	21 February 2019	21 February 2019	Supervising, providing independent judgment to our Board and serving on the Audit Committee	None
Mr. Ho Lai Chuen (何麗全)	64	Independent non-executive Director	21 February 2019	21 February 2019	Supervising, providing independent judgment to our Board and serving on the Audit Committee, Remuneration Committee and Nomination Committee	None
Mr. Lee Koon Tak (李冠德)	48	Independent non-executive Director	21 February 2019	21 February 2019	Supervising, providing independent judgment to our Board and serving on the Audit Committee, Remuneration Committee and Nomination Committee	None

#### **Executive** Director

**Mr. Tang Chun Ho Chandler** (鄧振豪), aged 34, is the founder, executive Director, Chief Executive Officer and one of the Controlling Shareholders of our Group. Mr. C Tang was appointed as our Director on 23 July 2018 and re-designated as our executive Director on 28 August 2018. Mr. C Tang was appointed as our Chief Executive Officer on 28 August 2018. Mr. C Tang is also a director of each subsidiary of our Group except for Butao Shanghai (Trading), Butao Shanghai, Butao Guangzhou and Butao Shenzhen. Mr. C Tang is primarily responsible for the overall management, strategic planning, brand management and development of our Group's business operations. He is also a member of the Remuneration Committee. In carrying out his responsibilities, Mr. C Tang has provided our Group with leadership, vision for the expansion of our business, marketing and public relations strategies. Mr. C Tang has over 8 years of experience in the Japanese ramen restaurant industry gained from the operation of our Group.

Prior to joining our Group, Mr. C Tang worked as a financial planner of AIA Hong Kong, whose principal business is the provision of insurance and investment-oriented products, from February 2007 to September 2011, during which he was responsible for identifying clients' financial and protection needs in order to promote or arrange suitable insurance products for them. In 2008, Mr. C Tang was awarded Agent of the District (Regent) by AIA International Limited. He was a member of Million Dollar Round Table of The Premier Association of Financial Professionals, a global and independent association of life insurance and financial services professionals, from December 2008 to December 2009. He devoted his time into participating in music performance from 2005 to 2007.

Mr. C Tang obtained his secondary school diploma at Royal International College in Ontario, Canada in October 2002. He pursued further education in business management at Monash University between 2003 and 2005.

Mr. C Tang was a director of the following companies incorporated in Hong Kong prior to their respective dissolutions (but not due to members' voluntary winding-up) with details as follows:

Name of company	Nature of business prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Nagi Ramen Limited	Inactive	30 June 2016	Deregistration under section 751 of the Companies Ordinance ( <i>Note</i> )	Never commenced business
Butao (Shatin) Limited (豚王(沙田)有限公司)	Inactive	7 November 2014	Deregistration under section 751 of the Companies Ordinance ( <i>Note</i> )	Never commenced business

Note: Under section 750 of the Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has not commenced business or operation, or has not been in operation or carried on business during the three months immediately before the application;
(c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's asset do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situated in Hong Kong.

Mr. C Tang confirmed that Nagi Ramen Limited and Butao (Shatin) Limited (豚王(沙田)有限公司) were both solvent immediately prior to their respective dissolutions, and there was no wrongful act on his part leading to the dissolutions of these companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of such dissolutions, and that his involvement in the above companies was part and parcel of his services as a director of these companies and that no misconduct or misfeasance had been involved in the dissolutions of these companies.

Mr. C Tang is the son of Mr. HC Tang.

#### Non-executive Director

Mr. Tang Hing Chee (鄧慶治), aged 63, joined our Group as the director of Butao Asia on 1 January 2016 and resigned on 31 March 2017. Mr. HC Tang was appointed as our Chairman and non-executive Director on 28 August 2018. Mr. HC Tang is also one of our Controlling Shareholders. Mr. HC Tang is responsible for formulating overall business development strategy of our Group. He is also the chairman of the Nomination Committee.

Prior to joining our Group, Mr. HC Tang worked at Canon Hongkong Company Limited, whose principal business is the provision of digital imaging products in Hong Kong and Macau, from May 1998 to October 2017, during which Mr. HC Tang was promoted from sales manager to his last position as executive adviser. Prior to that he was the sales manager in Jardine Photo System from February 1978 to May 1998.

Mr. HC Tang completed his secondary education at Wilson College in Hong Kong in July 1974.

Mr. HC Tang has been a member of the fundraising committee of Heifer Hong Kong, a charity founded in 2000 to help impoverished families in Mainland China become self-reliant by providing livestock and animal husbandry training, since 2011.

Mr. HC Tang was a director of the following company incorporated in Hong Kong prior to its respective dissolution (but not due to members' voluntary winding-up) with details as follows:

Name of company	Nature of business prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
N.D.E. Investments Limited (新得利投資有限公司) ("N.D.E. Investments")	N/A	3 March 2006	Deregistration under section 291AA of the Predecessor Companies Ordinance (Note)	

*Note:* Pursuant to section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. HC Tang confirmed that N.D.E. Investments was solvent immediately prior to its dissolution, and there was no wrongful act on his part leading to its dissolution and he is not aware of any actual or potential claim which has been or will be made against him as a result of such dissolution, and that his involvement in N.D.E. Investments was part and parcel of his services as its director and that no misconduct or misfeasance had been involved in its dissolution.

Mr. HC Tang is the father of Mr. C Tang.

#### Independent non-executive Directors

The Honourable Mr. Ho Chun Yin Steven BBS (何後賢) ("The Hon. Mr. Ho"), aged 39, was appointed as our independent non-executive Director on 21 February 2019. The Hon. Mr. Ho is also a member of the Audit Committee.

The Hon. Mr. Ho has been a legislative council member representing the Agriculture and Fisheries Constituency since September 2012. The Hon. Mr. Ho is also, just to name a few, a member of the HKSAR Advisory Committee on Agriculture and Fisheries since June 2011, member of the HKSAR Country and Marine Parks Board since September 2013, member of the Consumer Council since November 2013 and a non-executive director of the Hong Kong Airport Authority since January 2016.

The Hon. Mr. Ho also actively participates in other public services, such as being the Chairman of the Hong Kong Fishermen's Association since June 2017 and executive director of the New Territories Association of Societies since 2014. The Hon. Mr. Ho has joined the Hong Kong and Kowloon Fishermen Youth Society since June 2008 and was the chairman of the society. The Hon. Mr. Ho was awarded Bronze Bauhinia Star in 2015 for his meritorious public and community service, particularly his contributions to promoting the well-being and sustainable development of the agriculture and fisheries sectors in Hong Kong.

The Hon. Mr. Ho obtained a bachelor degree of engineering in computer and communication systems engineering from the University of Birmingham, U.K. in July 2003. He also obtained a master's degree in administration and governance from the Sun Yat-Sen University, PRC, in June 2013.

The Hon. Mr. Ho was a director of the following company incorporated in Hong Kong prior to its respective dissolution (but not due to members' voluntary winding-up) with details as follows:

Name of company	Nature of business prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Chun Hing International Trading Co., Limited (駿興國際貿易有限公 司) ("Chung Hing International")	Trading	5 March 2010	Deregistration under section 291AA of the Predecessor Companies Ordinance ( <i>Note</i> )	

*Note:* Pursuant to section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

The Hon. Mr. Ho confirmed that Chun Hing International was solvent immediately prior to its dissolution, and there was no wrongful act on his part leading to its dissolution and he is not aware of any actual or potential claim which has been or will be made against him as a result of such dissolution, and that his involvement in Chun Hing International was part and parcel of his services as its director and that no misconduct or misfeasance had been involved in its dissolution.

**Mr. Ho Lai Chuen** (何麗全) ("**Mr. Ho**"), aged 64, was appointed as our independent non-executive Director on 21 February 2019. Mr. Ho is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee.

Mr. Ho has over 30 years of experience in the production and broadcasting industry. From March 1977 to March 2011, Mr. Ho was employed by Television Broadcasts Limited ("**TVB**") as a scriptwriter, creative director and was promoted to his last position as controller for non-drama productions at the production division. TVB is a company listed on the Main Board (stock code: 00511), major activities of which include free-to-air television broadcasting, programme production, programme licensing and distribution, digital media business and publications.

From April 2011 to March 2015, Mr. Ho was appointed as an executive vice president and general manager, production in the TV and new media business unit of PCCW Media Limited whose principal business is the provision of pay-TV service in Hong Kong. Mr. Ho was a corporate mentor for the Master of Business Administration programme at the Shanghai University, PRC from April 2015 to March 2016. Since October 2015, Mr. Ho has been serving as the chief executive officer of CL Showbiz Limited, which is primarily engaged in the provision of services including event planning/coordinating stage design and setting, sound and lighting and audio visual production. Since May 2018, Mr. Ho has been engaged as a consultant of Asia Television Digital Media Limited to provide advisory services on its television broadcasting business.

Mr. Ho obtained a Master of Business Administration (Executive) degree from City University of Hong Kong in October 2014.

Mr. Ho was a director of the following companies prior to their respective dissolutions (but not due to members' voluntary winding-up) with details as follows:

Name of company	Nature of business/operation prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Tai Dao Audio-Vision Publishing Limited (大 道影音出版有限公司)	Audio-vision publishing	19 April 2002	Striking off pursuant to section 291 of the Predecessor	
("Tai Dao")			Companies Ordinance (Note)	

*Note:* Pursuant to section 291 of the Predecessor Companies Ordinance, if the Registrar of Companies in Hong Kong has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar of companies in Hong Kong may strike the name of the company off the register after the expiration of a specified period.

Mr. Ho confirmed that Tai Dao was solvent immediately prior to dissolution. Mr. Ho further confirmed that there was no wrongful act on his part leading to the dissolution of Tai Dao and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution, and that his involvement in Tai Dao was part and parcel of his services as a director and that no misconduct or misfeasance had been involved in the dissolution of Tai Dao.

Mr. Lee Koon Tak (李冠德) ("Mr. Lee"), aged 48, was appointed as our independent non-executive Director on 21 February 2019. Mr. Lee is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee.

Mr. Lee has over 20 years of experience in accounting and finance. From May 1993 to December 1996, Mr. Lee worked as an accountant at CarnaudMetalbox (Hong Kong) Limited whose principal business was manufacturing of packaging products. From January 1997 to November 1997, Mr. Lee worked as a chief accountant at GEC Alsthom Transport Hong Kong Limited, a company principally engaged in offering rolling stock to infrastructure, as well as signalling, maintenance and integrated transport systems. From August 1997 to September 2017, Mr. Lee was appointed by Canon Hongkong Company Limited, which is primarily engaged in offering a comprehensive range of digital imaging products in Hong Kong and Macau, as a vice president where he was responsible for finance and accounting, information technology, supply chain management, legal and compliance and consumer delight divisions of the company. Since October 2017, Mr. Lee has been appointed as the vice president of Canon India Private Limited, which is primarily engaged in offering a comprehensive range of digital imaging products in India, where he is responsible for supervising the finance and taxation, legal and corporate planning divisions at the company.

Mr. Lee obtained a bachelor degree of business administration in applied economics from Hong Kong Baptist College (now known as Hong Kong Baptist University) in December 1992. In November 2012, he obtained a Master of Business Administration (Executive) degree from The Chinese University of Hong Kong. Mr. Lee has been a fellow member of The Association of Chartered Certified Accountants Hong Kong since July 2001 and a member of the Hong Kong Institute of Certified Public Accountants since April 1997.

#### DIRECTORS' INTERESTS

Save as disclosed in this prospectus, each of our Directors (i) had no interest in the Shares within the meaning of part XV of the SFO as at the Latest Practicable Date; (ii) is independent from, and not related to, any Directors, substantial Shareholders, Controlling Shareholders, or senior management of our Company; and (iii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date.

Save as disclosed in this prospectus, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters concerning each of the Directors' appointment that need to be brought to the attention of the Shareholders and the Stock Exchange and there are no other matters which shall be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules as at the Latest Practicable Date.

#### SENIOR MANAGEMENT

The following table sets forth certain information regarding our senior management:

Name	Age	Position	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Ms. Kwan Ka Ying (關稼瑩)	31	Financial Controller	16 May 2018	Overall management of financial and administration	None
Mr. Lee Man Fung (李敏豐)	34	Marketing and Operations Manager	8 June 2015	Marketing and brand management	None
Mr. Liu Wing Yu (廖穎宇)	34	Procurement Manager	3 October 2016	Overseeing of delivery products and market data research	None

Ms. Kwan Ka Ying (關稼瑩) ("Ms. Kwan"), aged 31, has been the financial controller of our Group since 16 May 2018. She is responsible for the overall management of financial and administration of our Group.

Prior to joining our Group, Ms. Kwan worked at assurance department of BDO Limited, whose principal business is the provision of independent assurance services including financial statement audits, from September 2011 to May 2018. Ms. Kwan was engaged initially as an associate and was promoted to her last position as a manager to oversee and monitor the whole audit process.

Ms. Kwan obtained a bachelor degree of business administration in accounting from Hong Kong Baptist University in November 2011. Ms. Kwan has been a member of the Hong Kong Institute of Certified Public Accountants since January 2016.

Mr. Lee Man Fung (李敏豐) ("Mr. Lee"), aged 34, is our marketing and operations manager and has joined our Group since 8 June 2015. Mr. Lee is responsible for the marketing and brand management of our Group.

Prior to joining our group, Mr. Lee worked as a creative director at Dudz Production House Co., Limited, whose principal business is the provision of professional design services, from August 2006 to June 2015. He was responsible for providing promotional materials, directing layout, design and copy writing and determining and monitoring production schedules.

Mr. Lee received a bachelor degree of multimedia (networks and computing) from Swinburne University of Technology, Australia in December 2006.

Mr. Liu Wing Yu (廖穎宇) ("Mr. Liu"), aged 34, is our procurement manager. Mr. Liu first joined our Group as an assistant procurement manager on 3 October 2016 and was promoted as our procurement manager on 1 April 2017. Mr. Liu is responsible for the overseeing of delivery of products and research for market data.

Prior to joining our group, Mr. Liu worked as an account manager by EZY Digital, whose principal business is wholesale and export of computer electronics devices, from June 2010 to February 2017, responsible for exploring new sales channels and handling key clients and suppliers, as well as assisting with preparation of monthly sales forecast and monthly sales reports. From June 2005 to June 2010, Mr. Liu worked as an account manager in Muse Digital Limited, whose principal business is the wholesale, retail and export of computers, electronic devices and computer peripherals, responsible for the communication with local and overseas customers.

Mr. Liu obtained a bachelor degree of commerce in marketing and electronic commerce from Curtin University of Technology, Australia in February 2006.

Save as disclosed in this prospectus, each of our senior management did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date.

#### **COMPANY SECRETARY**

Ms. Yim Sau Ping (嚴秀屏) ("Ms. Yim"), aged 36, was appointed as the company secretary of our Group on 22 February 2019.

Prior to joining our Group, Ms. Yim worked for Boill Healthcare Holdings Limited (formerly known as Ngai Shun Holdings Limited) (stock code: 1246), a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), a company listed on the GEM as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She has been a director of Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services, since October 2015. Ms. Yim is currently the company secretary of six companies listed on the Stock Exchange.

Ms. Yim obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2007. She has been a member and a fellow member of the Hong Kong Institute of Certified Public Accountants since January 2010 and October 2017, respectively. She has accumulated more than 10 years of experience in accounting, auditing and financial management in international audit firm, financial institution and listed companies.

Although none of our executive Director, non-executive Director and independent non-executive Directors has experience in acting as a director of listed companies, our Directors consider, and the Sole Sponsor concurs that, each of our Directors is capable of discharging his duties as a Director for the following reasons:

(a) each of our Directors has sound and relevant academic and/or industry knowledge and experience and has demonstrated the ability, prudence and integrity in his employment history;

- (b) each of our Directors has attended trainings on the compliance requirements of a listed company and our Group will arrange trainings on similar topics for them on a regular basis; and
- (c) our Board will be assisted by our compliance adviser, Frontpage Capital, who has been appointed pursuant to Rule 6A.19 of the GEM Listing Rules.

#### **COMPLIANCE OFFICER**

Mr. C Tang is the compliance officer of our Company. For details of his biographical details, please refer to the paragraph headed "Board of Directors" in this section.

#### **REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT**

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to our Directors for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018 was approximately HK\$1.3 million, HK\$1.0 million and HK\$0.4 million, respectively.

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to the above senior management of our Group (excluding Directors) for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018 was approximately HK\$0.5 million, HK\$1.1 million and HK\$0.7 million, respectively.

Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload, performance and the time devoted to our Group. Further details of the remuneration of our Directors are set out in the section headed "Statutory and General Information — C. Further information about substantial Shareholders, Directors and experts — 3. Remuneration of Directors" in Appendix IV to this prospectus.

The emoluments paid to our Group's five highest paid individuals (including Directors) in aggregate for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018 was approximately HK\$2.5 million, HK\$2.9 million and HK\$1.4 million, respectively. During the Track Record Period, no emoluments were paid by our Group to any of our Directors and employees of our company or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors and employees has waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For additional information on Directors' remuneration during the Track Record Period as well as information on the five highest paid individuals, please refer to note 10 in the Accountants' Report set out in Appendix I to this prospectus.

#### **BOARD COMMITTEES**

#### Audit Committee

Our Company established its Audit Committee on 21 February 2019 and its written terms of reference are in compliance with the GEM Listing Rules. The principal duties of the Audit Committee include reviewing and supervising our financial reporting process and internal control system, nominate and oversee our external auditors, and advising the Board on the matters relevant to corporate governance.

The Audit Committee of our Company comprises the three independent non-executive Directors, namely Mr. Lee Koon Tak, Mr. Ho Lai Chuen and Mr. Ho Chun Yin Steven. Mr. Lee Koon Tak currently serves as the chairman of the Audit Committee.

#### **Remuneration Committee**

Our Company established its Remuneration Committee on 21 February 2019 and its written terms of reference are in compliance with the GEM Listing Rules. The principal duty of the Remuneration Committee include making recommendations to the Board on remuneration packages, bonuses and other compensation payable of our Group.

The Remuneration Committee of our Company comprises Mr. Lee Koon Tak, Mr. Ho Lai Chuen and Mr. C Tang. Mr. Ho Lai Chuen currently serves as the chairman of the Remuneration Committee.

#### Nomination Committee

Our Company established its Nomination Committee on 21 February 2019 and its written terms of reference are in compliance with the GEM Listing Rules. The principal duty of the Nomination Committee is to recommend candidates to fill vacancies of the Board and the senior management.

The Nomination Committee of our Company comprises Mr. HC Tang and Mr. Lee Koon Tak and Mr. Ho Lai Chuen. Mr. HC Tang currently serves as the chairman of the Nomination Committee.

#### **CORPORATE GOVERNANCE**

Our Company will comply with the Corporate Governance Code in Appendix 15 to the GEM Listing Rules.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual report upon Listing.

#### **COMPLIANCE ADVISER**

Our Company has appointed Frontpage Capital as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company will consult with and seek advice from the compliance adviser on a timely basis in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where our Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in the listing document or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in the listing document; and
- 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 our compliance adviser shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results of the second full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

#### SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of our Shareholders passed on 21 February 2019. The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participants, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. This will be in accordance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in "Statutory and General Information — E. Share Option Scheme" in Appendix IV to this prospectus.

#### SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, the share capital of our Company immediately following the Share Offer will be as follows:

Authorised share cap	ital	HK\$
10,000,000,000 S	nares	100,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer:

10,000	Shares in issue as at the date of this prospectus	100
374,990,000	Shares to be issued pursuant to the Capitalisation Issue	3,749,900
125,000,000	Shares to be issued pursuant to the Share Offer	1,250,000
500,000,000	Shares	5,000,000

#### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 125,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

#### RANKING

The Offer Shares will rank identical in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing.

#### **CAPITALISATION ISSUE**

Pursuant to the written resolutions of our sole Shareholder passed on 21 February 2019, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 374,990,000 Shares credited as fully paid at par to the holder(s) of Shares on the register of members of our Company at the close of business on 21 February 2019 (or as they may direct) in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted and issued any fraction of a Share) by way of capitalisation of the sum of HK\$3,749,900 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank identical in all respects with the existing issued Shares.

#### **GENERAL MANDATE TO ISSUE SHARES**

Conditional on the conditions as stated in the section headed "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of such Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the total number of issued Shares immediately following the completion of the Capitalisation issue and the Share Offer; and
- (b) the aggregate number of Shares repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed "General mandate to repurchase Shares" in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, please refer to the section headed "Statutory and General Information — A. Further information about our Company — 3. Written resolutions of our existing Shareholders passed on 21 February 2019" in Appendix IV to this prospectus.

#### **GENERAL MANDATE TO REPURCHASE SHARES**

Conditional on the conditions as stated in the section headed "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate number of Shares not more than 10% of the total number of issued Shares immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

#### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information — E. Share Option Scheme" in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into the Shares as at the Latest Practicable Date.

## CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" set out in Appendix III to this prospectus.

#### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company under 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 issued voting shares of any other member of our Group.

Name of Shareholder	Capacity/Nature of interest	of the		immediately following completion of the Capitalisation Issue and the	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer
Brilliant Trade	Beneficial owner	1	100%	341,250,000	68.25%
Mr. HC Tang (Note 2)	Interest in a controlled corporation and interest of spouse	1	100%	341,250,000	68.25%
Ms. Tai (Note 3)	Interest of spouse	1	100%	341,250,000	68.25%
Mr. C Tang (Note 2)	Interest in a controlled corporation	1	100%	341,250,000	68.25%
Ms. Lee Wai Yu Giselle ( <i>Note 4</i> )	Interest of spouse	1	100%	341,250,000	68.25%
Mr. Ng	Beneficial owner	—	_	33,750,000	6.75%

Notes:

1. All interests stated are long positions.

2. Brilliant Trade is owned as to 35% and 35% by Mr. C Tang and Mr. HC Tang, each of whom by virtue of the SFO is deemed to be interested in 68.25% of the issued share capital of our Company in which Brilliant Trade is interested in.

#### SUBSTANTIAL SHAREHOLDERS

- 3. Ms. Tai is the spouse of Mr. HC Tang. Accordingly, Ms. Tai is deemed, or taken to be, interested in the Shares in which Mr. HC Tang is interested for the purpose of the SFO.
- 4. Ms. Lee Wai Yu Giselle is the spouse of Mr. C Tang. Accordingly, Ms. Lee Wai Yu Giselle is deemed, or taken to be, interested in the Shares in which Mr. C Tang is interested for the purpose of the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Share Offer (without taking into account any Shares that may be granted under the Share Option Scheme), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under 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 of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

You should read the following discussion and analysis with our combined financial information, including the notes thereto, as at and for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018 included in the Accountants' Report of our Group set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with HKFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdiction.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and development will meet our expectations and projections depend on a number of risks and uncertainties over which we do not have control. For further information, please refer to the sections headed "Forward-Looking Statements" and "Risk Factors" in this prospectus.

Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

### **OVERVIEW**

We are a well-known restaurant chain operator selling Japanese ramen in Hong Kong, Macau and the PRC under the brand " $\[mathbb{K}\]$ ". As at the Latest Practicable Date, we operate 10 ramen restaurants in Hong Kong and the PRC, all of them are strategically located. We also franchised our brand " $\[mathbb{K}\]$ " to an Independent Third Party to operate the Macau Restaurant and granted an exclusive licence to an Independent Third Party to use our trademarks in relation to the manufacture and sale of the licensed products.

#### **BASIS OF PRESENTATION**

Our Company was incorporated in the Cayman Islands on 23 July 2018 as an exempted company with limited liability. To rationalise the corporate structure in the preparation of the Share Offer, we underwent the Reorganisation as detailed in the section headed "History, Development and Reorganisation" in this prospectus.

Our Directors have adopted the HKFRSs in the preparation of the combined financial information of our Company and our subsidiaries now comprising our Group for the Track Record Period.

Our Directors confirmed that no significant HKGAAP adjustments were made on the PRC and statutory accounts to reconcile to the underlying financial statements prepared in conformity with HKFRSs.

#### SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been, and we believe will continue to be, affected by a number of factors, including those as set forth below.

## The business is affected by any material change in the economic condition in Hong Kong, Shenzhen, Guangzhou, Shanghai and Macau

Our Group's results of operations are vulnerable to the economy in Hong Kong, Shenzhen, Guangzhou, Shanghai and Macau. Our Group serves Japanese ramen cuisines to the customers. Our Group expects to further expand in Hong Kong by opening new restaurants in the next few years. The results of operations of our Group are therefore directly affected by the demand for dining out of our Group's target customers in Hong Kong, Shenzhen, Guangzhou, Shanghai and Macau and such demand depends upon many factors, most of which are beyond our Group's control, among others, the general economic condition in Hong Kong, Shenzhen, Guangzhou, Shanghai and Macau and the disposable income of the target customers.

### Change in the cost of inventories

Food ingredients are the major supplies for our Group's ramen restaurant operations. Our Group's business is highly dependent on a sufficient supply of food ingredients that meet our quality requirements and our financial performance is sensitive to price fluctuation of food ingredients. During the Track Record Period, the prices of different food ingredients varied to different extents. For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, the costs of inventories, which primarily consisted of food ingredients consumed for the operation of the restaurants, amounted to approximately HK\$17.7 million, HK\$21.2 million and HK\$9.4 million, representing approximately 21.1%, 21.3% and 20.8% of our Group's revenue, respectively. The food ingredient purchases are generally determined by prevailing market conditions and subject to fluctuation in market prices. Although our Group will continue to monitor our cost of food ingredients and implement cost control measures to control costs, the fluctuations in the price of food ingredients may affect the profit margin of our operations.

The table below sets forth a sensitivity analysis for our Group's costs of inventories, illustrating the impact on our Group's profit before taxation if our Group's costs of inventories had been 10% and 20% higher or lower in the year/period indicated, assuming all other variables were held constant.

#### Hypothetical fluctuation in costs of inventories

	+10%	+20%	-10%	-20%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Change in profit before taxation				
For the year ended 31 March 2017	(1,766)	(3,532)	1,766	3,532
For the year ended 31 March 2018	(2,120)	(4,240)	2,120	4,240
For the five months ended 31 August 2018	(940)	(1,881)	940	1,881

### Staff costs

Our Group's ramen restaurant operations highly rely on our experienced managerial and other staff to manage the restaurants and interact with our customers regularly, which is critical to maintaining the quality and consistency of our services as well as our brand and reputation. To sustain the growth of our business, our Group is required to increase and retain our work force consisting of skilled personnel. In addition, competition for qualified personnel could also require our Group to pay higher wages which could result in higher employee benefits expense. For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, our Group's staff costs, including salaries, bonuses and allowances, directors' remuneration and retirement benefits schemes contributions amounted to approximately, HK\$26.4 million, HK\$27.2 million and HK\$12.6 million, representing approximately 31.5%, 27.3% and 27.9% of our Group's revenue, respectively. The increase in salary level of staff in the restaurant industry in Hong Kong and the PRC and competition among restaurant operators may increase our Group's costs associated with hiring and retaining qualified 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. Our Group expects that the staff costs will continue to increase, which may affect our profit margin.

The table below sets forth a sensitivity analysis for our Group's staff costs, illustrating its impact on our Group's profit before taxation if our Group's staff costs had been 10% and 20% higher or lower in the year/period indicated, assuming all other variables were held constant.

	<b>+10%</b> <i>HK</i> \$'000	+ <b>20%</b> HK\$'000	-10% HK\$'000	<b>-20%</b> HK\$'000
Change in profit before taxation				
For the year ended 31 March 2017	(2,644)	(5,288)	2,644	5,288
For the year ended 31 March 2018	(2,717)	(5,435)	2,717	5,435
For the five months ended 31 August 2018	(1,261)	(2,521)	1,261	2,521

## Hypothetical fluctuation in staff costs

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

During the Track Record Period and up to the Latest Practicable Date, all of our Group's self-operated restaurants have been operated on leased properties and thus we have significant exposure to the rental market of commercial properties in Hong Kong, Shenzhen, Guangzhou and Shanghai. For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, our Group's property rentals and related expenses amounted to approximately HK\$13.7 million, HK\$16.6 million and HK\$7.9 million, representing approximately 16.3%, 16.6% and 17.4% of our Group's revenue, respectively. Such rentals and related expenses represented a significant portion of our Group's total operating costs during the Track Record Period, thus our profitability and financial results may be adversely affected by any substantial increase in market rentals in Hong Kong, Shenzhen, Guangzhou and Shanghai.

The table below sets forth a sensitivity analysis for our Group's property rentals and related expenses, illustrating its impact on our Group's profit before taxation if our Group's property rentals and related expenses had been 11% and 22% higher or lower in the year/period indicated, assuming all other variables were held constant.

#### Hypothetical fluctuation in rental and related expenses

	+11%	+22%	-11%	-22%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Change in profit before taxation				
For the year ended 31 March 2017	(1,504)	(3,008)	1,504	3,008
For the year ended 31 March 2018	(1,824)	(3,647)	1,824	3,647
For the five months ended 31 August 2018	(866)	(1,732)	866	1,732

#### **CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS**

Our combined financial information has been prepared in accordance with HKFRSs. We have identified certain accounting policies that are critical to the preparation of our financial information. These accounting policies are important for an understanding of our financial position and results of operations and are set forth in note 4 to the Accountants' Report in Appendix I to this prospectus.

For the adoption of HKFRS 9 and HKFRS 15, our Group has assessed the effects of (i) adopting HKFRS 9 as compared to the adoption of HKAS 39; and (ii) adopting HKFRS 15 as compared to the adoption of HKAS 18. Our Directors considered that the adoption of HKFRS 9 and HKFRS 15 would not have a significant impact on our financial position and performance.

In addition, the preparation of the financial information requires our Directors to make significant and subjective estimates, assumptions and judgments that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018.

However, uncertainties about these assumptions, estimates and judgments could result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities in the future. These key assumptions and estimates are set forth in note 5 to the Accountants' Report in Appendix I to this prospectus.

We believe the following critical accounting policies and accounting estimates involve the most significant or subjective judgments and estimates used in the preparation of the financial information.

### **Revenue recognition**

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer. The Group recognises revenue from the following major sources: 1) operation of restaurants; 2) sales of noodles and related products to a franchisee; 3) license fee income from a licensee; and 4) royalty fee income from a franchisee.

For details, please refer to note 4 to the Accountants' Report in Appendix I to this prospectus.

## Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a 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.

# **RESULTS OF OPERATIONS OF OUR GROUP**

Set forth below are a summary of our Group's combined statements of profit or loss and other comprehensive income for the Track Record Period, extracted from the Accountants' Report included as Appendix I to this prospectus:

	For the year ended 31 March		For the five ended 31		
	2017	2018	2017	2018	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
			(unaudited)		
Revenue	83,832	99,637	38,163	45,160	
Cost of inventories	(17,660)	(21,198)	(8,282)	(9,404)	
Other income	11	10	1	4	
Other gains or losses	(135)	14	—		
Staff costs	(26,439)	(27,174)	(10,364)	(12,606)	
Rental and related expenses	(13,671)	(16,578)	(6,351)	(7,872)	
Depreciation and amortisation	(4,808)	(6,231)	(2,295)	(2,223)	
Other expenses	(13,230)	(12,967)	(5,326)	(5,974)	
Listing expenses	_	_	_	(9,045)	
Finance costs	(207)	(159)	(80)	(73)	
Profit (loss) before taxation	7,693	15,354	5,466	(2,033)	
Taxation	(1,459)	(2,382)	(804)	(1,005)	
Profit (loss) for the year/period	6,234	12,972	4,662	(3,038)	
Other comprehensive (expense) income for the year/period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on the translation of foreign operation	(131)	460	116	(583)	
translation of foreign operation	(151)			(303)	
Total comprehensive income (expense)					
for the year/period	6,103	13,432	4,778	(3,621)	

# DESCRIPTION OF SELECTED COMPONENTS OF OUR COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## Revenue

Our Group generates substantially all of our revenue from sales of food and beverages at our restaurants in Hong Kong and the PRC. We also generate revenue from (i) franchising our own brand to an franchisee to operate a ramen restaurant in Macau, revenue generated from such franchised restaurant mainly comprises the franchise fee and sales of food and accessories products for franchisee's operation and (ii) granting an exclusive licence to the licensee to use our trademarks on licensed products, revenue generated from such arrangement represents a royalty fee charged depending on the production volume of the licensed products. Majority of our Group's revenue was settled by cash in Hong Kong and Alipay and WeChat Pay in the PRC during the Track Record Period.

The table below sets forth the breakdown of our revenue by restaurants and nature during the Track Record Period:

		For the year ended 31 Marc			ch For the five months ended 31 August				
		201	17	201	8	2017		2018	
	Year of commencement of operation	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
		HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(	unaudited)			
Self-operated Restaurants									
Causeway Bay Restaurant 1 (Note 1)	2011	4,764	5.7	_	_	_	_	_	_
Tsim Sha Tsui Restaurant 1	2012	13,471	16.1	11,825	11.9	5,110	13.4	3,847	8.5
Central Restaurant	2013	13,208	15.7	12,717	12.8	5,139	13.5	5,027	11.1
Shatin Restaurant	2013	23,472	28.0	24,422	24.5	9,747	25.5	11,885	26.3
Causeway Bay Restaurant 2 (Note 1)	2016	9,230	11.0	14,095	14.1	5,848	15.3	5,807	12.9
Taikoo Shing Restaurant	2016	4,472	5.3	9,682	9.7	3,976	10.4	3,972	8.8
Tsim Sha Tsui Restaurant 2 (Note 2)	2018	_	_	1,294	1.3	_	_	3,482	7.7
Shanghai Restaurant	2015	11,128	13.3	9,835	9.9	4,262	11.2	3,432	7.6
Guangzhou Restaurant (Note 2	2017	—	—	5,901	5.9	1,679	4.4	2,148	4.8
Shenzhen Restaurant (Note 2)	2017			4,143	4.2			3,110	6.9
Sub-total		79,745	95.1	93,914	94.3	35,761	93.7	42,710	94.6
Franchised Restaurant									
Macau Restaurant (Note 3)	2016	4,087	4.9	5,723	5.7	2,402	6.3	2,416	5.3
Royalty (Note 4)								34	0.1
Total		83,832	100.0	99,637	100.0	38,163	100.0	45,160	100.0

Notes:

- 1. Causeway Bay Restaurant 1 was relocated to Shop 4, Ground Floor, V Point, 18 Tang Lung Street, Causeway Bay, Hong Kong as Causeway Bay Restaurant 2 in August 2016 to accommodate our Group's need for a shop with a larger floor area.
- Our Tsim Sha Tsui Restaurant 2, Guangzhou Restaurant and Shenzhen Restaurant commenced business in February 2018, June 2017 and November 2017, respectively.
- 3. Revenue generated from the Macau Restaurant, which commenced business in June 2016, includes franchise fee and sales of food and accessories products for franchisee's operation under the Macau Franchise Agreement.
- 4. Royalty represents the income generated from the exclusive licence granted to the licensee to use our trademarks in relation to the manufacture of the licensed products pursuant to the Trademark Licencing Agreement. For further details, please refer to the section headed "Business Trademark Licencing Agreement" in this prospectus.

During the Track Record Period, our self-operated restaurants contributed substantially to our revenue and accounted for approximately 95.1%, 94.3% and 94.6% of our total revenue for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, respectively. We recorded an increase in revenue contributed from the franchised restaurant in Macau for the year ended 31 March 2018 as compared with the previous year, which was primarily due to the improving business performance since its opening in June 2016 and the full year of operation in the year ended 31 March 2018. For the five months ended 31 August 2018, our revenue contributed from the franchised restaurant in Macau remained stable as compared with the corresponding period in 2017.

For our self-operated restaurants business, we recorded an increase in revenue contributed from our restaurants in the PRC mainly due to the newly operated restaurants in Guangzhou and Shenzhen, which commenced business in the year ended 31 March 2018. We also recorded an overall increase in revenue generated from our restaurants in Hong Kong, mainly attributable to the stable business performance of our restaurants in Hong Kong and the full year of operation of Taikoo Shing Restaurant in the year ended 31 March 2018.

During the five months ended 31 August 2018, we recorded an overall increase in revenue generated from our restaurants in Hong Kong as compared with the corresponding period in 2017, mainly attributable to the full period of operation of Tsim Sha Tsui Restaurant 2 and Shenzhen Restaurant, and strong performance of Shatin Restaurant due to the increase in average number of customer visits for the period. Although we recorded a decrease in revenue contributed from Tsim Sha Tsui Restaurant 1 due to the opening of Tsim Sha Tsui Restaurant 2 in February 2018, the overall revenue generated from our restaurants in Tsim Sha Tsui increased by approximately 43.4% in the five months ended 31 August 2018. We also recorded an overall increase in revenue contributed from our restaurants in the PRC mainly due to the full period of operation of Guangzhou Restaurant and Shenzhen Restaurant.

### **Cost of inventories**

Cost of inventories primarily consists of the cost of food and beverages used in restaurant operations. The principal food and beverage used are meat, seasonings, noodles, eggs and others including vegetables, beverages and other food ingredients. For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, our Group's cost of inventories amounted to approximately HK\$17.7 million, HK\$21.2 million and HK\$9.4 million, representing approximately 21.1%, 21.3% and 20.8% of our Group's revenue, respectively. During the Track Record Period, the fluctuation was in line with the change in revenue. The following table sets forth the breakdown of our total cost of inventories for the Track Record Period:

	For the year ended 31 March					For the five months ended 31 August			
	20	17	20	18	20	17	2018		
		% of total		% of total		% of total		% of total	
		cost of		cost of		cost of		cost of	
	HK\$'000	inventories	HK\$'000	inventories	HK\$'000	inventories	HK\$'000	inventories	
					(unaudited)				
Meat	9,001	51.0	10,678	50.4	4,086	49.3	4,620	49.2	
Seasonings	3,847	21.8	4,691	22.1	1,925	23.2	2,155	22.9	
Noodles	2,342	13.2	2,802	13.2	1,074	13.0	1,168	12.4	
Eggs	1,059	6.0	1,299	6.1	479	5.8	566	6.0	
Others (Note)	1,411	8.0	1,728	8.2	718	8.7	895	9.5	
Total	17,660	100.0	21,198	100.0	8,282	100.0	9,404	100.0	

Note: Others include vegetables, beverages and other food ingredients.

Costs of meat and seasonings consumed are the two largest components of our cost of inventories during the Track Record Period, which made up approximately 50% and approximately 20% of our total cost of inventories for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, respectively. During the Track Record Period, as a percentage of our total cost of inventories, the proportion of each category utilised generally remained at similar levels.

#### Other income

	-	For the year ended 31 March		e months August
	<b>2017</b> <i>HK\$</i> '000	<b>2018</b> HK\$'000	<b>2017</b> HK\$'000 (unaudited)	<b>2018</b> <i>HK\$'000</i>
Bank interest income Others	4	5	1	4
Total	11	10	1	4

Other income represents the bank interest income and other miscellaneous income. It amounted to approximately HK\$11,000, HK\$10,000 and HK\$4,000 for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, respectively.

### Other gains and losses

During the Track Record Period, our Group's other gains and losses mainly comprised net exchange (losses) gains and loss on disposal/ written-off of property and equipment. The following table sets forth the breakdown of our total other gains and losses during the Track Record Period:

	For the yea 31 Ma		For the five months ended 31 August		
	<b>2017</b> <i>HK\$`000</i>	<b>2018</b> <i>HK\$`000</i>	<b>2017</b> HK\$'000 (unaudited)	<b>2018</b> HK\$'000	
Net exchange (losses) gains Loss on disposal/written-off of property	(13)	14	_	—	
and equipment	(122)				
Total	(135)	14			

# Staff costs

Our staff costs are the largest component of our Group's operating expenses. The following table sets forth the breakdown of our staff costs during the Track Record Period:

	For the year ended 31 March				For the five months ended 31 August				
	2017	7	201	8	2017	7	201	8	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	
				(	unaudited)				
Salaries, bonuses and									
allowances	23,710	89.7	24,825	91.4	9,398	90.7	11,527	91.4	
Directors'									
remuneration	1,250	4.7	986	3.6	412	4.0	412	3.3	
Retirement benefits									
schemes									
contributions	1,479	5.6	1,363	5.0	554	5.3	667	5.3	
Total	26,439	100.0	27,174	100.0	10,364	100.0	12,606	100.0	

Staff costs represent the salaries, bonuses and allowances paid to our employees, including our management and operating staff, Directors' remuneration and retirement benefits schemes contributions. For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, our staff costs accounted for approximately 31.5%, 27.3% and 27.9% of our total revenue, respectively.

## Rental and related expenses

Our rental and related expenses are the second largest component of our Group's operating expenses. Our Group operates all of our restaurants and central kitchen on leased properties, and is exposed to the market conditions of the retail market. The rental payable under our Group's current lease agreements for our restaurants are either fixed or include contingent rentals calculated with reference to turnover of the restaurants plus monthly fixed rental.

Rental and related expenses represent (i) the rental expenses paid for our restaurants, central kitchen, offices, warehouse and staff dormitories, (ii) building management fee, (iii) government rent and rates and (iv) rental for machineries. For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, rental and related expenses accounted for approximately 16.3%, 16.6% and 17.4% of our total revenue, respectively.

#### **Depreciation and amortisation**

Depreciation and amortisation represents depreciation charge for leasehold improvements, fixtures and equipment and motor vehicles and amortisation of intangible assets of our Group. For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, depreciation and amortisation charge accounted for approximately 5.7%, 6.3% and 4.9% of our total revenue, respectively.

### Other expenses

The other expenses mainly consists of water, electricity, gas and other utilities expenses, repair and maintenance fees, business and product development expenses, motor vehicle and logistics expenses, insurance expenses, consumables and various miscellaneous expenses. The table below sets forth the breakdown of our total other operating expenses for the Track Record Period:

				For the five months ended				
	For the	e year en	ded 31 Ma	rch		31 A	ugust	
	2017	7	201	8	201	7	201	8
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
				(и	naudited)			
Utilities expenses	3,487	26.3	4,079	31.4	1,634	30.7	1,910	32.0
Repair and								
maintenance fees	1,437	10.9	965	7.4	491	9.2	512	8.6
Advertising and								
marketing expenses	460	3.5	597	4.6	247	4.6	326	5.4
Audit and professional								
fees	490	3.7	506	3.9	197	3.7	171	2.9
Business and product								
development								
expenses	1,340	10.1	840	6.5	397	7.5	245	4.1
Cleaning expenses	726	5.5	733	5.7	312	5.9	340	5.7
Consumables	1,126	8.5	960	7.4	365	6.8	505	8.4
Insurance expenses	898	6.8	815	6.3	355	6.7	340	5.7
Motor vehicle and								
logistics expenses	1,252	9.5	1,830	14.1	676	12.7	585	9.8
Others (Note)	2,014	15.2	1,642	12.7	652	12.2	1,040	17.4
Total	13,230	100.0	12,967	100.0	5,326	100.0	5,974	100.0

Note: Others include office expenses and other sundry expenses incurred in our operations.

For the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, our Group's other expenses accounted for approximately 15.8%, 13.0% and 13.2% of our total revenue, respectively. Such decrease is mainly attributable to the decrease in business and product development expenses for the year ended 31 March 2018, which was mainly due to the additional business development cost incurred in the year ended 31 March 2017 for the planning and preparation of the opening of Guangzhou Restaurant and Shenzhen Restaurant. In addition, our Group carried out less repair and maintenance works for the year ended 31 March 2018, as compared to previous year, our Directors consider that the less repair and maintenance works performed in the year ended 31 March 2018 was mainly because our equipment and machineries were generally in good conditions in the same period, following the additional repair and maintenance works performed on our Shanghai Restaurant, central kitchen and central office during the year ended 31 March 2017.

## Operating profit/(loss) and operating margin

The following table sets forth the year of commencement of operation, the date of expiry of the respective lease, the breakdown of the operating profit/(loss) and operating margin by restaurants for the Track Record Period:

commencement Date of expiry Operating profit Operating pr				For	the year e	nded 31 Mai	rch	For th	ne five montl	ns ended 31	August
commencement of operation         Date of expiry of the lease         Operating profit/(loss)         profit         Operating margin profit/(loss)         margin profit/(loss)         margin profit/(loss)         margin profit/(loss)         margin profit/(loss)         %         HKS '000         %         HKS '001				201	7	20	18	20	017	20	18
of operation         of the lease         profit/(loss) HK\$'000         margin profit/(loss) %         margin profit/(loss)         margin profit/(los		Year of			Operating		Operating		Operating		Operating
HKS'000         %         HKS'000         % <th< th=""><th></th><th></th><th></th><th>1 0</th><th>-</th><th></th><th>•</th><th>. 0</th><th>•</th><th></th><th>profit</th></th<>				1 0	-		•	. 0	•		profit
(manufited)         Self-operated Restaurant 1       (Note 1)       2011       16 August 2016       1.815       38.1       N/A		of operation	of the lease	• • •							margin
Self-operated Restaurant 1         (Note 1)       2011       16 August 2016       1,815       38.1       N/A       N/A       N/A       N/A         Tsim Sha Tsui Restaurant 1       2012       15 April 2019       5,182       38.5       4,453       37.7       1,843       36.1       1,352         Central Restaurant       2013       21 May 2020       5,027       38.1       4,916       38.7       1,887       36.7       1,976         Shatin Restaurant       2013       31 July 2019       9,456       40.3       10,569       43.3       4,165       42.7       5,744         Causeway Bay Restaurant       0       2016       30 April 2019       2,999       32.5       5,318       37.7       2,236       38.2       2,485         Taikoo Shing Restaurant       2016       20 Cober 2020       1,745       39.0       3,377       34.9       1,412       35.5       1,614         Tsim Sha Tsui Restaurant       2015       5 December 2020       N/A       N/A       N/A       N/A       N/A       649         Shanghai Restaurant       2015       30 June 2020       206       1.9       1,496       15.2       674       15.8       176         Guangzh				HK\$'000	%	HK\$'000	%	HK\$'000		HK\$'000	%
Causeway Bay Restaurant 1         (Note 1)       2011       16 August 2016       1.815       38.1       N/A       N/A       N/A       N/A       N/A       N/A         Tsim Sha Tsui Restaurant 1       2012       15 April 2019       5,182       38.5       4,453       37.7       1.843       36.1       1,352         Central Restaurant       2013       21 May 2020       5,027       38.1       4,916       38.7       1,887       36.7       1.976         Shatin Restaurant       2013       31 July 2019       9,456       40.3       10,569       43.3       4,165       42.7       5,744         Causeway Bay Restaurant 2       (Note 1)       2016       30 April 2019       2,999       32.5       5,318       37.7       2,236       38.2       2,485         Taikoo Shing Restaurant 2       (Note 1)       2016       20 colober 2020       1,745       39.0       3,377       34.9       1,412       35.5       1,614         Tsim Sha Tsui Restaurant 2       (Note 2)       2018       5 December 2020       N/A       N/A       N/A       N/A       N/A       649         Shanghai Restaurant (Note       2)       2017       31 October 2021       (458)       N/A									(unaudited)		
Causeway Bay Restaurant 1         (Note 1)       2011       16 August 2016       1.815       38.1       N/A       N/A       N/A       N/A       N/A       N/A         Tsim Sha Tsui Restaurant 1       2012       15 April 2019       5,182       38.5       4,453       37.7       1.843       36.1       1,352         Central Restaurant       2013       21 May 2020       5,027       38.1       4,916       38.7       1,887       36.7       1.976         Shatin Restaurant       2013       31 July 2019       9,456       40.3       10,569       43.3       4,165       42.7       5,744         Causeway Bay Restaurant 2       (Note 1)       2016       30 April 2019       2,999       32.5       5,318       37.7       2,236       38.2       2,485         Taikoo Shing Restaurant 2       (Note 1)       2016       20 colober 2020       1,745       39.0       3,377       34.9       1,412       35.5       1,614         Tsim Sha Tsui Restaurant 2       (Note 2)       2018       5 December 2020       N/A       N/A       N/A       N/A       N/A       649         Shanghai Restaurant (Note       2)       2017       31 October 2021       (458)       N/A	Self-operated Restaurants										
(Note 1)       2011       16 August 2016       1,815       38.1       N/A       N/A       N/A       N/A       N/A         Tsim Sha Tsui Restaurant       2012       15 April 2019       5,182       38.5       4,453       37.7       1,843       36.1       1,352         Central Restaurant       2013       21 May 2020       5,027       38.1       4,916       38.7       1,887       36.7       1,976         Shatin Restaurant       2013       31 July 2019       9,456       40.3       10,569       43.3       4,165       42.7       5,744         Causeway Bay Restaurant 2       (Note 1)       2016       30 April 2019       2,999       32.5       5,318       37.7       2,236       38.2       2,485         Taikoo Shing Restaurant       2016       20 Cotober 2020       1,745       39.0       3,377       34.9       1,412       35.5       1,614         Tsim Sha Tsui Restaurant 2       (Note 2)       2018       5 December 2020       N/A       N/A       (14)       N/A       N/A       649         Shanghai Restaurant       2015       30 June 2020       206       1.9       1,496       15.2       674       15.8       176         Guangzhou Restaurant (Not	-										
Central Restaurant       2013       21 May 2020       5,027       38.1       4,916       38.7       1,887       36.7       1,976         Shatin Restaurant       2013       31 July 2019       9,456       40.3       10,569       43.3       4,165       42.7       5,744         Causeway Bay Restaurant 2       2016       30 April 2019       2,999       32.5       5,318       37.7       2,236       38.2       2,485         Taikoo Shing Restaurant 2       2016       2 October 2020       1,745       39.0       3,377       34.9       1,412       35.5       1,614         Tsim Sha Tsui Restaurant 2       2018       5 December 2020       N/A       N/A       (14)       N/A       N/A       649         Shanghai Restaurant (Note 2)       2017       31 October 2021       (458)       N/A       343       5.8       (282)       N/A       (205)         Shenzhen Restaurant (Note 2)       2017       25 May 2021       M/A       N/A       599       14.5       N/A       N/A       325         Sub-total       2016       N/A       1,682       N/A       2,372       N/A       948       N/A       972         Other operating costs       2016       N/A <td< td=""><td></td><td></td><td>16 August 2016</td><td>1,815</td><td>38.1</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td></td<>			16 August 2016	1,815	38.1	N/A	N/A	N/A	N/A	N/A	N/A
Shatin Restaurant       2013       31 July 2019       9,456       40.3       10,569       43.3       4,165       42.7       5,744         Causeway Bay Restaurant 2       2016       30 April 2019       2,999       32.5       5,318       37.7       2,236       38.2       2,485         Taikoo Shing Restaurant       2016       2 October 2020       1,745       39.0       3,377       34.9       1,412       35.5       1,614         Tsim Sha Tsui Restaurant 2       016       5 December 2020       N/A       N/A       (14)       N/A       N/A       649         Shanghai Restaurant       2015       30 June 2020       206       1.9       1,496       15.2       674       15.8       176         Guangzhou Restaurant (Note       2       2017       31 October 2021       (458)       N/A       343       5.8       (282)       N/A       (205)         Shenzhen Restaurant (Note       2       2017       25 May 2021       N/A       N/A       599       14.5       N/A       N/A       325         Sub-total       25,972       32.6       31,057       33.0       11,935       33.4       14,116         Franchised Restaurant       N/A       1,682	Tsim Sha Tsui Restaurant 1	2012	15 April 2019	5,182	38.5	4,453	37.7	1,843	36.1	1,352	35.1
Causeway Bay Restaurant 2       2016       30 April 2019       2,999       32.5       5,318       37.7       2,236       38.2       2,485         Taikoo Shing Restaurant       2016       2 October 2020       1,745       39.0       3,377       34.9       1,412       35.5       1,614         Tsim Sha Tsui Restaurant 2       2018       5 December 2020       N/A       N/A       (14)       N/A       N/A       649         Shanghai Restaurant       2015       30 June 2020       206       1.9       1,496       15.2       674       15.8       176         Guangzhou Restaurant (Note       2       2017       31 October 2021       (458)       N/A       343       5.8       (282)       N/A       (205)         Shenzhen Restaurant (Note       2       2017       25 May 2021       N/A       N/A       599       14.5       N/A       33.4       14,116         Franchised Restaurant         Macau Restaurant (Note 3)       2016       N/A       1,682       N/A       2,372       N/A       948       N/A       972         Other operating costs	Central Restaurant	2013	21 May 2020	5,027	38.1	4,916	38.7	1,887	36.7	1,976	39.3
(Note 1)       2016       30 April 2019       2,999       32.5       5,318       37.7       2,236       38.2       2,485         Taikoo Shing Restaurant       2016       2 October 2020       1,745       39.0       3,377       34.9       1,412       35.5       1,614         Tsim Sha Tsui Restaurant 2       (Note 2)       2018       5 December 2020       N/A       N/A       (14)       N/A       N/A       649         Shanghai Restaurant       2015       30 June 2020       206       1.9       1,496       15.2       674       15.8       176         Guangzhou Restaurant (Note       2)       2017       31 October 2021       (458)       N/A       343       5.8       (282)       N/A       (205)         Shenzhen Restaurant (Note       2)       2017       25 May 2021       N/A       N/A       599       14.5       N/A       N/A       325         Sub-total       25,972       32.6       31,057       33.0       11,935       33.4       14,116         Franchised Restaurant (Note 3)       2016       N/A       1,682       N/A       2,372       N/A       948       N/A       972         Other operating costs       2016       N/A	Shatin Restaurant	2013	31 July 2019	9,456	40.3	10,569	43.3	4,165	42.7	5,744	48.3
Taikoo Shing Restaurant       2016       2 October 2020       1,745       39.0       3,377       34.9       1,412       35.5       1,614         Tsim Sha Tsui Restaurant 2       (Note 2)       2018       5 December 2020       N/A       N/A       (14)       N/A       N/A       N/A       649         Shanghai Restaurant       2015       30 June 2020       206       1.9       1,496       15.2       674       15.8       176         Guangzhou Restaurant (Note       2)       2017       31 October 2021       (458)       N/A       343       5.8       (282)       N/A       (205)         Shenzhen Restaurant (Note       2       2017       25 May 2021       N/A       N/A       599       14.5       N/A       33.4       14,116         Franchised Restaurant (Note 3)       2016       N/A       1,682       N/A       2,372       N/A       948       N/A       972         Other operating costs       2016       N/A       1,682       N/A       2,372       N/A       948       N/A       972	Causeway Bay Restaurant 2										
Tsim Sha Tsui Restaurant 2         (Note 2)       2018       5 December 2020       N/A       N/A       (14)       N/A       N/A       N/A       649         Shanghai Restaurant       2015       30 June 2020       206       1.9       1,496       15.2       674       15.8       176         Guangzhou Restaurant (Note       2       2017       31 October 2021       (458)       N/A       343       5.8       (282)       N/A       (205)         Shenzhen Restaurant (Note       2       2017       25 May 2021       N/A       N/A       599       14.5       N/A       325         Sub-total       25,972       32.6       31,057       33.0       11,935       33.4       14,116         Franchised Restaurant (Note 3)       2016       N/A       1,682       N/A       2,372       N/A       948       N/A       972         Other operating costs       5 <td>(Note 1)</td> <td>2016</td> <td>30 April 2019</td> <td>2,999</td> <td>32.5</td> <td>5,318</td> <td>37.7</td> <td>2,236</td> <td>38.2</td> <td>2,485</td> <td>42.8</td>	(Note 1)	2016	30 April 2019	2,999	32.5	5,318	37.7	2,236	38.2	2,485	42.8
(Note 2)       2018       5 December 2020       N/A       N/A       (14)       N/A       N/A       N/A       649         Shanghai Restaurant       2015       30 June 2020       206       1.9       1,496       15.2       674       15.8       176         Guangzhou Restaurant (Note       2)       2017       31 October 2021       (458)       N/A       343       5.8       (282)       N/A       (205)         Shenzhen Restaurant (Note       2)       2017       25 May 2021       N/A       N/A       599       14.5       N/A       N/A       325         Sub-total       25,972       32.6       31,057       33.0       11,935       33.4       14,116         Franchised Restaurant (Note 3)       2016       N/A       1,682       N/A       2,372       N/A       948       N/A       972         Other operating costs       5016       N/A       1,682       N/A       2,372       N/A       948       N/A       972	Taikoo Shing Restaurant	2016	2 October 2020	1,745	39.0	3,377	34.9	1,412	35.5	1,614	40.6
Shanghai Restaurant       2015       30 June 2020       206       1.9       1,496       15.2       674       15.8       176         Guangzhou Restaurant (Note       2)       2017       31 October 2021       (458)       N/A       343       5.8       (282)       N/A       (205)         Shenzhen Restaurant (Note       2)       2017       25 May 2021       N/A       N/A       599       14.5       N/A       N/A       325         Sub-total       25,972       32.6       31,057       33.0       11,935       33.4       14,116         Franchised Restaurant (Note 3)       2016       N/A       1,682       N/A       2,372       N/A       948       N/A       972         Other operating costs       Jost       Jost <t< td=""><td>Tsim Sha Tsui Restaurant 2</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></t<>	Tsim Sha Tsui Restaurant 2										
Guangzhou Restaurant (Note         2)       2017       31 October 2021       (458)       N/A       343       5.8       (282)       N/A       (205)         Shenzhen Restaurant (Note       2)       2017       25 May 2021       N/A       N/A       599       14.5       N/A       N/A       325         Sub-total       25,972       32.6       31,057       33.0       11,935       33.4       14,116         Franchised Restaurant         Macau Restaurant (Note 3)       2016       N/A       1,682       N/A       2,372       N/A       948       N/A       972         Other operating costs       310       31,057       310       11,935       31,057       31,057       31,057       31,057       31,057       31,057       31,057       31,057       31,057       32,05       11,935       32,4       14,116	(Note 2)	2018	5 December 2020	N/A	N/A	(14)	N/A	N/A	N/A	649	18.6
2)       2017       31 October 2021       (458)       N/A       343       5.8       (282)       N/A       (205)         Shenzhen Restaurant (Note       2)       2017       25 May 2021       N/A       N/A       599       14.5       N/A       N/A       325         Sub-total       25,972       32.6       31,057       33.0       11,935       33.4       14,116         Franchised Restaurant       Macau Restaurant (Note 3)       2016       N/A       1,682       N/A       2,372       N/A       948       N/A       972         Other operating costs <td>Shanghai Restaurant</td> <td>2015</td> <td>30 June 2020</td> <td>206</td> <td>1.9</td> <td>1,496</td> <td>15.2</td> <td>674</td> <td>15.8</td> <td>176</td> <td>5.1</td>	Shanghai Restaurant	2015	30 June 2020	206	1.9	1,496	15.2	674	15.8	176	5.1
Shenzhen Restaurant (Note       2017       25 May 2021       N/A       N/A       599       14.5       N/A       N/A       325         Sub-total       25,972       32.6       31,057       33.0       11,935       33.4       14,116         Franchised Restaurant Macau Restaurant (Note 3)       2016       N/A       1,682       N/A       2,372       N/A       948       N/A       972         Other operating costs	Guangzhou Restaurant (Not	е									
2)       2017       25 May 2021       N/A       N/A       599       14.5       N/A       N/A       325         Sub-total       25,972       32.6       31,057       33.0       11,935       33.4       14,116         Franchised Restaurant       Macau Restaurant (Note 3)       2016       N/A       1,682       N/A       2,372       N/A       948       N/A       972         Other operating costs                  972	2)	2017	31 October 2021	(458)	N/A	343	5.8	(282)	) N/A	(205)	N/A
Sub-total       25,972       32.6       31,057       33.0       11,935       33.4       14,116         Franchised Restaurant       Macau Restaurant (Note 3)       2016       N/A       1,682       N/A       2,372       N/A       948       N/A       972         Other operating costs       0											
Franchised Restaurant         Macau Restaurant (Note 3)       2016       N/A       1,682       N/A       2,372       N/A       948       N/A       972         Other operating costs       Image: Cost of the second s	2)	2017	25 May 2021	N/A	N/A	599	14.5	N/A	N/A	325	10.5
Macau Restaurant (Note 3)         2016         N/A         1,682         N/A         2,372         N/A         948         N/A         972           Other operating costs                  972	Sub-total			25,972	32.6	31,057	33.0	11,935	33.4	14,116	33.1
Macau Restaurant (Note 3)         2016         N/A         1,682         N/A         2,372         N/A         948         N/A         972           Other operating costs                  972	Franchised Restaurant										
		2016	N/A	1,682	N/A	2,372	N/A	948	N/A	972	N/A
	Other operating costs										
				(19,754)	N/A	(17,916)	N/A	(7,337)	) N/A	(8,037)	N/A
Total operating profit	Total operating profit										
( <i>Note 5</i> ) 7,900 9.4 15,513 15.6 5,546 14.5 7,051				7,900	9.4	15,513	15.6	5,546	14.5	7,051	15.6

Notes:

1. Causeway Bay Restaurant 1 was relocated to Shop 4, Ground Floor, V Point, 18 Tang Lung Street, Causeway Bay, Hong Kong as Causeway Bay Restaurant 2 in August 2016 to accommodate our Group's need for a shop with a larger floor area.

- Our Tsim Sha Tsui Restaurant 2, Guangzhou Restaurant and Shenzhen Restaurant commenced business in February 2018, June 2017 and November 2017, respectively.
- 3. The operating profit for the Macau Restaurant represents the total revenue generated from the Macau Restaurant under the terms of the Macau Franchise Agreement minus the corresponding cost of inventories sold to the franchisee.
- 4. Other operating costs mainly comprise the operating expenses incurred by our central kitchen and warehouse operations, central office, business and product development efforts, marketing activities, central procurement team and management team.
- 5. Total operating profit excludes the royalty income generated under the Trademark Licencing Agreement.

For the years ended 31 March 2017 and 2018, the operating margins of our self-operated restaurants remained at a similar level as a whole at approximately 32.6% and 33.0%, respectively, while other operating expenses in aggregate decreased, thereby resulting in the overall improvement in our Group's operating margin from approximately 9.4% for the year ended 31 March 2017 to approximately 15.6% for the year ended 31 March 2018. For the five months ended 31 August 2017 and 2018, the operating margins of our self-operated restaurants remained at a similar level as a whole at approximately 33.4% and 33.1%, respectively, while depreciation expenses for leasehold improvements and fixtures and equipment of our central office and central kitchen decreased due to the increase in number of fully depreciated assets, thereby resulting in the overall improvement in our Group's operating margin from approximately 14.5% for the five months ended 31 August 2017 to approximately 15.6% for the five months ended 31 August 2017 to approximately 15.6% for the five months ended 31 August 2017 to approximately 15.6% for the five months ended 31 August 2017 to approximately 15.6% for the five months ended 31 August 2018.

In general, the operating margin of our restaurants in Hong Kong remained stable for the years ended 31 March 2017 and 2018. The decrease in operating margin of Taikoo Shing Restaurant for the year ended 31 March 2018 resulted from a decrease in average daily sales mainly due to the decrease in average daily number of customer visits for the period. The operating margin of our restaurants in Hong Kong generally increased during the five months ended 31 August 2018 as compared with the corresponding period in 2017. Such increase was mainly attributable to (i) the better site allocation of our frontline manpower upon the expansion of our restaurant network in Hong Kong and (ii) the increase in fully depreciated assets for some of our restaurants during the five months ended 31 August 2018.

During the Track Record Period, the operating margins of our restaurants operated in the PRC were generally lower than that of our restaurants operated in Hong Kong. Our Directors consider it was mainly because the average seat turnover rate of our restaurants operated in the PRC are relatively weak since Japanese ramen is less popular in the PRC than in Hong Kong due to different dining culture. The operating margin of Shanghai Restaurant increased despite it recorded a decrease in sales for the year ended 31 March 2018, which was mainly attributable to the reduced manpower following the consolidation of procurement, marketing and training functions from Shanghai Restaurant to our central office upon the gradual maturation of our PRC operations in 2017. For the five months ended 31 August 2018, the operating margin of Shanghai Restaurant decreased following the decrease in revenue as compared with the corresponding period in 2017, primarily due to the intensified competition in the vicinity.

Other operating costs recorded a slight decrease for the year ended 31 March 2018 as compared with the previous year, which was primarily due to the decrease in business and product development expenses and central staff cost for the year ended 31 March 2018. Such decrease was mainly attributable to the additional cost incurred in the year ended 31 March 2017 for the planning and preparation of the opening of Guangzhou Restaurant and Shenzhen Restaurant, which did not recur in the year ended 31 March 2018. We recorded an increase in other operating costs for the five months ended 31 August 2018 as compared with the corresponding period in 2017. Such increase was in line with the increase in our revenue for the five months ended 31 August 2018.

#### **Finance costs**

Our Group's finance costs mainly consist of interest on bank borrowings.

#### Taxation

During the Track Record Period, our Group's assessable profits in respect of our Hong Kong operations were subject to Hong Kong profits tax at the applicable income tax rate of 16.5%. Our Group's assessable profits in respect of our PRC operations were subject to PRC enterprise income tax at the applicable income tax rate of 25% with a tax concession. The effective tax rate for the years ended 31 March 2017 and 2018 was approximately 19.0% and 15.5%, respectively. The relatively high effective tax rate for the year ended 31 March 2017 was mainly due to the recognition of deferred tax expense charged to profit or loss due to the closure of Causeway Bay Restaurant 1 in August 2016. We recorded a loss before taxation for the five months ended 31 August 2018, primarily due to the listing expenses incurred which are not deductible for taxation.

For the years ended 31 March 2017 and 2018, our Group utilised tax losses brought forward from a subsidiary of approximately HK\$1.4 million and HK\$2.0 million, respectively. Such tax losses brought forward are mainly resulted from the accumulated tax losses of the subsidiary operating our central office in Hong Kong, which was loss making prior to the commencement of the Track Record Period.

### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Five months ended 31 August 2018 compared with five months ended 31 August 2017

### Revenue

Our revenue increased by approximately HK\$7.0 million or approximately 18.3% from approximately HK\$38.2 million for the five months ended 31 August 2017 to approximately HK\$45.2 million for the five months ended 31 August 2018. The increase in revenue was mainly due to the full period of operation of Tsim Sha Tsui Restaurant 2 and Shenzhen Restaurant, and strong performance of Shatin Restaurant contributed by the increase in average number of customer visits for the period, and partially offset by the decrease in revenue contributed by Tsim Sha Tsui Restaurant 1 due to the decrease in average number of customer visits for the period following the opening of Tsim Sha Tsui Restaurant 2 in February 2018.

#### **Cost of inventories**

Our cost of inventories increased by approximately HK\$1.1 million or approximately 13.3% from approximately HK\$8.3 million for the five months ended 31 August 2017 to approximately HK\$9.4 million for the five months ended 31 August 2018. Such increase was mainly due to the increase in our business scale following the opening of our new restaurants.

### Other income

Our other income was approximately HK\$1,000 and HK\$4,000 for the five months ended 31 August 2017 and 2018, respectively. Such increase was mainly due to the higher average balance of our bank balances and cash during the five months ended 31 August 2018 as compared with the corresponding period in 2017.

#### Other gains and losses

Nil other gains and losses recognised for the five months ended 31 August 2017 and 2018, respectively.

#### Staff costs

Our staff costs increased by approximately HK\$2.2 million or approximately 21.2% from approximately HK\$10.4 million for the five months ended 31 August 2017 to approximately HK\$12.6 million for the five months ended 31 August 2018, which was mainly attributable to the additional manpower employed for our newly operated restaurants.

#### Rental and related expenses

Our rental and related expenses increased by approximately HK\$1.5 million or approximately 23.4% from approximately HK\$6.4 million for the five months ended 31 August 2017 to approximately HK\$7.9 million for the five months ended 31 August 2018. Such increase was mainly due to the rental expenses incurred for the leased premises for our newly operated restaurants in Guangzhou, Shenzhen and Tsim Sha Tsui.

#### **Depreciation and amortisation**

Our depreciation of property and equipment and amortisation of intangible assets remained stable at approximately HK\$2.3 million and HK\$2.2 million for the five months ended 31 August 2017 and 2018, respectively.

#### Other expenses

Our other expenses increased by approximately HK\$0.7 million or approximately 13.2% from approximately HK\$5.3 million for the five months ended 31 August 2017 to approximately HK\$6.0 million for the five months ended 31 August 2018. Such increase was in line with the increase in our revenue for the five months ended 31 August 2018.

## Listing expenses

For the five months ended 31 August 2018, the listing expenses of approximately HK\$9.0 million have been charged to profit and loss of our Group. No listing expenses was charged to profit and loss of our Group for the five months ended 31 August 2017.

#### Taxation

Our income tax expense increased by approximately HK\$0.2 million or approximately 25.0% from approximately HK\$0.8 million for the five months ended 31 August 2017 to approximately HK\$1.0 million for the five months ended 31 August 2018. The increase in income tax expense was mainly attributable to the increase in profit before taxation excluding listing expenses resulted from the increase in our business scale following the opening of our new restaurants.

#### **Profit/(loss)** for the period

Our Group recorded a loss of approximately HK\$3.0 million for the five months ended 31 August 2018 as compared to a profit of approximately HK\$4.7 million for the five months ended 31 August 2017, which was primarily due to the one-off listing expenses of approximately HK\$9.0 million incurred during the five months ended 31 August 2018. Given that the listing expenses are non-recurring, our Directors are of the view that there has been no fundamental deterioration in the commercial and operational viability in our Group's business as a whole.

#### Year ended 31 March 2018 compared with year ended 31 March 2017

#### Revenue

Our revenue increased by approximately HK\$15.8 million or approximately 18.9% from approximately HK\$83.8 million for the year ended 31 March 2017 to approximately HK\$99.6 million for the year ended 31 March 2018. The increase in revenue was mainly due to the newly operated Taikoo Shing Restaurant, Guangzhou Restaurant and Shenzhen Restaurant which commenced business in November 2016, June 2017 and November 2017, respectively. Our Directors consider that the relocation of our Causeway Bay Restaurant 1 during the year ended 31 March 2017 did not impose material impact on our revenue generated from such area. The revenue contributed by our other restaurants remained generally stable during the comparable period.

#### **Cost of inventories**

Our cost of inventories increased by approximately HK\$3.5 million or approximately 19.8% from approximately HK\$17.7 million for the year ended 31 March 2017 to approximately HK\$21.2 million for the year ended 31 March 2018. Such increase was mainly due to the increase in our business scale following the opening of our new restaurants.

#### Other income

Our other income remained stable at approximately HK\$11,000 and HK\$10,000 for the years ended 31 March 2017 and 2018, respectively.

#### Other gains and losses

Our other gains and losses increased for the year ended 31 March 2018, which was mainly due to the loss on disposal/written-off of property and equipment resulting from the relocation of Causeway Bay Restaurant 1 in August 2016 did not recur in the year ended 31 March 2018.

## Staff costs

Our staff costs increased by approximately HK\$0.8 million or approximately 3.0% from approximately HK\$26.4 million for the year ended 31 March 2017 to approximately HK\$27.2 million for the year ended 31 March 2018, which was mainly attributable to the additional manpower employed by our newly operated restaurants.

#### **Rental and related expenses**

Our rental and related expenses increased by approximately HK\$2.9 million or approximately 21.2% from approximately HK\$13.7 million for the year ended 31 March 2017 to approximately HK\$16.6 million for the year ended 31 March 2018. Such increase was mainly due to the rental expenses for the leased premises for our newly operated restaurants in Taikoo Shing, Guangzhou and Shenzhen.

### Depreciation and amortisation

Our depreciation of property and equipment and amortisation of intangible assets increased by approximately HK\$1.4 million or approximately 29.2% from approximately HK\$4.8 million for the year ended 31 March 2017 to approximately HK\$6.2 million for the year ended 31 March 2018. Such increase was mainly due to the increase in the leasehold improvements and fixtures and equipment resulting from the fitting-out work carried out for the new Taikoo Shing Restaurant, Guangzhou Restaurant and Shenzhen Restaurant and partially offset by the decrease in the depreciation of leasehold improvements and fixtures and equipment due to certain assets being fully depreciated or written-off for our Causeway Bay Restaurant 1, Tsim Sha Tsui Restaurant 1 and central kitchen.

#### Other expenses

Our other expenses remained at a similar level for the year ended 31 March 2018 as compared to that of the previous year.

## Taxation

Our income tax expense increased by approximately HK\$0.9 million or approximately 60.0% from approximately HK\$1.5 million for the year ended 31 March 2017 to approximately HK\$2.4 million for the year ended 31 March 2018. The increase in income tax expense was mainly attributable to the increase in profit before taxation resulted from the increase in our business scale following the opening of our new restaurants.

### Profit for the year

As a result of the foregoing, our profit for the year increased by approximately HK\$6.8 million or approximately 109.7% from approximately HK\$6.2 million for the year ended 31 March 2017 to approximately HK\$13.0 million for the year ended 31 March 2018.

## **INDEBTEDNESS**

As at 31 March 2017 and 2018, 31 August 2018 and 31 December 2018, being the latest practicable date for ascertaining indebtedness in this prospectus, our borrowings consisted of bank borrowings and amount due to a related party.

#### **Bank borrowings**

The following table sets forth our Group's interest-bearing bank borrowings by scheduled repayment dates set out in the loan agreements as at 31 March 2017 and 2018, 31 August 2018 and 31 December 2018:

	As at 31	l March	As at 31 August	As at <b>31 December</b>	
	2017 HK\$'000	<b>2018</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>	<b>2018</b> <i>HK</i> \$'000 (unaudited)	
Secured and guaranteed bank borrowings Unsecured and guaranteed	4,680	2,321	_	_	
bank borrowings			3,821	3,579	
	4,680	2,321	3,821	3,579	

As at 31 December 2018, we had no unutilised banking facilities available for drawdown.

All of our bank borrowings were denominated in HK\$ and such borrowings gave rise to finance cost of approximately HK\$0.2 million, HK\$0.2 million and HK\$73,000 for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, respectively.

As at 31 December 2018, our unsecured bank borrowings are guaranteed by Mr. C Tang and certain group entities. All personal guarantees executed by Mr. C Tang will be released upon the Listing.

Our Directors have confirmed that we had no substantial delay in any payment or breached any of the material covenants pertaining to our bank borrowings during the Track Record Period and up to the Latest Practicable Date.

All of our bank borrowings were classified as current liabilities despite some of them were repayable in more than one year. Our bank loans were borrowed from major commercial banks in Hong Kong. Notwithstanding that (i) such term loans have specific repayment schedule; and (ii) the loan agreements stated specific situations that the banks can demand for repayment, as a general and standard term of the loan agreements with these major commercial banks, such loan agreements contain a general term entitling the banks to demand for repayment at their discretion. As a result, these bank borrowings were classified as current liabilities in our combined financial statements.

#### Amount due to a related party

As at 31 March 2017 and 2018, 31 August 2018 and 31 December 2018, we had unsecured and unguaranteed amount due to a related party of approximately HK\$7,000, HK\$3,418,000, nil and nil, respectively.

Save as disclosed above and apart from intra-group liabilities, as at 31 December 2018, we did not have any other borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees.

Our Directors confirmed that there was no material adverse change in our Group's indebtedness since 31 December 2018, being the date for determining our Group's indebtedness.

## **CAPITAL EXPENDITURES**

The following table sets forth our capital expenditures for the Track Record Period:

			For the five
			months
	For the y	ear ended	ended
	31 N	<b>farch</b>	31 August
	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000
Property and equipment	5,790	8,232	3,059

Our capital expenditures during the Track Record Period principally consisted of expenditures on acquisitions of property and equipment. During the Track Record Period, we incurred capital expenditures of approximately HK\$5.8 million, HK\$8.2 million and HK\$3.1 million for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, respectively, primarily for leasehold improvements and fixtures and equipment for our new restaurants opened during the period, and upgrade and replacement of machineries.

### COMMITMENTS

#### **Operating lease commitments**

We leased our restaurants, central kitchen, offices, warehouse and staff dormitories under operating lease arrangements for a term of one to five years. The following table sets forth our commitments for future minimum lease payments under non-cancellable operating leases with independent third party as at the dates indicated:

	As at 31	l March	As at 31 August	As at 31 December
	<b>2017</b> <i>HK\$`000</i>	<b>2018</b> HK\$`000	<b>2018</b> <i>HK\$</i> '000	<b>2018</b> HK\$'000 (unaudited)
Within one year In the second to fifth year	9,492	15,110	16,431	14,648
inclusive	16,028	16,887	15,991	12,353
	25,520	31,997	32,422	27,001

Our operating lease rentals of certain restaurants include contingent rentals calculated with reference to turnover of those restaurants plus monthly fixed rental. Our directors are of the view that as the future sales of those restaurants could not be accurately estimated, the relevant rental commitments have not been included in operating lease arrangement.

#### **Contingent liabilities**

As at 31 March 2017 and 2018, 31 August 2018 and 31 December 2018, there were no material contingent liabilities relating to our Group.

Save as disclosed above, at the close of business on 31 December 2018, being the latest practicable date for determining our indebtedness, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has not been any material change in our indebtedness and contingent liabilities since the Latest Practicable Date and up to the date of this prospectus.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

As at the Latest Practicable Date, we had not entered into any off-balance sheet arrangement.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our primary use of cash is to fund our operations and repayment of borrowings and related interest expenses. We have financed our operations through a combination of cash generated from operating activities and external borrowings. Upon the completion of the Share Offer, we expect to meet our liquidity needs and finance our working capital requirements from cash generated from our operations, debt financing and the net proceeds from the Share Offer. As at the Latest Practicable Date, we had not experienced any liquidity problems in settling our payables in the normal course of business.

## **Cash flows**

The following table sets forth our Group's cash flows for the Track Record Period:

	E /	<b>1</b>		the five
		the year		hs ended
	ended	31 March	31 August	
	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(	unaudited)	
Operating cash flows before movements in				
working capital	12,826	21,739	7,840	259
Net cash from operating activities	9,172	20,012	7,545	4,245
Net cash used in investing activities	(7,511)	(9,715)	(3,455)	(3,151)
Net cash from (used in) financing activities	28	(4,949)	(1,130)	2,705
Net increase in cash and cash equivalents Cash and cash equivalents at beginning of	1,689	5,348	2,960	3,799
the year/period	7,979	9,653	9,653	15,129
Effect of foreign exchange rate changes	(15)	128	64	(127)
Cash and cash equivalents at end of the year/period, represented by bank balances				
and cash	9,653	15,129	12,677	18,801

#### Net cash from operating activities

During the Track Record Period, we derived our cash from operating activities principally from the sales received from our customers for our catering service. Our cash used in operating activities was mainly related to the payments for inventories, and other operating items for restaurant operations, such as payment for staff costs, payment for rent and related expenses and other operating expenses.

Net cash from operating activities reflect our profit before taxation deducted by interest income and income tax paid during the period and adjusted for non-cash items such as depreciation of property and equipment, and the effect of changes in working capital items.

For the year ended 31 March 2017, we had net cash from operating activities in the amount of approximately HK\$9.2 million. This was primarily due to (i) operating cash flows before movements in working capital of approximately HK\$12.8 million; (ii) decrease in inventories of approximately HK\$0.3 million; and (iii) increase in provision for reinstatement cost of approximately HK\$90,000, which was partially offset by (i) increase in trade and other receivables, deposits and prepayment of approximately HK\$2.2 million; and (ii) decrease in trade and other payables and accruals of approximately HK\$0.9 million.

For the year ended 31 March 2018, we had net cash from operating activities in the amount of approximately HK\$20.0 million. This was primarily due to (i) operating cash flows before movements in working capital of approximately HK\$21.7 million; (ii) increase in trade and other payables and accruals of approximately HK\$0.8 million; and (iii) increase in provision for reinstatement cost of approximately HK\$30,000, which was partially offset by (i) increase in inventories of approximately HK\$0.3 million; and (ii) increase in trade and other receivables, deposits and prepayments of HK\$1.2 million.

The increase in net cash from operating activities for the year ended 31 March 2018, as compared to that in the prior year, was mainly attributable to the increase in the profit before taxation for the period of approximately HK\$7.7 million due to the increase in our business scale following the opening of our new restaurants during the year ended 31 March 2018.

For the five months ended 31 August 2018, we had net cash from operating activities in the amount of approximately HK\$4.2 million. This was primarily due to (i) operating cash flows before movements in working capital of approximately HK\$0.3 million; (ii) increase in trade and other payables and accruals of approximately HK\$8.0 million; (iii) decrease in inventories of approximately HK\$0.2 million; and (iv) increase in provision for reinstatement cost of approximately HK\$30,000, which was partially offset by increase in trade and other receivables, deposits and prepayments of approximately HK\$3.6 million.

The decrease in net cash from operating activities for the five months ended 31 August 2018, as compared to that in the corresponding period in 2017, was mainly attributable to the listing expenses of approximately HK\$9.0 million incurred during the five months ended 31 August 2018.

#### Net cash used in investing activities

For the year ended 31 March 2017, we had net cash used in investing activities in the amount of approximately HK\$7.5 million. This was mainly because of (i) the purchase of property and equipment of approximately HK\$4.3 million attributable to the opening of our Causeway Bay Restaurant 2 and Taikoo Shing Restaurant during the year and upgrade or replacement of equipment and machineries to our existing restaurants and central kitchen; (ii) deposits paid for acquisition of property and equipment of approximately HK\$1.2 million; (iii) addition of trademarks of

approximately HK\$0.1 million; (iv) placement of pledged bank deposit for our bank borrowings of approximately HK\$0.8 million; and (v) advance to related parties of approximately HK\$3.7 million, which was offset by (i) proceeds from disposal of certain equipment and machineries of approximately HK\$44,000; and (ii) repayments from related parties of approximately HK\$2.5 million.

For the year ended 31 March 2018, we had net cash used in investing activities in the amount of approximately HK\$9.7 million. This was mainly because of (i) the purchase of property and equipment of approximately HK\$7.0 million attributable to the opening of our three new restaurants during the year and upgrade or replacement of equipment and machineries to our existing restaurants and central kitchen; (ii) deposit paid for acquisition of equipment and machineries of approximately HK\$0.3 million; and (iii) advances to related parties of approximately HK\$2.9 million, which was offset by repayments from related parties of approximately HK\$0.5 million.

For the five months ended 31 August 2018, we had net cash used in investing activities in the amount of approximately HK\$3.2 million. This was primarily because of (i) the purchase of property and equipment of approximately HK\$2.8 million mainly attributable to the fitting-out and preparation for the opening of our Tsuen Wan Restaurant and upgrade or replacement of equipment and machineries to our existing restaurants and central kitchen; (ii) deposit paid for acquisition of property and equipment of approximately HK\$49,000; and (iii) advances to related parties of approximately HK\$2.2 million, which was partially offset by withdrawal of pledged bank deposits of approximately HK\$1.9 million.

#### Net cash from (used in) financing activities

For the year ended 31 March 2017, our net cash from financing activities amounted to approximately HK\$28,000. This was primarily attributable to (i) proceeds from new bank borrowings of approximately HK\$3.2 million; and (ii) advances from related parties of HK\$0.2 million; which was partially offset by (i) bank interest expenses paid of approximately HK\$0.2 million; (ii) repayment of obligations under finance leases of approximately HK\$77,000; (iii) repayments of bank borrowings of approximately HK\$2.1 million; and (iv) repayments to related parties of approximately HK\$0.9 million.

For the year ended 31 March 2018, our net cash used in financing activities amounted to approximately HK\$4.9 million. This was primarily due to (i) bank interest expenses paid of approximately HK\$0.2 million; (ii) repayments of bank borrowings of approximately HK\$2.4 million; and (iii) repayments to related parties of approximately HK\$3.3 million, which was partially offset by advances from related parties of HK\$0.9 million.

For the five months ended 31 August 2018, our net cash from financing activities amounted to approximately HK\$2.7 million. This was primarily due to (i) proceeds from issue of shares of approximately HK\$6.1 million; (ii) new bank borrowings raised of approximately HK\$4.0 million; (iii) advances from related parties of approximately HK\$0.3 million, which was partially offset by (i) repayments to related parties of approximately HK\$3.7 million; (ii) repayment of bank borrowings of approximately HK\$2.5 million; (iii) share issuances cost paid of approximately HK\$1.4 million; and (iv) bank interest paid of approximately HK\$73,000.

## NET CURRENT ASSETS

The following table sets forth the details of our Group's current assets, current liabilities and net current assets as at the dates indicated:

	As at	31 March	As at 31 August	As at 31 December
	2017	2018	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	11110 000	11110 000	11110 000	(unaudited)
				(,
Current Assets				
Inventories	961	1,283	1,066	760
Trade and other receivables, deposits and				
prepayments	3,756	4,390	9,060	9,791
Amounts due from related parties	3,447	754	2,975	
Tax recoverable	351	217	91	101
Pledged bank deposits	1,900	1,900	_	—
Bank balances and cash	9,653	15,129	18,801	19,146
Total current assets	20,068	23,673	31,993	29,798
Current liabilities				
Trade and other payables and accruals	6,105	6,937	13,563	10,244
Amount due to a related party	7	3,418	_	
Tax payable	1,085	2,407	2,580	3,433
Bank borrowings	4,680	2,321	3,821	3,579
Total current liabilities	11,877	15,083	19,964	17,256
Total current habilities			17,704	
	0.464	0.500	10.000	10 5 10
Net current assets	8,191	8,590	12,029	12,542

Our net current assets represent the difference between our total current assets and total current liabilities.

Our current assets mainly comprised inventories, trade and other receivables, deposits and prepayments, amounts due from related parties, tax recoverable, pledged bank deposits and bank balances and cash. Our current liabilities mainly comprised trade and other payables and accruals, amount due to a related party, tax payable and bank borrowings.

We recorded net current assets of approximately HK\$12.0 million as at 31 August 2018, representing an increase of approximately HK\$3.4 million from approximately HK\$8.6 million as at 31 March 2018. The increase was mainly due to the net cash flows generated from our business operation and the proceeds received from the issuance of shares during the five months ended 31 August 2018.

#### WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to our Group, including the internally generated funds, availability of bank facilities and estimated net proceeds from the Share Offer, our Directors believe, after due and careful inquiry, that we have sufficient working capital for at least 12 months commencing from the date of this prospectus.

## ANALYSIS OF SELECTED COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

#### **Property and equipment**

The following table sets out the respective carrying values of our Group's property and equipment as at the dates indicated:

		Fixtures	
	Leasehold	and	
	improvements	equipment	Total
	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2017	7,025	3,489	10,514
As at 31 March 2018	9,534	3,337	12,871
As at 31 August 2018	9,237	4,024	13,261

The increase in carrying value from 31 March 2017 to 31 March 2018 and further to 31 August 2018 was mainly due to the additions of leasehold improvements and fixtures and equipment for our new restaurants and upgrade or replacement of equipment and machineries to our existing restaurants and central kitchen of approximately HK\$8.2 million for the year ended 31 March 2018 and approximately HK\$3.1 million for the five months ended 31 August 2018 which was partially offset by the depreciation of leasehold improvements and fixtures and equipment of approximately HK\$6.2 million and approximately HK\$2.2 million, for the corresponding year/period, respectively. For details of our purchase of property and equipment during the Track Record Period, please refer to note 14 to the Accountants' Report in Appendix I to this prospectus.

#### **Intangible** assets

It represented the cost of our trademark of approximately HK\$0.1 million incurred during the year ended 31 March 2017 which has finite useful lives and is amortised on a straight-line basis over 10 years. The net carrying value of intangible assets amounted to approximately HK\$95,000, HK\$71,000 and HK\$61,000, as at 31 March 2017 and 2018 and 31 August 2018, respectively.

## Inventories

During the Track Record Period, our Group's inventories comprised of food and beverages for restaurant operations. The following table sets out the information on the inventories balance as at the dates indicated:

	As at	As at 31 March		
	2017	2018	2018	
	HK\$'000	HK\$'000	HK\$'000	
Food and beverages	961	1,283	1,066	

Our inventories increased from approximately HK\$1.0 million as at 31 March 2017 to approximately HK\$1.3 million as at 31 March 2018. The increase in inventories balance was primarily due to the increase in stock level required for operation of our newly operated Guangzhou, Shenzhen and Tsim Sha Tsui restaurants during the year ended 31 March 2018. As at 31 August 2018, our inventories decreased slightly to approximately HK\$1.1 million, of which the inventory level was considered being maintained in a decent level to fulfil our daily production needs.

The following table sets out the inventories turnover days for the Track Record Period:

	-	year ended March	For the five months ended 31 August
	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000
Inventories turnover days (Note)	22.7 days	19.3 days	19.1 days

*Note:* Inventories turnover days for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018 are equal to the average inventories divided by cost of inventories for the year/period and multiplied by 365 days for the years ended 31 March 2017 and 2018 and 153 days for the five months ended 31 August 2018. Average inventories are the average of inventories at the beginning of the year/period and inventories at the end of the year/period.

Our inventories turnover days were approximately 22.7 days, 19.3 days and 19.1 days for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, respectively. The decrease in inventories turnover days during the Track Record Period was mainly because more restaurants shared the common inventories held by our central kitchen.

As at the Latest Practicable Date, all of our inventories as at 31 August 2018 were utilised.

## Trade and other receivables, deposits and prepayments

Our trade and other receivables, deposits and prepayments consisted of (i) trade receivables; (ii) rental deposits; (iii) utilities and other deposits, (iv) deposits paid for acquisition of property and equipment, (v) other receivables and (vi) prepayments. The following table sets forth the breakdown of trade and other receivables, deposits and prepayments as at the dates indicated:

	As at 3	As at 31 August	
	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	808	1,123	1,290
Rental deposits	4,458	5,167	5,283
Utilities and other deposits	955	974	1,080
Deposits paid for acquisition of property and			
equipment	1,227	264	49
Other receivables	224	337	398
Prepayments	1,132	1,196	1,296
Prepaid listing expenses			129
Deferred listing expenses			2,871
Total	8,804	9,061	12,396

## Trade receivables

Our Group's trading terms with our customers are mainly by cash, EPS, Alipay and WeChat Pay. Payment by EPS, Alipay and WeChat Pay will normally be settled within 7 days after trade date. Trade receivables also include royalty fee income and sales income receivable from a franchisee and royalty fee receivable from a licensee.

Our Group's trade receivables increased by approximately HK\$0.3 million or approximately 37.5% from approximately HK\$0.8 million as at 31 March 2017 to approximately HK\$1.1 million as at 31 March 2018, which was mainly due to the introduction of EPS and Alipay and WeChat payment channel and new opening of three restaurants in Hong Kong and the PRC. Our Group's trade receivables further increased to approximately HK\$1.3 million as at 31 August 2018, primarily due to the further introduction of Alipay payment channel to our restaurants in Hong Kong since July 2018.

The following table sets out the trade receivables' turnover days for the Track Record Period:

			For the five months	
	For the year ended 31 March		ended 31 August	
	2017	2018	2018	
	HK\$'000	HK\$'000	HK\$'000	
Trade receivables' turnover days (Note)	1.8 days	3.5 days	4.1 days	

*Note:* Trade receivables' turnover days for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018 are equal to the average trade receivables divided by revenue for the year/period and multiplied by 365 days for the years ended 31 March 2017 and 2018 and 153 days for the five months ended 31 August 2018. Average trade receivables are the average of trade receivables at the beginning of the year/period and trade receivables at the end of the year/period.

Our trade receivables' turnover days were approximately 1.8 days and 3.5 days for the years ended 31 March 2017 and 2018, respectively. The increase in trade receivables' turnover days was mainly due to the introduction of EPS and WeChat payment channel during the year ended 31 March 2018. Our trade receivables' turnover days further increased to 4.1 days for the five months ended 31 August 2018, primarily due to the further introduction of Alipay payment channel to our restaurants in Hong Kong since July 2018.

The following table sets forth the ageing analysis of our trade receivables, based on the invoice date, as at the end of each of the reporting dates:

	As at 3	1 March	As at 31 August
	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000
0 - 30 days	598	1,049	1,242
31 - 60 days	17	_	4
61 - 90 days	158	6	_
Over 90 days	35	68	44
	808	1,123	1,290

As at 31 March 2017 and 2018 and 31 August 2018, no trade receivables were impaired. No allowance for impairment of trade receivables was made as at 31 March 2017 and 2018 and 31 August 2018.

For details of our trade receivables, please refer to note 17 to the Accountants' Report set out in Appendix I to this prospectus.

As at the Latest Practicable Date, approximately HK\$1.2 million or 93.0%, of trade receivables as at 31 August 2018 were settled.

#### Rental deposits and utilities and other deposits

Rental deposits represents the rental deposits paid for our restaurant operations. It slightly increased from approximately HK\$4.5 million as at 31 March 2017 to approximately HK\$5.2 million as at 31 March 2018. The increase was mainly due to deposits made on the opening of new restaurants during the year. Our rental deposits were approximately HK\$5.3 million as at 31 August 2018, such increase was primarily due to the deposits made for our Tsuen Wan Restaurant.

Our utilities and other deposits remained relatively stable at approximately HK\$1.0 million, HK\$1.0 million and HK\$1.1 million as at 31 March 2017 and 2018 and 31 August 2018, respectively.

#### Prepayments

Our prepayments mainly comprised of prepayments for rent and rates, insurance and other expenses. Our prepayment remained relatively stable at approximately HK\$1.1 million, HK\$1.2 million and HK\$1.3 million as at 31 March 2017 and 2018 and 31 August 2018, respectively.

#### Prepaid and deferred listing expenses

As at 31 August 2018, our Group recorded prepaid listing expenses of approximately HK\$0.1 million and deferred listing expenses of approximately HK\$2.9 million for the legal and professional fees incurred in relation to the Listing.

### Deposits paid for acquisition of property and equipment

Deposits paid for acquisition of property and equipment mainly represents the deposits paid for fitting-out work and the newly purchased equipment and machineries. It decreased from approximately HK\$1.2 million as at 31 March 2017 to approximately HK\$0.3 million as at 31 March 2018 mainly due to the deposit paid for fitting-out work for our Guangzhou Restaurant in early 2017 was transferred to property and equipment upon completion of fitting-out work. It further decreased to approximately HK\$49,000 as at 31 August 2018 mainly due to the deposit paid for the newly purchased equipment and machineries for our central kitchen was transferred to property and equipment upon the delivery and installation of such equipment and machineries.

## Amounts due from related parties

The following table sets forth the details of the amounts due from related parties as at each reporting date during the Track Record Period:

	As at 3	As at 31 August	
	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000
Mr. C Tang	3,246	_	2,221
Butao Ramen BVI	95		_
Ideal Butao	_	754	754
Brilliant Trade	106		
	3,447	754	2,975

The amounts due from related parties and director are non-trade in nature, unsecured, interest-free and repayable on demand. All outstanding balances due from Mr. C Tang and Ideal Butao as at 31 August 2018 were fully settled by cash on 28 December 2018 and 3 October 2018, respectively.

### Trade and other payables and accruals

Our trade and other payables and accruals consisted of (i) trade payables; (ii) salaries payable; (iii) payable for acquisition of property and equipment; (iv) effective rent payable; (v) accrual for listing expenses and (vi) other payables and accruals. The following table sets forth the details of our trade and other payables and accruals as at the dates indicated:

	As at 3	1 March	As at 31 August
	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000
Trade payables	1,363	1,745	2,002
Salary payables	2,269	1,934	2,287
Payable for acquisition of property and equipment	161	175	185
Effective rent payable	690	1,600	1,609
Accrual for listing expenses	_		6,281
Other payables and accruals	1,622	1,483	1,199
Total	6,105	6,937	13,563

As at 31 August 2018, our trade and other payables and accruals was approximately HK\$13.6 million, representing an increase of approximately HK\$6.6 million as compared to that of 31 March 2018, which was primarily attributable to the accrual for listing expenses of approximately HK\$6.3 million as at 31 August 2018.

### **Trade payables**

Trade payables were mainly related to the purchase of inventories from our suppliers. We generally receive credit terms of 0 to 30 days from our suppliers.

Our Group's trade payables increased by approximately HK\$0.3 million or approximately 21.4% from approximately HK\$1.4 million as at 31 March 2017 to approximately HK\$1.7 million as at 31 March 2018, which was mainly due to the increase in our Group's scale of operation. Our Group's trade payables further increased to approximately HK\$2.0 million as at 31 August 2018, mainly due to the delay in settlement of trade payables as result of delay in submission of monthly statement by certain suppliers.

The following table sets forth the trade payables' turnover days for the Track Record Period:

		year ended	For the five months ended	
	31 March		31 August	
	2017	2018	2018	
	HK\$'000	HK\$'000	HK\$'000	
Trade payables' turnover days (Note)	31.8 days	26.8 days	30.5 days	

*Note:* Trade payables' turnover days for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018 are equal to the average trade payables divided by cost of inventories for the year/period and multiplied by 365 days for the years ended 31 March 2017 and 2018 and 153 days for the five months ended 31 August 2018. Average trade payables are the average of trade payables at the beginning of the year/period and trade payables at the end of the year/period.

Our trade payables' turnover days were approximately 31.8 days, 26.8 days and 30.5 days for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018, respectively. The trade payables' turnover days were close to the credit terms generally offered by our suppliers.

The following table sets forth the ageing analysis of our trade payables, based on the invoice dates, as at the end of each of the reporting dates:

			As at
	As at 3	As at 31 March	
	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000
0 - 30 days	1,363	1,735	1,937
31 - 60 days	_	10	52
Over 60 days			13
	1,363	1,745	2,002

During the Track Record Period, we generally settle our payables to our suppliers earlier than the credit terms received by us. Our Directors consider that timely settlement of payables to our suppliers would enable us to obtain better pricing from our suppliers, which is beneficial to our Group as a whole.

As at the Latest Practicable Date, approximately HK\$2.0 million or 100.0% of our trade payables as at 31 August 2018 were settled.

### Salary payables

Salary payables mainly represents salaries, bonuses and allowances to be paid for the services rendered by our employees. Our salaries payables remained at a similar level as at 31 March 2017 and 2018 and 31 August 2018, respectively.

#### Payables for acquisition of property and equipment

Payables for acquisition of property and equipment mainly represents outstanding payments of renovation fees for our restaurants, which remained at a similar level as at 31 March 2017 and 2018 and 31 August 2018, respectively.

#### Effective rent payable

Effective rent payable is resulted from the accounting treatment where our rental expenses for leases with rent-free period were spread evenly over the lease terms. Our effective rent payable increased from approximately HK\$0.7 million as at 31 March 2017 to approximately HK\$1.6 million as at 31 March 2018 mainly because we enjoyed a relatively long rent-free period granted by the landlord of the premises of our Shenzhen restaurant during the year ended 31 March 2018. Our effective rent payable remained at a similar level as at 31 March 2018 and 31 August 2018, respectively.

#### Accrual for listing expenses

Our accrual for listing expenses mainly comprised of accruals for the legal and professional fees incurred in relation to the Listing.

## Other payables and accruals

Our other payables and accruals mainly comprised of payables for other operating expenses. During the Track Record Period, our other payables and accruals remained at a similar level as at 31 March 2017 and 2018 and 31 August 2018, respectively.

# **RELATED PARTY TRANSACTIONS**

Save for the compensation of key management personnel, there was no material related party transaction during the Track Record Period and as at the Latest Practicable Date.

## SELECTED KEY FINANCIAL RATIOS

The following sets out our key financial ratios during the Track Record Period:

	For the year ended or as at 31 March		For the five months ended or as at 31 August
	2017	2018	2018
Profitability ratios			
Return on assets (Note 1)	17.0%	30.6%	N/A
Return on equity (Note 2)	25.3%	48.0%	N/A
Liquidity ratios			
Current ratio (Note 3)	1.7 times	1.6 times	1.6 times
Quick ratio (Note 4)	1.6 times	1.5 times	1.5 times
Capital adequacy ratios			
Gearing ratio (Note 5)	19.0%	21.2%	13.0%
Interest coverage (Note 6)	38.2 times	97.6 times	N/A

Notes:

Return on assets is calculated based on the profit for the year/period divided by the total assets at the end of the respective year/period, multiplied by 100% for the years ended 31 March 2017 and 2018; or multiplied by 365/153 and then multiplying the resulting value by 100% for the five months ended 31 August 2018.

- 2. Return on equity is calculated based on the profit for the year/period attributable to owners of our Company divided by the total equity attributable to owners of our Company at the end of the respective year/period, multiplied by 100% for the years ended 31 March 2017 and 2018; or multiplied by 365/153 and then multiplying the resulting value by 100% for the five months ended 31 August 2018.
- 3. Current ratio is calculated based on the total current assets at the end of the year/period divided by the total current liabilities at the end of the respective year/period.
- 4. Quick ratio is calculated based on the total current assets (less inventories) at the end of the year/period divided by the total current liabilities at the end of the respective year/period.
- 5. Gearing ratio is calculated based on the sum of bank borrowings and amount due to a related party at the end of the year/period divided by the total equity at the end of the respective year/period and multiplied by 100%.
- 6. Interest coverage is calculated based on the profit before interest and tax for the year/period divided by the interest expenses for the respective year/period.

#### **Return on assets**

Our return on assets increased from approximately 17.0% for the year ended 31 March 2017 to approximately 30.6% for the year ended 31 March 2018, which was mainly due to increase in profit for the year as a result of the expansion of our business scale. Our Group recorded a loss for the five months ended 31 August 2018, mainly due to the one-off listing expenses of approximately HK\$9.0 million.

#### **Return on equity**

Our return on equity increased from approximately 25.3% for the year ended 31 March 2017 to approximately 48.0% for the year ended 31 March 2018, which was mainly due to increase in profit for the year as a result of the expansion of our business scale. Our Group recorded a loss for the five months ended 31 August 2018, mainly due to the one-off listing expenses of approximately HK\$9.0 million.

### **Current ratio**

Our current ratio remained at a similar level as at 31 March 2017 and 2018 and 31 August 2018, respectively.

### Quick ratio

Our quick ratio remained at a similar level as at 31 March 2017 and 2018 and 31 August 2018, respectively.

## **Gearing ratio**

Our gearing ratio increased from approximately 19.0% for the year ended 31 March 2017 to approximately 21.2% for the year ended 31 March 2018, which was mainly due to the increase in amount due to a related party, partially offset by the repayment of bank borrowings for the year ended 31 March 2018. Our gearing ratio decreased to approximately 13.0% for the five months ended 31 August 2018, mainly due to the decrease in amount to a related party and the increase in equity resulted from the Pre-IPO investment, and partially offset by the increase in bank borrowings for the five months ended 31 August 2018.

### Interest coverage

Our interest coverage increased from approximately 38.2 times for the year ended 31 March 2017 to approximately 97.6 times for the year ended 31 March 2018, which was mainly due to decrease in bank interest expenses as a result of repayment of bank borrowings and increase in profit generated for the year ended 31 March 2018. Our Group recorded a loss for the five months ended 31 August 2018, mainly due to the one-off listing expenses of approximately HK\$9.0 million.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

#### Foreign currency risk

Our Group currently does not expose to material foreign exchange risk as most of our monetary assets and liabilities are denominated in Hong Kong Dollars.

## Credit risk

We trade with a large number of individual customers and trading terms are mainly on cash, EPS, Alipay and WeChat pay settlement. In view of our operation, we do not have significant credit risk exposure to any single individual customer.

The credit risk of our other financial assets comprises carrying amounts of bank balances and cash, other receivables, deposits and prepayments, amounts due from related parties and pledged bank deposits. These credit risks are monitored on an ongoing basis.

### Liquidity risk

Our Group has policy in place to regularly monitor our Group's liquidity requirements, both existing and expected, in order to maintain sufficient reserves of cash from short term to long term. Our Directors are of the view that our liquidity risk management policy enables our Group to have sufficient resources to meet our debt obligations and working capital needs.

## Capital risk

Our Group's objectives for managing capital are to ensure our ability to continue as a going concern in order to provide returns for the Shareholders and to maintain an optimal capital structure to minimise our cost of capital.

To maintain or adjust capital structure, we may adjust dividend payout ratio, make return of capital to Shareholders in the form of dividend or share buyback, issue new Shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the Track Record Period.

#### DIVIDEND AND DISTRIBUTABLE RESERVES

During the year ended 31 March 2018, one of our Group members declared dividends of approximately HK\$11.0 million which was used to offset the amount due from Mr. C Tang. Accordingly, such dividend distribution does not impose any impact on our cash position and other impact on our financial position.

There is no expected or predetermined dividend payout ratio after the Listing. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders' approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up on the Shares.

Dividends may be paid only out of our Company's distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

### LISTING EXPENSES

Our estimated listing expenses primarily consist of legal and professional fees, including underwriting commission, in relation to the Listing. Assuming the Offer Price of HK\$0.55 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses are estimated to be approximately HK\$28.1 million, of which approximately HK\$12.2 million is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK\$9.0 million was charged to the combined statements of profit or loss for the five months ended 31 August 2018 and approximately HK\$6.9 million is expected to be incurred for the seven months ending 31 March 2019. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

#### FINANCIAL PERFORMANCE FOR THE YEAR ENDING 31 March 2019

Our Directors consider that our Group's financial performance for the year ending 31 March 2019 would significantly deteriorate as affected by the increase in the listing expenses and administrative expenses. Listing expenses of approximately HK\$15.9 million are expected to be charged to the combined statements of profit or loss for the year ending 31 March 2019. In addition, there will be an expected increase in administrative expenses which is primarily attributable to the increase in Directors' remuneration and other professional fees for the year ending 31 March 2019 arising from the increase in remuneration of our Directors and the appointment of our new independent non-executive Directors and professional parties prior to and after the Listing.

Our Directors are of the opinion that there has been no fundamental deterioration in the commercial and operational viability in our Group's business despite the expected increase in our Directors' remuneration and professional fees and the non-recurring listing expenses.

#### MATERIAL ADVERSE CHANGE

Prospective investors should be aware that our Group will incur a loss for the year ending 31 March 2019 as a result of incurrence of listing expenses. In addition, our Directors anticipate that the increasing rental and related expenses upon the renewal of expiring leases will impose pressure on our operations, and our profitability for the year ending 31 March 2019 will be adversely affected.

Save as disclosed above, our Directors confirmed that, up to the date of this prospectus, there has been no material adverse change in our Group's financial or trading positions or prospect of our Company or its subsidiaries since 31 August 2018 (being the date of which our Group's latest audited combined financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 31 August 2018 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

#### DISCLOSURE REQUIREMENTS UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirements under Rule 17.15 to 17.21 of the GEM Listing Rules.

# UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma statement of adjusted combined net tangible assets of our Group attributable to owners of our Company which has been prepared for the purpose of illustrating the effect of the proposed Share Offer as if it had been taken place on 31 August 2018 and based on the audited combined net tangible assets of our Group as at 31 August 2018 as shown in the Accountants' Report set forth in Appendix I to this prospectus and is adjusted as follows:

	Audited combined net tangible assets of our Group attributable to owners of our Company as at 31 August 2018 <i>HK</i> \$'000 ( <i>Note 1</i> )	Estimated net proceeds from the proposed Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company as at 31 August 2018 <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company as at 31 August 2018 per Share <i>HK</i> \$ ( <i>Note 3</i> )
Based on the Offer Price of HK\$0.70 per Share	26,785	66,545	93,330	0.20
Based on the Offer Price of HK\$0.40 per Share	26,785	32,795	59,580	0.13

Notes:

- The amount is calculated based on the audited combined net tangible assets of our Group attributable to owners of our Company as at 31 August 2018 amounting to HK\$26,841,000, extracted from the Accountants' Report set out in Appendix I to this prospectus, and adjusted for intangible assets of our Group attributable to owners of our Company as at 31 August 2018 of HK\$56,000.
- 2. The estimated net proceeds from the proposed Share Offer are based on 125,000,000 Offer Shares at the Offer Price of lower limit and upper limit of HK\$0.40 and HK\$0.70 per Share, respectively, after taking into account the estimated underwriting fees and other related expenses incurred or to be incurred by our Group subsequent to 31 August 2018.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchase Shares referred to in the section headed "Share Capital — General mandate to issue shares" or the section headed "Share Capital — General mandate to repurchase shares" in this prospectus.

# FINANCIAL INFORMATION

- 3. The unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company as at 31 August 2018 per Share is calculated based on 466,250,000 Shares, representing the aggregation of 9,100 Shares held by the Controlling Shareholders through Brilliant Trade Enterprises Limited as at 31 August 2018, capitalisation of 341,240,900 Shares attributable to the Shares held by the Controlling Shareholders through Billiant Trade Enterprises Limited and 125,000,000 Offer Shares, were in issue assuming that the Reorganisation, the Share Offer and the Capitalisation Issue had been completed on 31 August 2018 and does not take into account of any Shares held by shareholders other than the Controlling Shareholders, or any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this prospectus.
- 4. Assuming the Reorganisation is completed on 31 August 2018, the unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company as at 31 August 2018 per Share would have been HK\$0.12 and HK\$0.19 at the Offer Price of HK\$0.40 and HK\$0.70 per Share, respectively, which is calculated based on (i) the combined net tangible assets of our Group attributable to owners of our Company as at 31 August 2018 of HK\$29,435,000 after taking into consideration of (a) combined net assets of our Group attributable to owners of our Company as at 31 August 2018 of HK\$26,841,000; (b) the transfer of non-controlling interests of HK\$2,655,000 during the five months ended 31 August 2018 to other reserve attributable to owners of our Group as at 31 August 2018 of HK\$61,000; and (ii) the estimated net proceeds from the Share Offer as mentioned in note (2) and 500,000,000 Shares in issue immediately following the completion of the Share Offer and Capitalisation Issue.
- 5. No adjustment has been made to the unaudited pro forma statement of adjusted combined net tangible assets of our Group attributable to owners of our Company as at 31 August 2018 to reflect any trading results or other transactions of our Group entered into subsequent to 31 August 2018.

#### FUTURE PLANS

Please see the section headed "Business — Business strategies" in this prospectus for a detailed description of our future plans.

#### **USE OF PROCEEDS**

We intend to apply the net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and an Offer Price of HK\$0.55, being the mid-point of the Offer Price range, of approximately HK\$40.6 million as follows:

- approximately HK\$24.6 million or approximately 60.6% of the net proceeds will be used for setting up of new outlets in Hong Kong;
- approximately HK\$8.1 million or approximately 20.0% of the net proceeds will be used for expansion of existing central kitchen in Hong Kong;
- approximately HK\$2.1 million or approximately 5.2% of the net proceeds will be used for further enhancement of our brand recognition;
- approximately HK\$1.8 million or approximately 4.4% of the net proceeds will be used for further enhancement of operational capability and efficiency; and
- approximately HK\$4.0 million or approximately 9.8% of the net proceeds will be used as general working capital of our Group.

For the period from the Latest Practicable Date to 31 March 2021, our net proceeds from the Share Offer will be used as follows:

	From the Latest Practicable Date to 30 September 2019	For the six months ending 31 March 2020	For the six months ending 30 September 2020	For the six months ending 31 March 2021	Total	Approximate percentage
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
Setting up of new outlets in Hong Kong	6,300	6,100	6,100	6,100	24,600	60.6
Expansion of existing central kitchen in Hong Kong	8,100	_	_	_	8,100	20.0
Further enhancement of our brand recognition	1,200	300	300	300	2,100	5.2
Enhancement of operational capability and efficiency	1,300	500	_	_	1,800	4.4
General working capital	4,000				4,000	9.8
	20,900	6,900	6,400	6,400	40,600	100.0

### **IMPLEMENTATION PLANS**

We will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 31 March 2021, and their respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed "Bases and key assumptions" in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under the section headed "Risk Factors" in this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

#### From the Latest Practicable Date to 30 September 2019

<b>Business strategy</b>	Imp	elementation activities	Sources of funding	
Setting up of new outlets in Hong Kong	≻	Capital expenditure for opening new restaurant under the brand "(豚王)" in Mongkok	Listing proceeds of approximately HK\$2.9 million	
	≻	Rental deposit for opening new restaurant under the brand "(豚王)" in Mongkok	Listing proceeds of approximately HK\$1.0 million	
	≻	Working capital for opening new restaurant under the brand "(豚王)" in Mongkok	Listing proceeds of approximately HK\$2.4 million	
Expansion of existing central kitchen in Hong Kong	≻	Fitting out, renovation and installation of the new central kitchen, including the freezer and cool storage area	Listing proceeds of approximately HK\$3.7 million	
	≻	Acquire additional facilities and machineries, such as bone broth production line, chasu production line, toppings production line and seasonings production line	Listing proceeds of approximately HK\$2.8 million	
	>	Evaluate the efficiency of new central kitchen and assess for our need for additional facilities and machineries		
	۶	Working capital for operating new kitchen	Listing proceeds of approximately HK\$1.6 million	

Business strategy	Imp	lementation activities	Sources of funding	
Further enhancement of our brand recognition	≻	Promotion campaigns and other marketing activities	Listing proceeds of approximately HK\$0.3 million	
	≻	Enhance our marketing channels such as developing of mobile marketing application platform	Listing proceeds of approximately HK\$0.9 million	
Enhancement of operational capability and efficiency	≻	Upgrade of our existing Enterprise Resource Planning system to support the human resources, accounting and procurement functions	Listing proceeds of approximately HK\$0.6 million	
	7	Recruit an additional product development manager, business development manager, training manager and human resources manager to strengthen our operational capability and efficiency	Listing proceeds of approximately HK\$0.7 million	

# For the six months ending 31 March 2020

<b>Business strategy</b>	Imp	dementation activities	Sources of funding
Setting up of new outlets in Hong Kong	>	Capital expenditure for opening new restaurant under the brand "(豚王)" in Tseung Kwan O	Listing proceeds of approximately HK\$2.9 million
	>	Rental deposit for opening new restaurant under the brand "(豚王)" in Tseung Kwan O	Listing proceeds of approximately HK\$0.8 million
	>	Working capital for opening new restaurant under the brand "(豚王)" in Tseung Kwan O	Listing proceeds of approximately HK\$2.4 million
Further enhancement of our brand recognition	≻	Promotion campaigns and other marketing activities	Listing proceeds of approximately HK\$0.3 million

<b>Business strategy</b>	Implementation activities		Sources of funding
Enhancement of operational capability and efficiency		Maintain the salaries of the additional product development manager, business development manager, training manager and human resources manager	Listing proceeds of approximately HK\$0.5 million

## For the six months ending 30 September 2020

<b>Business strategy</b>	Imp	dementation activities	Sources of funding	
Setting up of new outlets in Hong Kong	>	Capital expenditure for opening new restaurant under the brand "(豚王)" in Tuen Mun	Listing proceeds of approximately HK\$2.9 million	
	≻	Rental deposit for opening new restaurant under the brand "(豚王)" in Tuen Mun	Listing proceeds of approximately HK\$1.0 million	
	≻	Working capital for opening new restaurant under the brand "(豚王)" in Tuen Mun	Listing proceeds of approximately HK\$2.2 million	
Further enhancement of our brand recognition	≻	Promotion campaigns and other marketing activities	Listing proceeds of approximately HK\$0.3 million	

# For the six months ending 31 March 2021

<b>Business strategy</b>	Implementation activities		Sources of funding
Setting up of new outlets in Hong Kong	۶	Capital expenditure for opening new restaurant under the brand "(豚王)" in Kwun Tong	Listing proceeds of approximately HK\$2.9 million
	≻	Rental deposit for opening new restaurant under the brand "(豚王)" in Kwun Tong	Listing proceeds of approximately HK\$1.0 million
	≻	Working capital for opening new restaurant under the brand "(豚王)" in Kwun Tong	Listing proceeds of approximately HK\$2.2 million
Further enhancement of our brand recognition	≻	Promotion campaigns and other marketing activities	Listing proceeds of approximately HK\$0.3 million

#### **BASES AND KEY ASSUMPTIONS**

The business objectives set out by our Directors are based on the following bases and key assumptions:

- there will be no significant economic change in respect of inflation, interest rate, tax rate and currency exchange rate that will adversely affect our business operations;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material change in the existing laws (whether in the PRC or any part of the world), policies, or industry or regulatory treatment relating to us, or in the political, economic or market conditions in which we operate;
- there will be no material change in the bases or rates of taxation applicable to us;
- there will be no disaster, natural, political or otherwise, which would materially disrupt our business operations or cause substantial loss, damage or destruction to our properties or facilities;
- there will be no significant change in the business relationships with our major clients and suppliers;
- there will be no change in the effectiveness of any licences and permits obtained by us; and
- we will not be materially affected by the risk factors as set out under the section headed "Risk Factors" in this prospectus.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range, our Company will receive additional net proceeds of the Share Offer of approximately HK\$16.9 million when compared to the net proceeds receivable by our Company with the Offer Price being determined at the mid-point of the range as stated in this prospectus, which will be used in the same proportions as set out above.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds of the Share Offer will decrease by approximately HK\$16.9 million when compared to the net proceeds receivable by our Company with the Offer Price being determined at the mid-point of the range as stated in this prospectus. Under such circumstances, our Company intends to reduce its allocation of the net proceeds to the above purposes on a pro-rata basis.

To the extent that such net proceeds of the Share Offer are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

#### **REASONS FOR THE LISTING**

Our Directors believe that the Listing will allow us to stand out from other brands in the Japanese ramen restaurant industry, further enhance our profile and recognition of our Group and hence further strengthen our existing and potential suppliers' and customers' confidence in us, and enable us to attract and retain quality personnel in such competitive market. For instance, our suppliers and other potential employees will be able to monitor our latest financial performance and position and corporate governance and internal control measures adopted if they study our public disclosure from time to time. Accordingly, the listing status could increase our attractiveness not only over our customers, but also over our existing and potential suppliers and employees. Furthermore, a public listing status will allow us access to the capital market for future corporate finance exercises, which will assist in our future business development and strengthen our competitiveness.

In order to capture the potential business opportunities, our Directors are of the view that we have the business need to set up new outlets and expand our existing central kitchen in Hong Kong. In addition to our new restaurant in Tsuen Wan, we currently expect to set up four new restaurants under the brand " $\mathbb{K} \Xi$ ". It is estimated that with reference to the current operations and the estimated sales growth in the future, our Directors are of the view that a new central kitchen of approximately 350 sq.m. would be necessary for our expansion plan. Upon completion of the expansion, our processing capacity is expected to increase by approximately 60% from serving approximately 8 outlets to approximately 13 outlets. According to our estimates, such expansion plan would require an additional upfront cost of approximately HK\$30.0 million. Our Directors also consider that our Group has to maintain our overall cash and cash equivalent of approximately HK\$15.0 million as our working capital to support our current scale of operations. As such, our current capital level is not sufficient to support such expansions, in particular setting up new outlets and expanding existing central kitchen and extra working capital is crucial for our Group to capture these business opportunities and to meet our Group's liquidity needs. Despite the considerable expenses for the Listing, which are estimated to be approximately HK\$28.1 million (assuming an Offer Price of HK\$0.55, being the midpoint of the indicative Offer Price range of HK\$0.40 to HK\$0.70 per Offer Share), our Directors decided to proceed with this form of equity financing for the purpose of our business expansion instead of solely obtaining debt financing after taking into account of (i) given that our Group does not own any properties available for pledging, our Directors consider that we are not able to obtain bank loans in amounts sufficient to support such expansion plans; (ii) even if we can obtain such debt financing, it is necessary for our Group to retain a portion of our business income for loan repayment under debt financing and thus our business income cannot be fully reinvested for our business development; and (iii) debt financing and equity financing are not mutually exclusive, and our Group may be better positioned to bargain for more favourable terms from debt financiers with a larger equity base. As such, our Directors are of the view that raising capital by debt financing at the moment would not be beneficial to our Group and Shareholders as a whole, and equity financing is more appropriate for financing the expansion plan.

#### PUBLIC OFFER UNDERWRITERS

#### Joint Bookrunners and Joint Lead Managers

Alpha Financial Group Limited ChaoShang Securities Limited Frontpage Capital Limited Pacific Foundation Securities Limited

#### **Co-Lead Managers**

China-Hong Kong Link Securities Company Limited Ever Joy Securities Limited

#### **Co-Managers**

Future Land Resources Securities Limited I-Access Investors Limited Lego Securities Limited Merdeka Capital Limited Sino Wealth Securities Limited Zundiao Securities Limited

#### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### The Public Offer

#### **Public Offer Underwriting Agreement**

Pursuant to the Public Offer Underwriting Agreement, Our Company is offering 12,500,000 Public Offer Shares (subject to reallocation) for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Listing Division of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; and (ii) certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus, the related Application Forms and the Public Offer Underwriting Agreement, for the Public Offer Shares now being offered and which are not taken up under the Public Offer.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

#### Grounds for termination

If prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there comes to the notice of the Joint Lead Managers or the Public Offer Underwriters:
  - (i) that any statement contained in any of this prospectus, the Application Forms, the Formal Notice and any announcements issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading, or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, the Formal Notice and/or any announcements issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) are not fair and honest and based on reasonable assumptions, in each case when taken as a whole; or
  - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and having not been disclosed in this prospectus, constitute a material omission therefrom; or
  - (iii) any breach of any of the obligations imposed upon any member of our Group, the executive Director or any Controlling Shareholder; or
  - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the Public Offer Underwriting Agreement; or
  - (v) any adverse change or development involving a prospective change (whether permanent or not) in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of our Group; or
  - (vi) approval by the Listing Division of the listing of, and permission to deal in, the Shares to be issued under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (vii) our Company withdraws this prospectus (and any other documents used in connection with the contemplated subscription of the Shares) or the Share Offer; or
- (b) there shall develop, occur, exist or come into effect:
  - (i) commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, accident or interruption or delay in transportation or acts of terrorism or any state of emergency or calamity or crisis in

or affecting any of Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the European Union (or any member thereof) or any other jurisdictions relevant to any member of our Group or the Share Offer (the "**Relevant Jurisdictions**"); or

- (ii) any change or development involving a prospective change or development, or any event or series of events, likely to result in or represents any change or prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or any monetary or trading settlement system or matters and/or disaster (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US, imposition or declaration of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, or a material devaluation of Hong Kong dollars against the U.S. dollars) in or affecting any of the Relevant Jurisdictions; or
- (iii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, the Cayman Islands or the BVI, or there is a material disruption in commercial banking or securities settlement or clearance services in those places; or
- (iv) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or
- (v) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by, or for any of the Relevant Jurisdictions; or
- (vi) a change or development occurs involving a prospective change in taxation or foreign investment regulations (or the implementation of any exchange control) in any of the Relevant Jurisdictions and an investment in the Shares; or
- (vii) any litigation or claim of any third party being threatened or instigated against any member of our Group; or
- (viii) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (ix) the commencement by any regulatory or political body or organisation of any action against a Director or an announcement by any regulatory or political body or organisation that it intends to take any such action; or
- (x) a contravention by any member of our Group Company of the Companies Ordinance, the SFO, or any of the GEM Listing Rules; or

- (xi) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or
- (xii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription for the Shares) or any aspect of the Share Offer with the GEM Listing Rules or any other applicable law or regulation; or
- (xiii) other than with the approval of the Joint Lead Managers and the Public Offer Underwriters (such approval not to be unreasonably withheld), the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription for the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules; or
- (xiv) a petition is presented or an order is made for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any material member of our Group; or
- (xv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(xvi) any loss or damage sustained by any member of our Group,

which in any such case and in the sole and absolute opinion of the Joint Lead Managers:

- (a) is or may individually or in the aggregate have a material adverse effect on the business, financial, trading position or other condition or prospects of our Group as a whole; or
- (b) is or has or may have a material adverse effect on the success of the Public Offer or the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (c) is or may make it inadvisable or impracticable for the Public Offer and/or the Share Offer to proceed or to market the Public Offer and/or the Share Offer in any material respects; or
- (d) is or may have the effect of making any part of the Public Offer Underwriting Agreement incapable of performance in accordance with its terms in any material respects,

then the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) shall be entitled to, in its sole and absolute discretion, upon giving notice in writing to our Company prior to 8:00 a.m. on the Listing Date, terminate the Public Offer Underwriting Agreement with immediate effect.

#### Undertakings to the Stock Exchange pursuant to the GEM Listing Rules

#### (A) Undertakings by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Rules.

#### (B) Undertakings by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, save as permitted under the GEM Listing Rules, he or it shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner; and
- (b) in the period of twelve months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder of our Company.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, he or it will:

- (i) in the event that he or it pledges or charges any direct or indirect interest in the Shares in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (the "Banking Ordinance")) under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, inform our Company immediately thereafter disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any interest in the Shares under paragraph (i) above, inform our Company immediately in the event that he or it becomes aware that the pledgee or charge has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the publication requirements under of the GEM Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

#### Undertakings pursuant to the Public Offer Underwriting Agreement

#### (A) Undertakings by our Company

Our Company have, pursuant to the Public Offer Underwriting Agreement, undertaken to each of the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriters that our Company will except pursuant to the Capitalisation Issue, the Share Offer and the exercise of the options that may be granted under the Share Option Scheme, not, without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and subject to the provisions of the GEM Listing Rules:

- (a) at any time from the date of this prospectus up to and including the date falling twelve months after the Listing Date (the "First Twelve-Month Period"):
  - (i) offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right, warrant or other rights to subscribe for any Shares or other securities of our Company over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its subsidiaries), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction;
  - (ii) issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company agree to do any of the foregoing, except pursuant to the Share Offer;
- (b) at any time within the twelve-month period immediately following the First Twelve-Month Period (the "**Second Twelve-Month Period**") do any of the acts set out in paragraph (a) above such that our Controlling Shareholders together, directly or indirectly, would together cease to be a controlling shareholder of our Company (within the meaning defined in the GEM Listing Rules); and

(c) in the event that our Company does any of the acts set out in paragraph (a) above, after the expiry of the First Twelve-Month Period or the Second Twelve-Month Period, as the case may be, take all reasonable steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

#### (B) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally agreed, represented, warranted and undertaken to the Sole Sponsor, the Joint Lead Managers, the Public Offer Underwriters and our Company that:

- during the First Twelve-Month Period, he/it shall not, and shall procure that the relevant (a)registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding on trust for himself/itself shall not, without the prior written consent of the Joint Lead Managers or otherwise in compliance with the requirements of the GEM Listing Rules, (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above, except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan or such other circumstances as permitted under the GEM Listing Rules;
- (b) he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Stock Exchange (if required under the GEM Listing Rules) during the Second Twelve-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be controlling shareholder (as defined in the GEM Listing Rules) of our Company or the aggregate interest of all members of our Controlling Shareholders would be less than 30% of our Company's issued share capital except in the event of any of our Controlling Shareholders using securities of

### UNDERWRITING

our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan or such other circumstances as permitted under the GEM Listing Rules; and

(c) in the event of a disposal of any Shares or securities of our Company or any interest therein within the Second Twelve-Month Period, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company.

Without prejudice to the above provisions, each of our Controlling Shareholders has jointly and severally undertaken to the Sole Sponsor, the Joint Lead Managers, the Public Offer Underwriters and our Company that within the First Twelve-Month Period and the Second Twelve-Month Period, he or it shall:

- (i) if and when he or it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company and the Joint Lead Managers in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (ii) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company and the Joint Lead Managers in writing of such indications.

Our Company will notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the GEM Listing Rules.

#### Indemnity

Our Company and our Controlling Shareholders have agreed to indemnify the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriters for certain losses which they may suffer, including, among other matters, losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company of the Public Offer Underwriting Agreement.

#### Public Offer Underwriters' Interests in our Company

Except for their obligations under the Public Offer Underwriting Agreement, the Public Offer Underwriters have no shareholding interest in us or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Public Offer Underwriting Agreement.

#### The Placing

#### Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and our Controlling Shareholders will enter into the Placing Underwriting Agreement with, among others, the Sole Sponsor and the Placing Underwriters on or around Tuesday, 5 March 2019. Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions, agree to procure subscribers to subscribe for the Placing Shares being offered pursuant to the Placing, or failing which to subscribe for, their respective applicable proportions of such Placing Shares which are not taken up under the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the section headed "Underwriting — Underwriting arrangements and expenses — The Public Offer — Undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by them in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the section headed "Underwriting — Underwriting arrangements and expenses — The Public Offer — Undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

#### Commission and expenses and the Sole Sponsor's fee

According to the terms and conditions of the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive an underwriting commission of 10% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer. For unsubscribed Public Offer Shares reallocated to the Placing, an underwriting commission at the rate applicable to the Placing will be paid to the relevant Placing Underwriters (but not the Public Offer Shares offered for subscription in the Share Offer.

Based on an Offer Price of HK\$0.55 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the aggregate commissions (exclusive of any discretionary incentive fee (if any)), together with the Stock Exchange listing fees, SFC transaction levy, the Stock Exchange trading fee and other expenses relating to the Share Offer to be borne by our Company are estimated to amount to approximately HK\$28.1 million in aggregate. An aggregate amount of HK\$5.0 million is payable by our Company as sponsor fees to the Sole Sponsor for acting as the sponsor in the Share Offer.

#### **INDEPENDENCE OF THE SOLE SPONSOR**

Save for (i) the Sole Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until the despatch of the audited consolidated financial results for the second full financial year after the Listing Date, and our Company will pay to the Sole Sponsor an agreed fee for its provision of services as required under the GEM Listing Rules; and (ii) the interests and obligations under the Underwriting Agreements and the advisory fee payable to the Sole Sponsor in respect of the Share Offer, the Sole Sponsor is not interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group. No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or, as a result of the Listing and/or the Share Offer, may have any interest in any class of securities of our Company or any other members of our Group (including options or rights to subscribe for such securities). No director or employee of the Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

# SOLE SPONSOR'S, JOINT LEAD MANAGERS', JOINT BOOKRUNNERS' AND UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their interests and obligations under the Underwriting Agreements and the advisory and documentation fee payable to the Sole Sponsor in respect of the Share Offer, the Sole Sponsor has been appointed as the compliance adviser of our Company pursuant to the requirements under Rule 6A.19 of the GEM Listing Rules, none of the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Underwriters or any of their close associates is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group. None of the directors and employees of the Sole Sponsor, the Joint Lead Managers, the Joint Lead Managers, the Joint Bookrunners and the Underwriters has any directorship in our Company or any other companies comprising our Group.

#### THE SHARE OFFER

This prospectus is published in connection with the Share Offer. Frontpage Capital, Alpha Financial Group Limited, ChaoShang Securities Limited and Pacific Foundation Securities Limited are the Joint Lead Managers and the Joint Bookrunners of the Share Offer.

The Share Offer comprises:

- (a) the Public Offer of 12,500,000 Shares (subject to reallocation as mentioned below) in Hong Kong as further described in the paragraph headed "The Public Offer" in this section below; and
- (b) the Placing of 112,500,000 Shares (subject to reallocation as mentioned below) which will conditionally be placed with selected professional, institutional and other investors, as further described in the paragraph headed "The Placing" in this section below.

Investors may apply for the Shares under the Public Offer or indicate an interest, if qualified to do so, for the Shares under the Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Offer Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have applied for Public Offer Shares in the Public Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong.

The Offer Shares will represent 25% of the enlarged total issued shares of our Company immediately after completion of the Share Offer.

The number of Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed "The Public Offer — Reallocation" and "The Placing — Reallocation" in this section below.

#### THE PUBLIC OFFER

#### Number of Offer Shares initially offered

Our Company is initially offering 12,500,000 Public Offer Shares at the Offer Price, representing 10% of the Offer Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to the reallocation as mentioned below, the number of Offer Shares initially offered under the Public Offer will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer.

The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Share Offer" in this section below.

#### Allocation

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications and any application for more than 100.0% of the Public Offer Shares initially available for subscription under the Public Offer will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

#### Reallocation

The allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment which would have the effect of increasing the number of Public Offer Shares to a certain percentage of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. If the number of Offer Shares validly applied for under the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing. As a result of such reallocation, the total number of Offer Shares available under the Public Offer will be increased to 37,500,000 Offer Shares (in the case of (i)), 50,000,000 Offer Shares (in the case of (ii)) and 62,500,000 Offer Shares (in the case of (iii)) representing 30%, 40%, and 50%, respectively, of the Offer Shares initially available under the Share Offer.

In such case, the number of Offer Shares allocated to the Placing will correspondingly be reduced in such manner as the Joint Bookrunners and Joint Lead Managers deems appropriate.

In addition, the Joint Lead Managers may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. If the Public Offer is not fully subscribed for, the Joint Lead Managers have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Lead Managers deem appropriate. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Lead Managers. With reference to Guidance Letter HKEX-GL91-18, if such reallocation is done other than pursuant to (i), (ii) or (iii) in the paragraph above, the maximum total number of Offer Shares that may be allocated to the Public Offer i.e. 25,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer.

#### Applications

Each applicant under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he/she/it has been or will be placed or allocated Placing Shares under the Placing.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.70 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$3,535.27 for one board lot of 5,000 Shares.

If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and allocation" in this section below, is less than the maximum Offer Price of HK\$0.70 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus.

#### THE PLACING

#### Number of Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 112,500,000 Shares, representing 90% of the Offer Shares under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer, without taking into account Shares issuable upon exercise of any options granted under the Share Option Scheme. The Placing Shares are expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

#### Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. Placing Shares will be selectively placed with certain professional and institutional and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing is subject to the Public Offer becoming unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and allocation" in this section below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid shareholder base which would be to the benefit of our Company and our shareholders as a whole.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Lead Managers so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

#### Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement described in the paragraph headed "The Public Offer — Reallocation" in this section above and the exercise of any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

#### PRICING AND ALLOCATION

#### **Determining the Offer Price**

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the Placing which they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building" is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or around Tuesday, 5 March 2019 and in any event on or before Wednesday, 13 March 2019, by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

#### **Offer Price range**

The Offer Price will be not more than HK\$0.70 per Offer Share and is expected to be not less than HK\$0.40 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

#### Price payable on application

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK0.70 for each Public Offer Share (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), amounting to a total of HK3,535.27 for each board lot of 5,000 Shares. If the Offer Price is less than HK0.70, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications. See the section headed "How to Apply for the Public Offer Shares — 12. Refund of application monies" in this prospectus.

If, for any reason, our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Wednesday, 13 March 2019, the Share Offer will not proceed and will lapse.

#### Reduction in indicative Offer Price range and/or number of Offer Shares

The Joint Lead Managers (for themselves and on behalf of the Underwriters), may where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, reduce the indicative offer price range and/or the number of Offer Shares below those stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the website of the Stock Exchange at <u>www.hkexnews.hk</u> and on the website of our Company at <u>www.butaoramen.com</u> a notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. In addition, we will:

- i) issue a supplemental prospectus updating investors of the reduction in the indicative offer price together with an update of all financial and other information in connection with such change;
- ii) extend the period under which the offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and
- iii) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

Upon issue of such a notice, the revised indicative Offer Price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company will be fixed within such revised range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change materially as a result of such reduction.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company will under no circumstances be set outside the Offer Price range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Public Offer will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Joint Lead Managers may, at its discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Lead Managers.

#### Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the Share Offer, the results of applications and the basis of allotment of the Public Offer Shares are expected to be announced on Thursday, 14 March 2019 and to be posted on the website of the Stock Exchange at <u>www.hkexnews.hk</u> and on the website of our Company at <u>www.butaoramen.com</u>.

Results of allocations in the Public Offer, including the Hong Kong identity card/ passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under WHITE Application Form and YELLOW Application Form, or by giving electronic application instructions to HKSCC will be made available through a variety of channels as described in the section headed "How to Apply for the Public Offer Shares — 10. Publication of results" in this prospectus.

#### UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) agreeing on the Offer Price.

Our Company expects to enter into the Placing Underwriting Agreement relating to the Placing on or around Tuesday, 5 March 2019. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement to be entered into.

These underwriting arrangements, including the Underwriting Agreements, are summarised in the section headed "Underwriting" in this prospectus.

#### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Division of the Stock Exchange granting approval for the listing of, and permission to deal in, the Offer Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer on GEM (including the Shares to the allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme);
- the Price Determination Agreement having been duly executed on the Price Determination Date and such agreement not subsequently having been terminated;
- the Offer Price having been duly agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters);
- the execution of the Placing Underwriting Agreement on or before the Price Determination Date; and
- the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of the Placing Underwriters under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

# If, for any reason, the Offer Price is not agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before Wednesday, 13 March 2019, the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published on the website of the Stock Exchange at <u>www.hkexnews.hk</u> and our Company at <u>www.butaoramen.com</u> on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Public Offer Shares — 13. Despatch/Collection of Share certificates and refund monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on Friday, 15 March 2019, provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — The Public Offer — Grounds for termination" in this prospectus and the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — The Public Offer — Grounds for termination" in this prospectus and the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — The Placing — Placing Underwriting Agreement" in this prospectus have not been exercised.

#### ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS.

#### **DEALING ARRANGEMENTS**

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 15 March 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 15 March 2019.

The Shares will be traded in board lots of 5,000 Shares each. The stock code of the Shares is 8096.

#### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a WHITE Application Form or YELLOW Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Lead Managers and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

#### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** Application Form or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Lead Managers may accept it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;

- are an associate (as defined in the GEM Listing Rules) of any of the above;
- are a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

## 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which application channel to use

For Public Offer Shares to be issued in your own name, use a WHITE Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, 27 February 2019 until 12:00 noon on Monday, 4 March 2019 from:

(a) any of the following offices of the Joint Lead Managers:

Name	Address
Alpha Financial Group Limited	Room A, 17th Floor, Fortune House, 61 Connaught Road Central, Central, Hong Kong
ChaoShang Securities Limited	Rooms 2206-2210, 22nd Floor, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong
Frontpage Capital Limited	26th Floor, Siu On Centre, 188 Lockhart Road, Wan Chai, Hong Kong
Pacific Foundation Securities Limited	11th Floor, New World Tower II, 16-18 Queen's Road Central, Hong Kong

(b) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited, the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong Island	Queen's Road Central Branch	Basement, Ground Floor and First Floor of 122 QRC, Nos. 122-126 Queen's Road Central, Hong Kong
Kowloon	Tsim Sha Tsui Branch	Shop 1&2, Ground Floor, No. 35-37 Hankow Road, Tsim Sha Tsui, Kowloon
New Territories	Tsuen Wan Castle Peak Road Branch	Ground Floor, 423-427 Castle Peak Road Tsuen Wan, New Territories

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, 27 February 2019 until 12:00 noon on Monday, 4 March 2019 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

#### Time for lodging Application Forms

Your completed **WHITE** Application Form or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**ICBC** (Asia) Nominee Limited — **Tasty Concepts Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Wednesday, 27 February 2019 — 9:00 a.m. to 5:00 p.m. Thursday, 28 February 2019 — 9:00 a.m. to 5:00 p.m. Friday, 1 March 2019 — 9:00 a.m. to 5:00 p.m. Saturday, 2 March 2019 — 9:00 a.m. to 1:00 p.m. Monday, 4 March 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 4 March 2019, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the application lists" in this section below.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (or if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and the Joint Lead Managers (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sole Sponsor and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a WHITE Application Form or YELLOW Application Form or by giving electronic application instructions to HKSCC or by anyone as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a WHITE Application Form or YELLOW Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

#### Additional instructions for Yellow Application Form

You may refer to the YELLOW Application Form for details.

# 5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<u>https://ip.ccass.com</u>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

# Hong Kong Securities Clearing Company Limited Customer Service Center 1/F, One & Two Exchange Square 8 Connaught Place Central, Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address. If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and the Hong Kong Branch Share Registrar.

#### Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
  - agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable • before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

#### Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

#### Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 5,000 Public Offer Shares. Instructions for more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the relevant Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

#### Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:<sup>(1)</sup>

Wednesday, 27 February 2019 — 9:00 a.m. to 8:30 p.m. Thursday, 28 February 2019 — 8:00 a.m. to 8:30 p.m. Friday, 1 March 2019 — 8:00 a.m. to 8:30 p.m. Monday, 4 March 2019 — 8:00 a.m. to 12:00 noon

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investors Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 27 February 2019 until 12:00 noon on Monday, 4 March 2019 (24 hours daily, except on Monday, 4 March 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 4 March 2019, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the application lists" in this section below.

#### No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

#### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

#### Personal data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

#### 6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Lead Managers, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** Application Form or **YELLOW** Application Form or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 4 March 2019.

# 7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

#### 8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** Application Form and **YELLOW** Application Form have tables showing the exact amount payable for the Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** Application Form or **YELLOW** Application Form in respect of a minimum of 5,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details in the Offer Price, see the section headed "Structure and Conditions of the Share Offer — Pricing and allocation" in this prospectus.

#### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and. 12:00 noon on Monday, 4 March 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between. 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 4 March 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

#### **10. PUBLICATION OF RESULTS**

Our Company expect to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 14 March 2019 on our Company's website at <u>www.butaoramen.com</u> and the website of the Stock Exchange at <u>www.hkexnews.hk</u>.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers (where appropriate) of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at <u>www. butaoramen.com</u> and the Stock Exchange's website at <u>www.hkexnews.hk</u> by no later than 8:00 a.m. on Thursday, 14 March 2019;
- from the designated results of allocations website at <u>www.ewhiteform.com.hk/results</u> with a "search by ID" function on a 24-hour basis from 9:00 a.m. on Thursday, 14 March 2019 to 12:00 midnight on Wednesday, 20 March 2019;
- by telephone enquiry line by calling (852) 2153 1688 between 9:00 a.m. and 6:00 p.m. from Thursday, 14 March 2019 to Wednesday, 20 March 2019 (excluding Saturday, Sunday and Hong Kong Public Holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 14 March 2019 to Monday, 18 March 2019 at all the receiving bank branches and sub-branches.

If our Company accept your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

# 11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

#### (i) If your application is revoked:

By completing and submitting an **Application Form** or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

#### (ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Lead Managers and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

#### (iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated, (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

- our Company or the Joint Lead Managers believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

#### **12. REFUND OF APPLICATION MONIES**

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.70 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer are not fulfilled in accordance with the section headed "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 14 March 2019.

#### 13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** Application Form or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for YELLOW Application Form, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 14 March 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 15 March 2019 provided that the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised and the Share Offer has become unconditional. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

#### **Personal Collection**

#### (i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 14 March 2019 or such other date as notified by us at *www.hkexnews.hk*.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 14 March 2019, by ordinary post and at your own risk.

#### (ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 14 March 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 14 March 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

• If you are applying through a designated CCASS participant (other than a CCASS Investor Participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

• If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "10. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 14 March 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

# (iii) If you apply via electronic application instructions to HKSCC

# Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

#### Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 14 March 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer Shares in the manner specified in the paragraph headed "10. Publication of results" above on Thursday, 14 March 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 14 March 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 14 March 2019. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 14 March 2019.

# 14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this Prospectus, received from the independent reporting accountants of the company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

# Deloitte.



# ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TASTY CONCEPTS HOLDING LIMITED AND FRONTPAGE CAPITAL LIMITED

#### Introduction

We report on the historical financial information of Tasty Concepts Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-62, which comprises the combined statements of financial position of the Group as at 31 March 2017 and 2018 and 31 August 2018, statement of financial position of the Company as at 31 August 2018 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the two years ended 31 March 2017 and 2018 and the five months ended 31 August 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-62 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 February 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

#### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

#### Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2017 and 2018 and 31 August 2018, of the Company's financial position as at 31 August 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

#### Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the five months ended 31 August 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

# Adjustments

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page I-4 as considered necessary.

# Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends declared and paid by the Company's subsidiaries in respect of the Track Record Period and states that no dividend was declared and paid by the Company during the Track Record Period.

# No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

**Deloitte Touche Tohmatsu** *Certified Public Accountants* Hong Kong 27 February 2019

#### HISTORICAL FINANCIAL INFORMATION OF THE GROUP

#### **Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of Butao Global Limited ("Butao Global") and its subsidiaries for the Track Record Period and the management accounts of the Company for the period from its date of incorporation to 31 August 2018 (collectively known as "Underlying Financial Statements"). The Underlying Financial Statements are prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards of Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollar ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

		Year ended 31 March		Five months ended 31 August	
	NOTES	2017	2018	2017	2018
		HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue	6	83,832	99,637	38,163	45,160
Cost of inventories	0	(17,660)	(21,198)		
Other income	7	(17,000)	(21,198)	(8,282)	(9,404)
	7			1	4
Other gains and losses	/	(135)	14	(10.264)	(12, 606)
Staff costs		(26, 439)	(27,174)	(10,364)	(12,606)
Rental and related expenses		(13,671)	(16,578)	(6,351)	(7,872)
Depreciation and amortisation		(4,808)	(6,231)	(2,295)	(2,223)
Other expenses		(13,230)	(12,967)	(5,326)	(5,974)
Listing expenses					(9,045)
Finance costs	8	(207)	(159)	(80)	(73)
Profit (loss) before taxation	9	7,693	15,354	5,466	(2,033)
Taxation	11	(1,459)	(2,382)	(804)	(1,005)
Profit (loss) for the year/period		6,234	12,972	4,662	(3,038)
Other comprehensive (expense) income for the year/period Items that may be reclassified subsequently to profit or loss: Exchange differences arising on the					
translation of foreign operation		(131)	460	116	(583)
Total comprehensive income (expense) for the year/period		6,103	13,432	4,778	(3,621)
Profit (loss) for the year/period attributable to:		( 224	10.050		(2.010)
Owners of the Company Non-controlling interests		6,234	12,972	4,662	(2,910) (128)
		6,234	12,972	4,662	(3,038)
Total comprehensive income (expense) for the year/period attributable to:					
Owners of the Company Non-controlling interests		6,103	13,432	4,778	(3,477) (144)
		6,103	13,432	4,778	(3,621)

# COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

# ACCOUNTANTS' REPORT

# STATEMENTS OF FINANCIAL POSITION

STATEMENTS OF FINANCIAL PO	SITION		The Company		
	NOTES	31 2017 HK\$'000	As at March 2018 <i>HK\$'000</i>	<b>31 August</b> <b>2018</b> <i>HK\$'000</i>	As at 31 August 2018 HK\$'000
Non-current assets Property and equipment Intangible assets Deposits Deferred tax assets	14 15 17 22	10,514 95 5,048 974 16,631	12,871 71 4,671 1,068 18,681	13,261 61 3,336 1,064 17,722	
Current assets Inventories Trade and other receivables, deposits and prepayments Amounts due from related parties Tax recoverable Pledged bank deposits Bank balances and cash	16 17 18 19 19	961 3,756 3,447 351 1,900 9,653 20,068	1,283 4,390 754 217 1,900 15,129 23,673	1,066 9,060 2,975 91 18,801 31,993	3,000
Current liabilities Trade and other payables and accruals Amount due to a related party Tax payable Bank borrowings	20 18 21	6,10571,0854,68011,877	6,937 3,418 2,407 2,321 15,083	13,563 2,580 3,821 19,964	6,281 5,764    12,045
Net current assets (liabilities)		8,191	8,590	12,029	(9,045)
Total assets less current liabilities		24,822	27,271	29,751	(9,045)
Non-current liabilities Deferred tax liabilities Provisions	22 23	13 195 208	225 225	255 255	
Net assets (liabilities)		24,614	27,046	29,496	(9,045)
Capital and reserves Share capital Reserves	24	9 24,605	9 27,037	78 26,763	(9,045)
Total equity attributable to owners of the Company Non-controlling interests		24,614	27,046	26,841 2,655	(9,045)
Total equity		24,614	27,046	29,496	(9,045)

# COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital HK\$'000	Other reserve HK\$'000 (Note i)	Statutory reserve HK\$'000 (Note ii)	Translation reserve HK\$'000	Accumulated profits HK\$'000	<b>Total</b> HK\$'000	Non- controlling interests HK\$'000	<b>Total</b> HK\$'000
At 1 April 2016 Profit for the year Other comprehensive expense for	8	2,050		(107)	16,559 6,234	18,510 6,234		18,510 6,234
the year				(131)		(131)		(131)
Total comprehensive (expense) income for the year Issue of shares	1			(131)	6,234	6,103 1		6,103 1
At 31 March 2017	9	2,050		(238)	22,793	24,614		24,614
Profit for the year Other comprehensive income for the year	_	_	_		12,972	12,972 460	_	12,972 460
Total comprehensive income for the year				460	12,972	13,432		13,432
Dividend declared (note 12) Transfer to statutory reserve			66		(11,000) (66)	(11,000)		(11,000)
At 31 March 2018	9	2,050	66	222	24,699	27,046		27,046
Loss for the period Other comprehensive expense for	_	_	_	_	(2,910)	(2,910)	(128)	(3,038)
the period				(567)		(567)	(16)	(583)
Total comprehensive expense for the period				(567)	(2,910)	(3,477)	(144)	(3,621)
Issue of shares (note 2 (i)) Issue of shares (note 2 (ii))	71 *	_	_	_		71		71
Issue of shares (note 2 (iii)) Change in shareholding in Butao	7	5,993	_	—	_	6,000	—	6,000
Global without losing control (note iii) Transfer upon Reorganisation (as	_	(2,799)	_	_	—	(2,799)	2,799	—
defined in note 2) Transfer to statutory reserve	(9)	9	43		(43)			
At 31 August 2018	78	5,253	109	(345)	21,746	26,841	2,655	29,496
At 1 April 2017	9	2,050	_	(238)	22,793	24,614	_	24,614
Profit for the period (unaudited) Other comprehensive income for	—	—	_	—	4,662	4,662	_	4,662
the period (unaudited)				116		116		116
Total comprehensive income for the period (unaudited)				116	4,662	4,778		4,778
Transfer to statutory reserve (unaudited)			14		(14)			
At 31 August 2017 (unaudited)	9	2,050	14	(122)	27,441	29,392		29,392

\* less than HK\$1,000

Notes:

- (i) On 31 July 2014, Butao Ramen Limited ("Butao Ramen") which owned 60% equity interest of Butao Ramen International Holdings Limited ("Butao Ramen BVI"), acquired 40% equity interest in Butao Ramen BVI from an independent non-controlling shareholder at a cash consideration of HK\$1 and resulting a surplus of HK\$2,050,000 crediting to other reserve. Upon the completion of transaction, Butao Ramen BVI became the wholly-owned subsidiary of Butao Ramen until 31 March 2015, the date that Butao Ramen disposed of 100% interests of Butao Ramen BVI. Details refer to note 18.
- (ii) In accordance with statutory requirements in the People's Republic of China, other than Hong Kong (the "PRC"), subsidiaries registered in the PRC are required to transfer a certain percentage of the annual net income from accumulated profits to the statutory funds, until the statutory funds are accumulated up to 50% of its registered capital. Under normal circumstances, the statutory funds are not allowed to be distributed to the subsidiaries' shareholders as dividends. The statutory funds shall only be used for making good losses, capitalisation into paid-in capital and expansion of its production and operations.
- (iii) On 3 July 2018, the Pre-IPO Investor (as defined in note 2) subscribed 900 new shares of Butao Global for a cash consideration of HK\$6,000,000. Following the completion of share subscription, Butao Global was owned as to 91% by Brilliant Trade Enterprises Limited ("Brilliant Trade") and 9% by the Pre-IPO Investor and a non-controlling interests of HK\$2,799,000 is recognised accordingly.

# COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March		Five months ended 31 August		
	2017 2018		2017 2018		
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>	
	ΠΚΦ 000	ΠΚΦ 000	(unaudited)	ΠΚΦ 000	
OPERATING ACTIVITIES					
Profit (loss) before taxation	7,693	15,354	5,466	(2,033)	
Adjustments for:					
Bank interest income	(4)	(5)	(1)	(4)	
Amortisation of intangible assets	24	24	10	10	
Depreciation of property and equipment	4,784	6,207	2,285	2,213	
Finance costs	207	159	80	73	
Loss on disposal/written-off of property and					
equipment	122				
Operating cash flows before movements in					
working capital	12,826	21,739	7,840	259	
Decrease (increase) in inventories	270	(322)		217	
Increase in trade and other receivables,	270	(322)	(110)	217	
deposits and prepayments	(2,243)	(1,220)	(496)	(3,550)	
(Decrease) increase in trade and other	(_,)	(1,220)	(1) ()	(0,000)	
payables and accruals	(925)	818	429	7,991	
Increase in provisions	90	30		30	
Cash generated from operations	10,018	21,045	7,633	4,947	
Hong Kong Profits Tax and People's Republic					
of China Enterprise Income Tax paid	(846)	(1,033)	(88)	(702)	
NET CASH FROM OPERATING ACTIVITIES	9,172	20,012	7,545	4,245	
INVESTING ACTIVITIES					
Bank interest received	4	5	1	4	
Purchases of property and equipment	(4,301)	(6,991)	(1,797)	(2,785)	
Deposits paid for acquisition of property and					
equipment	(1,227)	(264)		(49)	
Proceeds from disposal of property and					
equipment	44			_	
Addition of intangible assets	(119)			_	
Placement of pledged bank deposits	(750)			_	
- •					

# ACCOUNTANTS' REPORT

	Year ended           31 March           2017         2018           HK\$'000         HK\$'000		Five months           ended           31 August           2017         2018           HK\$'000         HK\$'000	
			(unaudited)	
Withdrawal of pledged bank deposits				1,900
Advances to related parties	(3,677)	(2,926)	(2,120)	(2,221)
Repayments from related parties	2,515	461	461	(2,221)
Repugnents from felated parties				
NET CASH USED IN INVESTING				
ACTIVITIES	(7,511)	(9,715)	(3,455)	(3,151)
FINANCING ACTIVITIES				
Interests paid	(207)	(159)	(80)	(73)
Issue of shares	(207)	(157)	(00)	6,071
Shares issuance cost paid				(1,375)
New bank borrowings raised	3,200	_		4,000
Repayments of bank borrowings	(2,096)	(2,359)	(1,043)	(2,500)
Repayment of obligations under finance leases	(77)	(_,c c x ) 		(_,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Advances from related parties	153	853	200	297
Repayments to related parties	(946)	(3,284)	(207)	(3,715)
NET CASH FROM (USED IN) FINANCING				
ACTIVITIES	28	(4,949)	(1,130)	2,705
NET INCREASE IN CASH AND CASH				
EQUIVALENTS	1,689	5,348	2,960	3,799
CASH AND CASH EQUIVALENTS AT				
CASH AND CASH EQUIVALENTS AT BEGINNING OF				
THE YEAR/PERIOD	7,979	9,653	9,653	15,129
	1,717	2,000	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	15,127
Effect of foreign exchange rate changes	(15)	128	64	(127)
CASH AND CASH EQUIVALENTS AT END				
OF THE YEAR/PERIOD, represented by				
bank balances and cash	9,653	15,129	12,677	18,801

#### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 July 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The immediate holding company of the Company is Brilliant Trade, which was incorporated in the British Virgin Islands ("BVI"), and 35%, 35%, 15% and 15% owned by Mr. Tang Chun Ho Chandler ("Mr. C Tang"), Mr. Tang Hing Chee ("Mr. HC Tang"), father of Mr. C Tang, Ms. Tai Shui Bun, Mariana ("Ms. Tai"), mother of Mr. C Tang, and Ms. Tang Wing Shan, Ariel ("Ms. A Tang"), sister of Mr. C Tang (hereinafter Mr. C Tang, Mr. HC Tang, Ms. Tai and Ms. A Tang are collectively referred to as the "Controlling Shareholders"). The addresses of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" in the Prospectus.

The Company acts as an investment holding company and its subsidiaries are principally engaged in operation of Japanese ramen restaurants in Hong Kong and the PRC.

The Historical Financial Information is presented in HK\$, which is also the functional currency of the Company.

# 2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs issued by the HKICPA.

Before the group reorganisation as stated below, the group entities are wholly-owned by Butao Ramen, a limited liability company incorporated in Hong Kong and Butao Ramen was then owned by Brilliant Trade.

In preparation the listing of the Company's shares on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"), the companies comprising the Group underwent a group reorganisation ("Reorganisation") as described below.

- (i) On 14 June 2018, Butao Global was incorporated in the British Virgin Islands ("BVI") as a limited liability company with an authorised share capital of 50,000 ordinary shares at a par value of United States Dollar ("USD") 1 each. On the same day, 9,090 shares of Butao Global were allotted and issued to Brilliant Trade.
- (ii) On 27 June 2018, Butao Global acquired entire equity interests of Butao Ramen from Brilliant Trade in consideration of issuing 10 shares of Butao Global to Brilliant Trade. Upon the completion of the transfer, Butao Ramen is the wholly-owned subsidiary of Butao Global.

- (iii) On 3 July 2018, a pre-IPO investor ("Pre-IPO Investor"), who is an independent third party, subscribed for 900 new shares of Butao Global for a cash consideration of HK\$6,000,000. Upon the completion of the subscription, Brilliant Trade and the Pre-IPO Investor hold equity interest of Butao Global amounting to 91% and 9%, respectively.
- (iv) On 23 July 2018, the Company was incorporated in the Cayman Islands as a limited liability company with an authorised share capital of 1,000,000 ordinary shares at a par value of HK\$0.01 each. On the same date, 1 share of the Company was allotted and issued to the first subscriber, who is an independent third party, and then transferred to Brilliant Trade at par in cash.
- (v) On 21 February 2019, the Company acquired 91% and 9% equity interests of Butao Global from Brilliant Trade and a Pre-IPO Investor in consideration of issuing 9,099 and 900 shares of the Company to Brilliant Trade and Pre-IPO Investor, respectively. Upon the completion of the transfer, Butao Global is the wholly-owned subsidiary of the Company.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group (the "Combined Entities") since 21 February 2019 by interspersing the Company, Butao Global between Brilliant Trade and Butao Ramen. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation/establishment of the relevant companies now comprising the Group where applicable.

The combined statements of financial position of the Group as at 31 March 2017 and 2018 and 31 August 2018 has been prepared to present the assets and liabilities of the Combined Entities as if the current group structure had been in existence as at those dates taking into account the respective dates of incorporation where applicable.

No statutory audited financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a jurisdiction where there are no statutory audit requirements.

#### 3. APPLICATION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs issued by the HKICPA, that are effective for the Group's financial year beginning on 1 April 2018 throughout the Track Record Period except the Group adopted HKFRS 9 "Financial Instruments" from 1 April 2018 and applied HKAS 39 "Financial Instruments: Recognition and Measurement" for the two years ended 31 March 2017 and 2018. Specifically, the Group has adopted HKFRS 15 "Revenue from Contracts with Customers" on a consistent basis throughout the Track Record Period. The accounting policies for financial instruments under HKFRS 9 and revenue recognition under HKFRS 15 are set out in note 4.

#### HKFRS 9 "Financial Instruments" and the related amendments

During the five months ended 31 August 2018, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

#### Classification and measurement of financial assets

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

#### Impairment of financial assets

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

The Group applies simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. Based on assessment by the management of the Group, the management of the Group considers the ECL for trade receivables are insignificant at 1 April 2018.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables and deposits, amounts due from related parties, pledged bank deposits and bank balances and cash, are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

For pledged bank deposits and bank balances, the Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies and consider the risk of default is regard as low and 12-month ECL is insignificant.

For other receivables and deposits and amounts due from related parties, the management of the Group makes periodic collective as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience with available reasonable and supportive forward-looking information. Based on assessment by the management of the Group, the management of the Group considers the ECL for other receivables and deposits and amounts due from related parties is insignificant.

At the date of this report, the HKICPA has issued the following new and amendments to HKFRSs and interpretation that are not yet effective. The Group has not early applied the following new and amendments to HKFRSs and interpretations that have been issued but are not yet effective:

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
Hong Kong (International Financial Reporting Interpretations Committee) Interpretations ("HK(IFRIC) - INT") 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and Hong Kong Accounting Standard ("HKAS") 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Materials <sup>5</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019.

- <sup>2</sup> Effective for annual periods beginning on or after a date to be determined.
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.
- <sup>4</sup> Effective for business combinations and asset acquisitions for the acquisition date is on or after beginning of the first annual period beginning on or after 1 January 2020.
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2020.

#### HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 August 2018, the Group has non-cancellable operating lease commitments of HK\$32,422,000 as disclosed in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. However, the directors of the Company do not expect the adoption of HKFRS 16, as compared to the current accounting policies of the Group, would result in significant impact on results and net assets of the Group.

In addition, the Group currently considers refundable rental deposits paid of HK\$5,283,000 as at 31 August 2018 as rights under leases to which HKAS 17 applies as disclosed in note 17. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as lease applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an arrangement contains a lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lease and will recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information.

Except for the above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Historical Financial Information.

# 4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis and in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information include the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

#### Basis of combination

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company

• has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

#### Revenue recognition

Revenue is recognised 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

The Group 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.

Control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if one of the following criteria is met:

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

If control of the good or service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the relevant performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer. The Group recognises revenue from the following major sources: 1) operation of restaurants; 2) sales of noodles and related products to a franchisee; 3) license fee income from a licensee; and 4) royalty fee income from a franchisee.

#### Revenue from operation of the restaurants

The Group recognises revenue from the operation of the restaurants which provides catering services. Revenue from catering services is recognised at a point in time when the services are rendered. A receivable is recognised by the Group when the services are rendered to the customers at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

#### Sales of noodles and related products to a franchisee

Revenue from noodles and related products to a franchisee is recognised at a point in time when control of the goods has been transferred, being when the goods have been shipped to the franchisee's specific location. Payment of the transaction price is due immediately at the point the customer purchases the goods.

#### License fee income from a licensee

License fee income from a licensee is recognises as a performance obligation satisfied over time using output method. The Group recognises revenue for a usage-based license promised in exchange for a licence of trademark only when (or as) the later of the following events occurs:

- (a) the subsequent usage occurs; and
- (b) the performance obligation to which some or all of the usage-based license has been allocated has been satisfied (or partially satisfied).

#### Royalty fee income from a franchisee

Royalty fee income from a franchisee is recognises as a performance obligation satisfied over time using output method. The Group recognises revenue for a sales-based royalty promised in exchange for the license of trademark when the later of the following events occurs:

- (a) the subsequent sale occurs; and
- (b) the performance obligation to which the sales-based royalty has been allocated has been satisfied (i.e. granting the use of sales-based royalty to the franchisee).

Over time revenue recognition: measurement of progress towards complete satisfaction of performance obligation

#### Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

#### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### Retirement benefits costs and termination benefits

Payments to defined contribution plans including state-managed benefit scheme and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

#### Short-term and long term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

#### Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit (loss) before taxation" as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those

deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

#### Property and equipment

Property and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful life is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment loss on tangible and intangible assets other than financial assets (see the accounting policy in respect of financial assets below)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a 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.

#### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

#### Financial instruments (before application of HKFRS 9 on 1 April 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits, amounts due from related parties, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables assets below).

#### Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

#### Financial liabilities at amortised cost

Financial liabilities including trade and other payables and accruals, amount due to a related party and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

#### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### Financial instruments (after application of HKFRS 9 as at 1 April 2018)

Financial assets and financial liabilities are recognised on the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### Financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on a specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### Amortised cost and effective interest rate

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective amort of the financial asset.

#### Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, deposits, amounts due from related parties, pledged bank deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognise lifetime ECL for trade receivables and measures the lifetime ECL on a collective basis for portfolio that share similar economic risk characteristics. The ECL on those financial assets are estimated using a provision matrix i.e. analysis of trade-related receivables by ageing analysis and apply a probability-weighted estimate of the credit loss within the relevant time band. The probability-weighted estimate of the credit loss is determined based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the end of each reporting period, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

#### Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether the credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread and the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

### Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### Credit-impaired financial assets

A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have been occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer of the borrower; or
- A breach of contract, such as a default or past due event; or

- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- It is becoming probably that the borrower will enter bankruptcy or other financial reorganisation.

### Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice when appropriate. Any recoveries made are recognised in profit or loss.

#### Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of each reporting period.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the correspondence adjustment is recognised through a loss allowance account.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

#### Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

#### Financial liabilities at amortised cost

The Group's financial liabilities including trade payables, other payables and accruals, amount due to a related party and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the amortised cost of a financial liability.

### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

#### Estimation of useful lives and impairment assessment of property and equipment

The Group's management determines the estimated useful lives and depreciation method in determining the related depreciation charges for its property and equipment. This estimate is based on the management's experience of the actual useful lives of property and equipment of similar nature and functions. The management of the Group will accelerate the depreciation charge where the economic useful lives are shorter than previously estimated due to removal or closure of restaurants. The management of the Group will also write-off or write-down the carrying value of the items which are technically obsolete or non-strategic assets that have been abandoned. Actual economic useful lives may differ from estimated economic useful lives.

In addition, the management of the Group assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property and equipment may not be recoverable. When the recoverable amounts of property and equipment differ from the original estimates, adjustment will be made and recognised in the period in which such event takes place. As at 31 March 2017 and 2018 and 31 August 2018, the carrying amounts of property and equipment are HK\$10,514,000, HK\$12,871,000 and HK\$13,261,000, respectively.

### 6. REVENUE AND SEGMENT INFORMATION

#### Revenue

Revenue represents the fair value of amounts received and receivable for services provided and goods sold and net of discount, during the Track Record Period.

	Year ended 31 March		Five months ended 31 August	
	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	·	·	(unaudited)	·
Recognised at a point in time:				
Operation of restaurants in Hong Kong	68,617	74,035	29,820	34,020
Operation of restaurants in the PRC	11,128	19,879	5,941	8,690
Sales of noodles and related products to				
a franchisee	3,302	4,610	1,938	1,935
Recognised over time:				
Royalty fee income from a franchisee				
(Note i)	785	1,113	464	481
License fee income from a licensee				
(Note ii)				34
	83,832	99,637	38,163	45,160

#### Notes:

- (i) Royalty fee income is calculated with reference to the revenue of the restaurant run by the franchisee for a term of five years.
- (ii) License fee income is calculated with reference to the production volume of the licensed products produced by the licensee for a term of two years.

The Group did not have any performance obligations that are unsatisfied as at the end of each reporting period.

#### Segment information

The Group is principally engaged in operation of Japanese ramen restaurants in Hong Kong and the PRC. This operating segment has been identified on the basis of internal management reports prepared in accordance with the Group's accounting policies set out in note 4. The executive directors of the Company have been identified as the chief operating decision maker ("CODM"). The CODM reviews the Group's revenue analysis by geographical location in order to assess performance and allocation of resources. Other than revenue analysis, no operating results or other discrete financial information is available for the assessment of performance and allocation of resources. The CODM reviews the results of the Group as a whole to make decisions. Accordingly, other than entity wide information, no analysis of this single operating segment is presented.

### Geographical information

The Group's current operations are mainly located in Hong Kong and the PRC. Information about the Group's revenue from external customers is presented based on the location of the customers. Information about its non-current assets, excluding deferred tax assets, by geographical location of assets is detailed below:

_	Revenue from external customers			Non-current assets			
	Year en	ded	Five month 31 Aug		31	As at March	31 August
	2017	2018	2017	2018	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)				
Hong Kong	68,617	74,035	29,820	34,054	11,259	9,895	10,328
The PRC	11,128	19,879	5,941	8,690	4,398	7,718	6,330
Macau Special Administrative Region of the People's Republic of China							
("Macau") ( <i>Note</i> )	4,087	5,723	2,402	2,416			
-	83,832	99,637	38,163	45,160	15,657	17,613	16,658

*Note:* The revenue is derived from the sales of noodles and related products to and royalty fee income from a franchisee which is located in Macau.

### Information about major customers

No individual customer accounted for over 10% of the Group's total revenue during the Track Record Period.

# ACCOUNTANTS' REPORT

# 7. OTHER INCOME/OTHER GAINS AND LOSSES

	Year ended 31 March		eı	Five months ended 31 August	
	2017	2018	2017	-	
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000	
Other income:					
Bank interest income	4	5	1	4	
Others	7	5			
	11	10	1	4	
Other gains and losses:					
Net exchange (losses) gains	(13)	14	—	_	
Loss on disposal/written-off of property, plant and equipment	(122)				
	(135)	14			

# 8. FINANCE COSTS

			Five	months	
	Year	ended	er	nded	
	31	March	<b>31</b> A	August	
	2017 2018		2017	2018	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
			(unaudited)		
Interests on obligations under finance					
leases	1	_	_	_	
Interests on bank borrowings	206	159	80	73	
	207	159	80	73	

# 9. PROFIT (LOSS) BEFORE TAXATION

		ended March	Five months ended 31 August		
	2017	2018	2017	2018	
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000	
Profit (loss) before taxation has					
been arrived at after charging:					
Auditor's remuneration	245	223	99	92	
Directors' remuneration (note 10)	1,250	986	412	412	
Salaries, bonuses and allowances	23,710	24,825	9,398	11,527	
Retirement benefits schemes					
contributions	1,479	1,363	554	667	
Total staff costs	26,439	27,174	10,364	12,606	
Depreciation of property and					
equipment	4,784	6,207	2,285	2,213	
Amortisation of intangible assets	24	24	10	10	
Operating leases rentals in respect of rented premises					
- minimum lease payments	12,076	13,974	5,432	6,710	
- contingent rents (Note)	357	638	248	303	
	12,433	14,612	5,680	7,013	

*Note:* The operating lease rentals for restaurants are determined as the higher of fixed rentals or pre-determined percentages on revenue of the restaurants pursuant to the terms and conditions that are set out in the rental agreements.

### 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### (a) Directors' and Chief Executive's emoluments

Details of the emoluments paid or payable to the directors of the Company (including emoluments for services as employees or directors of the Combined Entities prior to becoming the directors or the Chief Executive of the Company) during the Track Record Period as follows:

	<b>Fees</b> <i>HK\$`000</i>	Salaries and allowances HK\$'000	Discretionary bonuses HK\$'000 (Note i)	Retirement benefits scheme contributions HK\$'000	<b>Total</b> <i>HK\$`000</i>
Year ended 31 March 2017					
Executive director					
Mr. C Tang	—	872	105	18	995
Non-executive director		• 40			
Mr. HC Tang (Note ii)		240		15	255
		1,112	105	33	1,250
Year ended 31 March 2018					
Executive director					
Mr. C Tang		968		18	986
Five months ended 31 August 2017 (unaudited) Executive director		404		0	412
Mr. C Tang		404		8	412
Five months ended 31 August 2018					
Executive director					
Mr. C Tang		404		8	412
Non-executive director					
Mr. HC Tang (Note ii)					
		404		8	412

Notes:

- (i) The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.
- Mr. HC Tang retired as employee of the Combined Entities on 31 March 2017. He was appointed as non-executive director of the Company on 28 August 2018.

Mr. C Tang acts as the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as employee of the Combined Entities prior to becoming the Chief Executive of the Company.

The directors' emoluments are mainly for their services in connection with the management of the affairs of the Group.

#### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one was a director of the Company for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2017 (unaudited) and 2018, respectively, whose emoluments are included in the disclosure above. The emoluments of the remaining four individuals are as follows:

			Five month	
	Year ended	31 March	31 Au	gust
	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Employees				
- salaries and allowances	1,303	1,536	641	772
- discretionary bonuses (Note)	140	272	117	158
- retirement benefits schemes				
contributions	64	69	29	28
	1 507	1 077	707	050
	1,507	1,877	787	958

*Note:* The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees				
		Five months end			
	Year ended 31	March	31 Augus	st	
	2017	2018	2017	2018	
		( <i>u</i>	naudited)		
Nil to HK\$1,000,000	4	4	4	4	

During the Track Record Period, no emoluments were paid by the Group to any of the director and employees of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and employees has waived any emoluments during the Track Record Period.

#### 11. TAXATION

	Year ended	31 March	Five montl 31 Au		
	2017 2018		2017	2018	
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000	
The taxation comprises:					
Hong Kong Profits Tax charge for the year/period	1,349	2,094	621	945	
PRC Enterprise Income Tax charge for the year/period	30	395	58	56	
Deferred tax charge (credit) for the year/ period (note 22)	80	(107)	125	4	
	1,459	2,382	804	1,005	

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the Track Record Period.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the five months ended 31 August 2018, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits of one of the subsidiaries of the Company and at 16.5% on the estimated assessable profits above HK\$2,000,000 of that subsidiary. The profits of corporations not qualified for the two-tier profits tax regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the Track Record Period.

The taxation for the Track Record Period can be reconciled to the profit (loss) before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Five months ended 31 August	
	<b>2017</b> <i>HK\$</i> '000	<b>2018</b> HK\$'000	<b>2017</b> HK\$'000 (unaudited)	<b>2018</b> <i>HK\$'000</i>	
Profit (loss) before taxation	7,693	15,354	5,466	(2,033)	
Tax at the Hong Kong Profits Tax rate of 16.5%	1,269	2,533	902	(335)	
Tax effect of expense not deductible for tax purpose	156	76	41	1,558	
Reversal of deductible temporary differences recognised in previous years	168				
Effect of tax rates of subsidiaries operating in other jurisdictions	108	134	20	21	
Utilisation of tax losses previously not recognised	(5)	(12)	(7)	(7)	
Income tax at concessionary rate (Note)	(185)	(371)	(174)	(84)	
Tax effect on two-tiered tax rate		—	—	(165)	
Others	46	22	22	17	
Taxation charge	1,459	2,382	804	1,005	

*Note:* The tax concession for Hong Kong Profits Tax is reduced by 75%, subject to a ceiling of HK\$20,000 and HK\$30,000 for each company for the year ended 31 March 2017 and 2018 respectively.

The tax concession for PRC Enterprise Income Tax applicable to PRC entities with assessable profits of Renminbi ("RMB") 300,000 or lower are taxed at 10% prior to 1 January 2017. Since 1 January 2017 and 1 January 2018, PRC entities with assessable profits of RMB500,000 or lower and RMB1,000,000 or lower, respectively are taxed at 10%.

### **12. DIVIDENDS**

During the year ended 31 March 2018, Butao Ramen declared dividends of HK\$11,000,000 to the then shareholder. The rate of dividend and number of shares ranking for dividend are not presented as such information is not considers meaningful having regard to the purpose of this report.

No dividend was paid or declared by the Company since its incorporation during the Track Record Period.

### 13. EARNINGS (LOSS) PER SHARE

No earnings (loss) per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation and the results of the Group for the Track Record Period that is prepared on a combined basis as set out in note 2.

# 14. PROPERTY AND EQUIPMENT

		Fixtures		
	Leasehold	and	Motor	
	improvements	equipment	vehicle	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST				
At 1 April 2016	12,571	6,175	1,095	19,841
Additions	4,340	1,450		5,790
Exchange realignment	(102)	(27)		(129)
Disposals/written-off	(1,430)	(434)	(208)	(2,072)
	15.250	7 1 4 4	0.07	22,420
At 31 March 2017	15,379	7,164	887	23,430
Additions	6,441	1,791	—	8,232
Exchange realignment	409	80		489
At 31 March 2018	22,229	9,035	887	32,151
Additions	1,674	1,385		3,059
Exchange realignment	(619)	(109)		(728)
At 31 August 2018	23,284	10,311	887	34,482
DEPRECIATION				
At 1 April 2016	6,847	2,453	751	10,051
Provided for the year	2,948	1,513	323	4,784
Exchange realignment	(11)	(2)		(13)
Eliminated on disposals/written-off	(1,430)	(289)	(187)	(1,906)
At 31 March 2017	8,354	3,675	887	12,916
Provided for the year	4,220	1,987		6,207
Exchange realignment	121	36		157
At 31 March 2018	12,695	5,698	887	19,280
Provided for the period	1,570	643		2,213
Exchange realignment	(218)	(54)		(272)
At 31 August 2018	14,047	6,287	887	21,221
CARRYING AMOUNTS				
CARRYING AMOUNTS At 31 March 2017	7 025	2 400		10 514
At 51 March 2017	7,025	3,489		10,514
At 31 March 2018	9,534	3,337		12,871
At 31 August 2018	9,237	4,024		13,261

Depreciation is provided to write off the cost of items of property and equipment over their estimate useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the lease terms
Fixtures and equipment	20%
Motor vehicle	30%

### **15. INTANGIBLE ASSETS**

	<b>Trademark</b> <i>HK\$'000</i>
COST	
At 1 April 2016	
Addition	119
At 31 March 2017 and 31 March 2018 and 31 August 2018	119
AMORTISATION	
At 1 April 2016	—
Provided for the year	24
At 31 March 2017	24
Provided for the year	24
At 31 March 2018	48
Provided for the period	10
At 31 August 2018	58
CARRYING VALUES	
At 31 March 2017	95
At 31 March 2018	71
At 31 August 2018	61

The trademark has finite useful lives and is amortised on a straight-line basis over the duration of trademarks registered by the Group (i.e. 10 years).

# **16. INVENTORIES**

	As at			
	31 March		31 August	
	2017	2018	2018	
	HK\$'000	HK\$'000	HK\$'000	
Food and beverages	961	1,283	1,066	

### 17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	,	The Group		The Company
		As at		As at
	31 N	<b>farch</b>	31 August	31 August
	2017	2018	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables from				
restaurant operations	34	264	479	
Trade receivables from				
the franchisee	774	859	777	
Trade receivables from a				
licensee		_	34	_
Rental deposits	4,458	5,167	5,283	
Utilities and other				
deposits	955	974	1,080	_
Deposits paid for				
acquisition of property				
and equipment	1,227	264	49	
Other receivables	224	337	398	
Prepayments	1,132	1,196	1,296	_
Prepaid listing expenses			129	129
Deferred listing expenses			2,871	2,871
Total trade and other				
receivables, deposits				
and prepayments	8,804	9,061	12,396	3,000
Analysed for reporting				
purposes as:				
Non-current assets	5,048	4,671	3,336	
Current assets	3,756	4,390	9,060	3,000
	8,804	9,061	12,396	3,000

There was no credit period granted to individual customers for the restaurant operations.

The Group's trading terms with its customers are mainly by cash, electronic payment system ("EPS"), Alipay and WeChat Pay. Payment by EPS, Alipay and WeChat Pay will normally be settled within 7 days after trade date. Trade receivables also include royalty fee income and sales income receivable from a franchisee and license fee income receivable from a licensee.

An ageing analysis of the trade receivables from restaurant operations, based on the invoice date, which approximate the revenue recognition date, is as follows:

	As at			
	31	31 March		
	2017	2018	2018	
	HK\$'000	HK\$'000	HK\$'000	
0 - 30 days	34	264	479	

An ageing analysis of the trade receivables from the franchisee, based on the invoice date, which approximate the revenue recognition date, is as follows:

	As at		
	31 M	arch	31 August
	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000
0 - 30 days	564	785	729
31 - 60 days	17	_	4
61 - 90 days	158	6	_
Over 90 days	35	68	44
	774	859	777

As at 31 March 2017 and 2018 and 31 August 2018, aggregate carrying amount of HK\$210,000, HK\$74,000 and HK\$48,000, respectively, representing the trade receivable from the franchisee, were past due at the end of each reporting period for which the Group has not provided for impairment loss as there were settlements subsequent to the end of each reporting period and there were continuous settlements from the franchisee. Moreover, the directors of the Company did not aware of any significant change in credit quality of the trade receivables. Thus, the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

An ageing analysis of trade receivables which are past due but not impaired based on the due date, is as follows:

	As at			
	31 M	arch	31 August	
	2017	2018	2018	
	HK\$'000	HK\$'000	HK\$'000	
1 - 30 days	17	_	4	
31 - 60 days	158	6	_	
61 - 90 days	35	68	44	
	210	74	48	

The ageing analysis of the trade receivables from a licensee, based on the invoice date, which approximate the revenue recognition date, is within the banding of 0-30 days as at 31 August 2018. All these trade receivables are not past due at the end of the reporting period.

No interest is charged on the trade receivables.

The Group does not hold any collateral over its trade receivable balances and they are non-interest bearing.

Upon the application of HKFRS 9 on 1 April 2018, the Group applies simplified approach to provide for ECL prescribed by HKFRS 9. To measure the ECL of trade receivables, trade receivables have been grouped based on shared credit risk characteristics.

The directors of the Company are of the opinion that the credit risks of these receivables are minimal as there were continuous settlements from relevant financial institutions, the franchisee and the licensee and there was no history of defaults. No impairment is made for trade receivables during the Track Record Period.

For other receivables and deposits, the management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information starting from 1 April 2018. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits.

### **18. AMOUNTS DUE FROM (TO) RELATED PARTIES**

#### Amounts due from related parties

The amounts are non-trade nature, unsecured, interest-free and repayable on demand.

		As at			kimum amo tanding du	
				the	year ended	the five months ended
	31	March	31 August	they		31 August
	2017	2018	2018	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. C Tang	3,246	_	2,221	3,246	5,435	2,221
Butao Ramen BVI						
(Note (i))	95	—	—	95	105	—
Ideal Butao Limited ("Ideal Butao")						
(Note (ii))		754	754	_	754	754
Brilliant Trade	106			115	117	71
	3,447	754	2,975			

#### Notes:

- Butao Ramen disposed of 100% equity interest of Butao Ramen BVI to Mr. C Tang on 31 March 2015 at consideration of HK\$780.
- (ii) Ideal Butao was owned as to 51% by Mr. C Tang at the date of this report.

The amounts due from related parties as at 31 August 2018 were fully settled after the end of reporting period.

#### Amount due to a related party

#### The Group

The amount is non-trade nature, unsecured, interest-free and repayable on demand.

		As at	
	31 M	arch	31 August
	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000
Ms. Tai	7	_	_
Mr. C Tang		3,418	
	7	3,418	

#### The Company

The amount due to a related party, which was current account with Butao Ramen, is non-trade nature, unsecured, interest-free and repayable on demand.

### 19. PLEDGED BANK DEPOSITS/ BANK BALANCES AND CASH

As at 31 March 2017 and 2018, pledged bank deposits represent deposits pledged to banks to secure the bank borrowings granted to the Group, and carried with prevailing market interest rate of 0.01% per annum.

Bank balances carry interest at prevailing market rates ranging of 0.01% to 0.3% per annum as at 31 March 2017 and 2018 and 31 August 2018.

				The
		The Group		Company
		As at		As at
	31	March	31 August	31 August
	2017	2018	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	1,363	1,745	2,002	
Salary payables	2,269	1,934	2,287	
Payable for acquisition of property and				
equipment	161	175	185	
Effective rent payable	690	1,600	1,609	
Accrual for listing expenses	_	_	6,281	6,281
Other payables and accruals	1,622	1,483	1,199	
	6,105	6,937	13,563	6,281

### 20. TRADE AND OTHER PAYABLES AND ACCRUALS

The credit period on purchases is ranging from 0 to 30 days. An ageing analysis of the trade payables, based on the invoice date, is as follows:

	As at		
	31 M	arch	31 August
	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000
0 - 30 days	1,363	1,735	1,937
31 - 60 days		10	52
Over 60 days			13
	1,363	1,745	2,002

### 21. BANK BORROWINGS

	As at			
	31 M	31 August		
	2017	2018	2018	
	HK\$'000	HK\$'000	HK\$'000	
Secured and guaranteed bank borrowings	4,680	2,321	_	
Unsecured and guaranteed bank				
borrowings			3,821	
Total	4,680	2,321	3,821	
The carrying amounts are repayable*:				
Within one year	2,536	1,850	738	
Within a period of more than one year	1 (72)			
but not exceeding two years	1,673	471	772	
Within a period of more than two years	47.1		0.011	
but not exceeding five years	471		2,311	
	4,680	2,321	3,821	
Less: Amounts due within one year or contain a repayable on demand clause shown under current				
liabilities	(4,680)	(2,321)	(3,821)	
Amounts shown under non-current				
liabilities				

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The secured bank borrowings as at 31 March 2017 and 2018 are secured by pledged bank deposits as disclosed in note 19. All the bank borrowings as at 31 March 2017 and 2018 and 31 August 2018 are guaranteed by Mr. C Tang and certain Combined Entities.

As at 31 March 2017 and 2018 and 31 August 2018, the bank borrowings of the Group carry variable interest rate at HK\$ Best Lending Rate minus 0.5% per annum.

As represented by the directors of the Company, the personal guarantee by Mr. C Tang will be released upon the Listing.

### 22. DEFERRED TAXATION

The following is the deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period.

	<b>Tax losses</b> HK\$'000	Accelerated accounting depreciation <i>HK\$</i> '000	Accelerated tax depreciation HK\$'000	<b>Total</b> HK\$'000
At 1 April 2016 (Charge) credit to profit	560	482	(1)	1,041
or loss (note 11)	(231)	163	(12)	(80)
At 31 March 2017 (Charge) credit to profit	329	645	(13)	961
or loss (note 11)	(329)	423	13	107
At 31 March 2018 Charge to profit or loss	_	1,068	_	1,068
(note 11)		(4)		(4)
At 31 August 2018		1,064		1,064

For the purpose of presentation in the Historical Financial Information, the following is the analysis of the deferred taxation:

	As at					
	31 M	31 March				
	2017	2018	2018			
	HK\$'000	HK\$'000	HK\$'000			
Deferred tax assets	974	1,068	1,064			
Deferred tax liabilities	(13)					
	961	1,068	1,064			

At 31 March 2017 and 2018 and 31 August 2018, the Group has estimated unused tax losses of HK\$2,106,000, HK\$41,000 and HK\$1,000 respectively and deductible temporary differences of HK\$3,903,000, HK\$6,473,000 and HK\$6,448,000 available for offset against future profits respectively. Deferred tax asset has been recognised in respect of HK\$1,994,000 as at 31 March 2017 of such losses and HK\$3,903,000, HK\$6,473,000 and HK\$6,448,000 as at 31 March 2017 and 2018 and 31 August 2018, respectively, of such deductible temporary differences. No deferred tax asset has been recognised in respect of HK\$112,000, HK\$41,000 and HK\$1,000 as at 31 March 2017 and 2018 the remaining tax losses of HK\$112,000, HK\$41,000 and HK\$1,000 as at 31 March 2017 and 2018 and 31 August 2018, respectively, due to unpredictability of future profit streams. All the unused tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to nil, HK\$1,414,000 and HK\$1,863,000 as at 31 March 2017 and 2018 and 31 August 2018, respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

#### 23. PROVISIONS

	Provisions for reinstatement cost HK\$'000
As at 1 April 2016	105
Additions	90
As at 31 March 2017	195
Additions	30
As at 31 March 2018	225
Additions	30
As at 31 August 2018	255

The provision of reinstatement cost for reinstating the rented premises to be carried out at the end of the lease periods had been estimated by the directors of the Company based on current rental contracts. These amounts have not been discounted for the purposes of measuring the provisions because the effect is not material.

#### 24. SHARE CAPITAL

The share capital as at 1 April 2016, 31 March 2017 and 2018 represented the share capital of Butao Ramen.

The share capital as at 31 August 2018 represented the aggregate share capital of the Company and Butao Global.

Details of the Company's shares are disclosed as follows:

	Number	
	of shares	<b>Amount</b> <i>HK</i> \$'000
Authorised: At 23 July 2018 (date of incorporation) and 31 August 2018	1,000,000	10
Issued and paid: At 23 July 2018 (date of incorporation) and 31 August 2018	1	*
* less than HK\$1,000		

Details of movement of the share capital are set out in note 2 (iv).

#### 25. OPERATING LEASE COMMITMENTS

At the end of each reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases with independent third party, which fall due as follows:

	As at					
	31 M	arch	31 August			
	2017	2018	2018			
	HK\$'000	HK\$'000	HK\$'000			
Within one year	9,492	15,110	16,431			
In the second to fifth year inclusive	16,028	16,887	15,991			
	25,520	31,997	32,422			

Operating lease payments represent rentals payable by the Group for office premises, restaurants and store room. Leases and rentals are negotiated for a term of one to five years. Certain leases are determined at the higher of a fixed rental or a pre-determined percentage on revenue of the relevant restaurants. As the future revenue of these restatements could not be reliably determined, the relevant contingent rents have not been included and only minimum lease commitment have been included in the table above. Other leases are fixed for terms of one to four years.

### 26. RETIREMENT BENEFITS SCHEMES

The Group operates MPF Scheme for all qualified employees in Hong Kong. Contributions from employers and employees are 5% each of the employee's relevant income. The maximum mandatory contribution per employee is HK\$1,500 per month. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. During the year ended 31 March 2017 and 2018 and the five months ended 31 August 2017 (unaudited) and 31 August 2018, the retirement benefit schemes contribution arising from the MPF Scheme charged to profit or loss is HK\$1,015,000, HK\$1,064,000, HK\$414,000 (unaudited) and HK\$460,000, respectively.

The eligible employees of the Company's subsidiaries in PRC are members of pension schemes operated by local government of the PRC (the "PRC Scheme"). The subsidiaries in the PRC are required to contribute a certain percentage of the relevant cost of payroll of these employees to the pension schemes to fund the benefits. During the year ended 31 March 2017 and 2018 and five months ended 31 August 2017 (unaudited) and 31 August 2018, the retirement benefit schemes attribution to the PRC Scheme charged to profit or loss is HK\$497,000, HK\$317,000, HK\$148,000 (unaudited) and HK\$215,000, respectively.

### 27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt balances and equity balance. Debt balances include amount due to a related party (note 18) and bank borrowings (note 21). Equity balance consists of equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risk associated with each class of capital, and will balance its overall capital structure through payment of dividends, issue of new shares as well as the issue of new debts or the redemption of existing debts.

### 28. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	,	The Group		The Company	
		As at			
	31	March	31 August	31 August	
	2017	2018	2018	2018	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Financial assets					
Loans and receivables (including cash					
and cash equivalents)	16,987	20,217			
Amortised cost			24,544	_	
Amorrised cost					
Financial liabilities					
Amortised cost	10,792	12,676	17,384	12,045	

#### Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, deposits, amounts due from related parties, pledged bank deposits, bank balances and cash, trade and other payables and accruals, amount due to a related party and bank borrowings. The Company's financial instruments include accruals and amount due to a related party. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 19), pledged bank deposits (note 19) and bank borrowings (note 21). The management of the Group considers the Group's exposures of the bank balances are not significant as interest bearing bank balances are within short maturity period and thus they are not included in sensitivity analysis. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on HK\$ Best Lending Rates quoted by a bank in Hong Kong arising from the Group's bank borrowings.

#### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of the reporting period were outstanding for the whole year and 100 basis points increase or decrease are used. The bank balances and pledged bank deposits are excluded from the sensitivity analysis as the management of the Group considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates have been 100 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2017 and 2018 would decrease/increase by HK\$39,000 and HK\$18,000, respectively and the Group's post-tax loss for the five months ended 31 August 2018 would increase/decrease by HK\$13,000.

#### Credit risk

As at 31 March 2017 and 2018 and 31 August 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Under HKAS 39, impairment losses are made for irrecoverable amounts. Upon the application of HKFRS 9 on 1 April 2018, the Group applies simplified approach on trade receivables to provide for ECL prescribed by HKFRS 9. To measure the ECL of trade receivables, trade receivables have been grouped based on shared credit risk characteristics.

In view of the business nature, the management of the Group considers that the credit risks of trade receivables are insignificant after considering the credit quality and financial ability of the relevant financial institutions, the franchisee and the licensee and there is no history of delay or default in settlement by them. In the opinion of the management of the Group, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant upon the application of HKFRS 9 on 1 April 2018 and 31 August 2018 and thus no impairment loss allowance was recognised.

The Group has significant concentration of credit risk on amounts due from related parties as at 31 March 2017 and 2018 and 31 August 2018. The management of the Group considers the counterparties with good credit worthiness based on their past repayment history and subsequent settlement. In the opinion of the management of the Group, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant upon the application of HKFRS 9 on 1 April 2018 and 31 August 2018 and thus no impairment loss allowance was recognised.

For other receivables and deposits, the management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information starting from 1 April 2018. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits.

The credit risk on liquid funds are limited as such amounts are placed in banks with high credit ratings assigned by international credit-rating agencies. There has been no history of default in relation to these banks and thus the risk of default is regard as low. No loss allowance provision for bank balances was recognised upon application of HKFRS 9.

### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specially, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand <i>HK\$'000</i>	Within 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<u>The Group</u> <u>As at 31 March 2017</u> Non-derivative financial liabilities					
Trade and other payables and accruals Amount due to a related	N/A	_	6,105	6,105	6,105
party Bank borrowings	N/A 4.5	7 4,680		7 4,680	7 4,680
		4,687	6,105	10,792	10,792
<u>The Group</u> <u>As at 31 March 2018</u> Non-derivative financial liabilities Trade and other payables					
and accruals Amount due to a related	N/A	—	6,937	6,937	6,937
party Bank borrowings	N/A 4.5	3,418 2,321		3,418 2,321	3,418 2,321
		5,739	6,937	12,676	12,676
<u>The Group</u> <u>As at 31 August 2018</u> Non-derivative financial liabilities					
Trade and other payables and accruals Bank borrowings	N/A 4.5	3,821	13,563	13,563 3,821	13,563 3,821
Dank borrowings	4.5		12 562		
<u>The Company</u> <u>As at 31 August 2018</u> Non-derivative financial liabilities		3,821	13,563	17,384	17,384
Accruals Amount due to a related	N/A	—	6,281	6,281	6,281
party	N/A	5,764		5,764	5,764
		5,764	6,281	12,045	12,045

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis. As at 31 March 2017 and 2018 and 31 August 2018, the aggregate carrying amount of these bank borrowings of HK\$4,680,000, HK\$2,321,000 and HK\$3,821,000, respectively. Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, the management of the Group reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted Average effective interest rate %	Less than 1 year HK\$'000	1 - 2 years HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Bank borrowings with a repayable on demand clause						
As at 31 March 2017	4.5	2,695	1,728	476	4,899	4,680
As at 31 March 2018	4.5	1,905	476		2,381	2,321
As at 31 August 2018	4.5	895	895	2,461	4,251	3,821

### Fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

#### 29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's combined statements of cash flows as cash flows from financing activities.

	Dividend payable HK\$'000	Accrued O shares issuance costs HK\$'000	bligations under finance leases HK\$'000	Amount due to a related partybe HK\$'000	Bank prrowings HK\$'000	<b>Total</b> <i>HK\$`000</i>
COST At 1 April 2016 Financing cash	_		77	800	3,576	4,453
flows (Note)		—	(78)	(793)	898	27
Finance costs recognised			1		206	207
At 31 March 2017 Financing cash	_	_	_	7	4,680	4,687
flows ( <i>Note</i> ) Dividends declared	—	_	—	(2,431)	(2,518)	(4,949)
(note 12) Non-cash transaction	11,000	—	—	—	—	11,000
(note 31)	(11,000)	—		5,842	—	(5,158)
Finance costs recognised					159	159
At 31 March 2018 Financing cash	—	—	—	3,418	2,321	5,739
flows ( <i>Note</i> ) Issued cost accrued	—	(1,375) 2,903		(3,418)	1,427	(3,366) 2,903
Finance costs recognised					73	73
At 31 August 2018		1,528			3,821	5,349
At 1 April 2017				7	4,680	4,687
Financing cash flows (Note) Finance costs	_	_	_	(7)	(1,123)	(1,130)
recognised					80	80
At 31 August 2017 (unaudited)					3,637	3,637

*Note:* The financing cash flow are in relation to payments for obligations under finance leases, amount due to a related party, bank borrowings, shares issuance cost and finance costs.

#### **30. RELATED PARTY TRANSACTIONS**

Save as disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with its related parties during the Track Record Period:

#### Compensation of personnel

The remuneration of directors of the Company and other members of key management during the years ended 31 March 2017 and 31 March 2018 and the five months ended 31 August 2017 (unaudited) and 31 August 2018, respectively were as follows:

			Five	months		
	Year o	ended 31	eı	ended 31 August		
	Μ	arch	<b>31</b> A			
	2017	2017 2018		2018		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
			(unaudited)			
Short-term benefits	1,733	2,000	747	1,001		
Post-employment benefits	54	54	22	29		
	1,787	2,054	769	1,030		

### 31. NON-CASH TRANSACTIONS

During the year ended 31 March 2018, Mr. C Tang and Brilliant Trade entered into a net settlement agreement pursuant to which the dividend payable of HK\$11,000,000 to Brilliant Trade was assigned to the current account with Mr. C Tang. As a result of the assignment, the amount due from Mr. C Tang was reduced by HK\$5,158,000 and the amount due to Mr. C Tang was increased by HK\$5,842,000.

#### 32. RESERVE OF THE COMPANY

	Accumulated loss HK\$'000
At 23 July 2018 (date of incorporation) Loss and total comprehensive expenses for the period	(9,045)
At 31 August 2018	(9,045)

#### 33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at the date of this report are as follows:

		Issued and full paid share	Attributable equity interest of the Group as at					
Place of	Date of	capital/	31 N	March	31	date of		
establishment	establishment	capital	2017	2018	2018		Principal activities	Notes
BVI	14 June 2018	USD10,000	—	_	91%	100%	Investment holding	(e)
Hong Kong	25 June 2010	HK\$8,720	100%	100%	91%	100%	Investment holding	(a)
Hong Kong	16 December 2010	HK\$4	100%	100%	91%	100%	Trademarks holding and license of trademark to a franchisee and a licensee	(a)
Hong Kong	9 September 2011	HK\$100	100%	100%	91%	100%	Provision of management services to group companies	(a), (b)
Hong Kong	13 September 2012	HK\$500,000	100%	100%	91%	100%	Investment holding and Japanese ramen restaurant operations	(a)
Hong Kong	5 December 2012	HK\$1	100%	100%	91%	100%	Provision of food processing services to group companies and a franchisee	(a)
Hong Kong	26 February 2015	HK\$100	100%	100%	91%	100%	Investment holding	(a)
Hong Kong	24 April 2012	HK\$100	100%	100%	91%	100%	Japanese ramen restaurant operations	(a)
Hong Kong	13 July 2011	HK\$100	100%	100%	91%	100%	Inactive	(a), (c)
Hong Kong	18 November 2011	HK\$1	100%	100%	91%	100%	Japanese ramen restaurant operations	(a), (c)
Hong Kong	22 May 2013	HK\$300,000	100%	100%	91%	100%	Japanese ramen restaurant operations	(a)
The PRC	30 April 2015	RMB2,000,000	100%	100%	91%	100%	Japanese ramen restaurant operations	(d)
The PRC	25 December 2015	RMB2,000,000	100%	100%	91%	100%	Japanese ramen restaurant operations	(e)
The PRC	11 July 2017	RMB496,000	_	100%	91%	100%	Japanese ramen restaurant operations	(e)
	incorporation/ establishment BVI Hong Kong Hong Kong	incorporation/ establishmentincorporation/ establishmentBVI14 June 2018Hong Kong25 June 2010 16 December 2010Hong Kong9 September 2011Hong Kong13 September 2012Hong Kong5 December 2012Hong Kong26 February 2015Hong Kong13 July 2011Hong Kong13 July 2011Hong Kong13 July 2011Hong Kong18 November 2011Hong Kong10 April 2015Hong Kong10 April 2015	Place of incorporationBate of share capital registeredBVI14 June 2018USD10,000Hong Kong bong Kong25 June 2010HK\$8,720 HK\$10Hong Kong bong Kong3 September 2010HK\$100Hong Kong bong Kong3 September 2012HK\$100Hong Kong bong Kong3 September 2012HK\$100Hong Kong bong Kong20 September 2012HK\$100Hong Kong bong Kong3 September 2012HK\$100Hong Kong bong Kong26 February 2015HK\$100Hong Kong bong Kong26 February 2015HK\$100Hong Kong bong Kong13 July 2011HK\$100Hong Kong bong Kong13 July 2011HK\$100Hong Kong bong Kong18 November 2011HK\$10Hong Kong bong Kong10 April 2015MB2,000,000Hue PRC25 December 2015MB2,000,000	Place of incorporation/ establishmentDate of incorporation/ registered capital/ registered capital/ registered capital/ 2017Att 31 1 2017BVI14 June 2018USD10,000—Hong Kong Hong Kong25 June 2010 16 December 2010HK\$8,720 HK\$100100%Hong Kong Hong Kong25 June 2010 16 December 2010HK\$100 HK\$4100%Hong Kong 20119 September 2012HK\$100 HK\$100100%Hong Kong 20125 December 2012HK\$100 HK\$100100%Hong Kong 201226 February 2015HK\$100 HK\$100100%Hong Kong 201513 July 2011HK\$100 HK\$100100%Hong Kong 201313 July 2011HK\$100 HK\$100100%Hong Kong 201118 November 2011HK\$100 HK\$100100%Hong Kong18 November 2011HK\$100 HK\$100100%Hong Kong25 May 2013HK\$2000,000 HK\$100100%Hong Kong25 December 2015HK\$100 HK\$100100%Hong Kong25 December 2015HK\$100 	Place of incorporation/ establishmentDate of incorporation/ registerial registerialAttributable of the CBVI14 June 2018USD10,000Hong Kong Hong Kong25 June 2010 16 December 2010HK\$8,720 HK\$1100% 100%100% 100%Hong Kong Long Kong25 June 2010 16 December 2010HK\$100100% 100%100%Hong Kong Long Kong25 June 2010 16 December 2011HK\$100100% 100%100%Hong Kong Long Kong25 December 2012HK\$100100% 100%100%Hong Kong Long Kong26 February 2015HK\$100100% 100%100%Hong Kong Long Kong26 February 2015HK\$100100% 100%100%Hong Kong Long Kong13 July 2011HK\$100100% 100%100%Hong Kong13 July 2011HK\$100100% 100%100%Hong Kong22 May 2013HK\$300,000100%100%Hong Kong22 May 2013HK\$2,000,000100%100%Hong Kong25 December 2015RMB2,000,000100%100%	full paid share capitalAttributable equity in of the Group as all March 2017Attributable equity in of the Group as all March 2018BVI14 June 2018USD10,00091%Bvn14 June 2018USD10,00091%Hong Kong 100 Stong25 June 2010HK\$8,720 2010100%100%91%Hong Kong 201025 June 2010HK\$100100%100%91%Hong Kong 20109 September 2011HK\$100100%100%91%Hong Kong 20123 September 2012HK\$100100%91%Hong Kong 20123 September 2012HK\$100100%91%Hong Kong 20122 G February 2015HK\$100100%100%91%Hong Kong2 G February 2015HK\$100100%100%91%Hong Kong1 July 2011HK\$100100%100%91%Hong Kong1 July 2011HK\$100100%100%91%Hong Kong1 S November 2011HK\$100100%100%91%Hong Kong1 S November 2011HK\$100100%100%91%Hong Kong2 May 2013HK\$300,000100%100%91%Hong Kong2 May 2013RMB2,000,000100%100%91%Hong Kong2 S December 2015RMB2,000,000100%100%91%	full paid share capital registeredAutributable equily interest of the Group as at 31 MarchSail date of AugustPlace of incorporation/ establishmentDate of incorporation/ capital31 March 2017Sail date of this 2018Saite of this 2018BVI14 June 2018USD10,00091%100%Hong Kong Hong Kong25 June 2010 16 DecemberHKS8,720 HKS10100%100%91%100%Hong Kong 20122011HKS100100%100%91%100%Hong Kong 20123 September 2012HKS100100%100%91%100%Hong Kong 20125 December 2012HKS100100%100%91%100%Hong Kong 201226 February 2015HKS100100%100%91%100%Hong Kong 201526 February 2015HKS100100%100%91%100%Hong Kong 201113 July 2011HKS100100%100%91%100%Hong Kong 201313 July 2011HKS100100%91%100%Hong Kong 201113 July 2011HKS100100%91%100%Hong Kong 201513 July 2011HKS100100%91%100%Hong Kong 201113 July 2011HKS100100%91%100%Hong Kong 201113 July 2013HKS100100%91%100%Hong Kong 201113 July 2013HKS100100%9	Interpretation share incorporation incorporation incorporation ecapitalAttributable equity interest of the Group as itPlace of incorporation incorporation ecapitalDate of capital31 and 2018date of this 2018Principal activitiesEVI14 June 2018USD10.000——91%100%Investment holding inderses holding and license of trademark to a fractanks and a icconseHong Kong Long Kong2 Sptember 2010HKS100 2011100%100%91%100%Provision of management services to group compariesHong Kong 20123 September 2012HKS100 2012100%100%91%100%Provision of management services to compariesHong Kong 20125 December 2012HKS100 2013100%100%91%100%Investment holding and inparies restaurant operationsHong Kong 20122 December 2015HKS100100%100%91%100%Investment holding and a franchisee and a franchiseeHong Kong 20152 December 2015HKS100100%100%91%100%Investment holding and a franchiseeHong Kong 20152 April 2012HKS100100%100%91%100%Japanese rame restaurant operationsHong Kong 201518 November 2015<

Notes:

(a) The statutory financial statements of these entities for the year ended 31 March 2017 and 2018, which are prepared in accordance with the HKFRSs issued by HKICPA, were audited by Kreston CAC CPA Limited, a firm of certified public accountants registered in Hong Kong, and by us respectively.

(b) The subsidiary was wholly-owned by Butao Ramen BVI until 19 March 2015 where Butao Ramen acquired 100% equity interest from Butao Ramen BVI.

- (c) These subsidiaries were wholly-owned by Butao Ramen BVI until 30 March 2015 where Butao Ramen acquired 100% equity interest from Butao Ramen BVI.
- (d) The statutory financial statements of Butao Shanghai for the years ended 31 December 2016 and 2017 were prepared in accordance with the relevant accounting principles and financial regulations applicable to the enterprise established in the PRC and were audited by Brighture Certified Public Accountant Firm ("永潤聯合會計師事務所"), certified public accountants registered in the PRC. The statutory financial statements for the year ended 31 December 2018 were not due for issuance.
- (e) No statutory audited financial statements have been prepared for Butao Global, Butao Guangzhou and Butao Shenzhen since their dates of incorporation/establishment as they are incorporated/established in the jurisdiction where there are no statutory audit requirements.

### 34. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Historical Financial Information, subsequent events of the Group and detailed as below.

On 21 February 2019, written resolutions of the shareholders of the Company were passed to approve the matters set out in the paragraph headed "Written resolutions of our existing Shareholders passed on 21 February 2019" in Appendix IV of the Prospectus. It was resolved, among other things:

- (i) the authorised share capital of the Company increased to HK\$100,000,000 divided into 10,000,000,000 shares of the Company of HK\$0.01 each by creation of an additional 9,999,000,000 shares of the Company;
- (ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section head "Share Option Scheme" in Appendix IV to the Prospectus; and
- (iii) conditional upon the share premium account of the Company being credited as a result of the offer of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK\$3,749,900 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 374,990,000 shares of the Company for allotment and issue to the persons whose name appeared on the register of the members of the Company at the close of business on 21 February 2019.

#### **35. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Company, any of the Combined Entities or the Group have been prepared in respect of any period subsequent to 31 August 2018.

# APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the two years ended 31 March 2018 and five months ended 31 August 2018 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in connection with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The unaudited pro forma statement adjusted combined net tangible assets of the Group attributable to owners of the Company prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the proposed Share Offer on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 August 2018, as if the proposed Share Offer had taken place on that day.

The unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company as at 31 August 2018 or any future dates following the proposed Share Offer.

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 August 2018 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

				Unaudited pro
			Unaudited pro	forma adjusted
	Audited		forma adjusted	combined net
	combined net		combined net	tangible assets
	tangible assets		tangible assets	of the Group
	of the Group		of the Group	attributable to
	attributable to	Estimated net	attributable to	owners of the
	owners of the	proceeds from	owners of the	Company as at
	Company as at	the proposed	Company as at	31 August 2018
	31 August 2018	Share Offer	31 August 2018	per Share
	HK\$'000	HK\$'000	HK\$'000	HK\$
	(Note 1)	(Note 2)		(Note 3)
Based on the Offer Price of HK\$0.70 per Share	26,785	66,545	93,330	0.20
Based on the Offer Price of				
HK\$0.40 per Share	26,785	32,795	59,580	0.13

Notes:

- The amount is calculated based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 August 2018 amounting to HK\$26,841,000, extracted from the Accountants' Report set out in Appendix I to this prospectus, and adjusted for intangible assets of the Group attributable to owners of the Company as at 31 August 2018 of HK\$56,000.
- 2. The estimated net proceeds from the proposed Share Offer are based on 125,000,000 Offer Shares at the Offer Price of lower limit and upper limit of HK\$0.40 and HK\$0.70 per Share, respectively, after taking into account the estimated underwriting fees and other related expenses incurred or to be incurred by the Group subsequent to 31 August 2018.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this prospectus.

- 3. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 August 2018 per Share is calculated based on 466,250,000 Shares, representing the aggregation of 9,100 Shares held by the Controlling Shareholders through Brilliant Trade Enterprises Limited as at 31 August 2018, capitalisation of 341,240,900 Shares attributable to the Shares held by the Controlling Shareholders through Billiant Trade Enterprises Limited and 125,000,000 Offer Shares, were in issue assuming that the Reorganisation, the Share Offer and the Capitalisation Issue had been completed on 31 August 2018 and does not take into account of any Shares held by shareholders other than the Controlling Shareholders, or any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this prospectus.
- 4. Assuming the Reorganisation is completed on 31 August 2018, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 August 2018 per Share would have been HK\$0.12 and HK\$0.19 at the Offer Price of HK\$0.40 and HK\$0.70 per Share, respectively, which is calculated based on (i) the combined net tangible assets of the Group attributable to owners of the Company as at 31 August 2018 of HK\$29,435,000 after taking into consideration of (a) combined net assets of the Group attributable to owners of the Company as at 31 August 2018 of HK\$26,841,000; (b) the transfer of non-controlling interests of HK\$2,655,000 during the five months ended 31 August 2018 to other reserve attributable to owners of the Group as at 31 August 2018 of HK\$61,000; and (ii) the estimated net proceeds from the Share Offer as mentioned in note (2) and 500,000,000 Shares in issue immediately following the completion of the Share Offer and Capitalisation Issue.
- 5. No adjustment has been made to the unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 August 2018 to reflect any trading results or other transactions of the Group entered into subsequent to 31 August 2018.

# APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

# **B.** INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

# Deloitte.



# INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

# To the Directors of Tasty Concepts Holding Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tasty Concepts Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 August 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 27 February 2019 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offer of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Share Offer") on the Group's financial position as at 31 August 2018 as if the Share Offer had taken place at 31 August 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the two years ended 31 March 2018 and the five months ended 31 August 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published.

#### Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

# APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

#### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### **Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 August 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

• the related pro forma adjustments give appropriate effect to those criteria; and

# APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

• the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

# **Deloitte Touche Tohmatsu**

Certified Public Accountants Hong Kong 27 February 2019

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 23 July 2018 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its 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 21 February 2019 and effect on the Listing 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 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 member being a corporation, by its duly authorised 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; and (g) change the currency of denomination of its share capital.

#### (iv) Transfer of shares

Subject to the 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 transfer 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 GEM 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 lodgement 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 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.

# (ix) 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) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days

of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

#### (v) 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 Companies Law and the GEM 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.

#### (vi) 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.

## (vii) 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 authorised 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 sales and purchases 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 summarised financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised 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 members 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 members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

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(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 summarised 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, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, 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 23 July 2018 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 authorised 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 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 (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary 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 (2018 Revision).

The undertaking for the Company is for a period of 20 years from 7 August 2018.

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 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 authorised 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 section headed "Documents Delivered to the Registrar of Companies and 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 OUR COMPANY

#### 1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 July 2018. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 28 August 2018 and our principal place of business in Hong Kong is at 6/F, Goldsland Building, 22-26 Minden Avenue, Tsim Sha Tsui, Hong Kong. Mr. C Tang has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

## 2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$10,000.00 divided into 1,000,000 shares of par value HK\$0.01 each. One fully-paid Share was allotted and issued to the subscriber on 23 July 2018, which was subsequently transferred to Brilliant Trade on the same date.
- (b) Pursuant to the Reorganisation and as a consideration for the acquisition by our Company of the entire issued share capital of Butao Global from Brilliant Trade and the Pre-IPO Investor, 9,099 fully-paid Shares and 900 fully-paid Shares were allotted and issued to Brilliant Trade and Mr. Ng, the pre-IPO investor, respectively, on 21 February 2019.
- (c) On 21 February 2019, our Shareholders resolved to increase the authorised share capital of our Company from HK\$10,000.00 (divided into 1,000,000 Shares of par value HK\$0.01 each) to HK\$100,000,000.00 (divided into 10,000,000,000 Shares of par value HK\$0.01 each) by the creation of 9,999,000,000 additional Shares of par value HK\$0.01 each, each ranking pari passu with our Shares then in issue in all respects.
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, 500,000,000 Shares will be issued fully paid or credited as fully paid, and 9,500,000,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of our existing Shareholders passed on 21 February 2019" in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares which would effectively alter the control of our Company will be made.

(f) Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

# 3. Written resolutions of our existing Shareholders passed on 21 February 2019

On 21 February 2019, resolutions in writing were passed by our Shareholders pursuant to which, among other things:

- (a) our Company approved and conditionally adopted the Memorandum and the Articles which will become effective on the Listing Date, the terms of which are summarised in Appendix III to this prospectus;
- (b) the authorised share capital of our Company be increased from HK\$10,000.00 (divided into 1,000,000 Shares of par value HK\$0.01 each) to HK\$100,000,000.00 (divided into 10,000,000,000 Shares of par value HK\$0.01 each) by the creation of an additional 9,999,000,000 Shares par value of HK\$0.01 each, ranking pari passu with the existing Shares in all respects;
- (c) conditional on the Listing Division granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
  - the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer 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" of this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, 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 our 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 our Company being credited as a result of the Share Offer, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK\$3,749,900.00 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 374,990,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of

business on 21 February 2019 (as they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking pari passu in all respects with the Shares then in issue, and the Directors were authorised to give effect to such capitalisation and distributions;

- (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights 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 our Company or any Shares allotted in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meetings or pursuant to the Capitalisation Issue and the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such 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 or options which might require the exercise of such power, with an aggregate number of Shares not exceeding 20% of total number of issued Shares immediately following completion of the Capitalisation Issue and the Share Offer 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 such mandate to remain in effect until whichever is the earliest of:
  - (1) the conclusion of the next annual general meeting of our Company;
  - (2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (3) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (v) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our 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 total number of issued Shares immediately following completion of the Capitalisation Issue and the Share Offer 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 to remain in effect until whichever is the earliest of:
  - (1) the conclusion of the next annual general meeting of our Company;
  - (2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

- (3) the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (vi) the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to the such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the Repurchase Mandate to repurchase Shares referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the total number of issued Shares immediately following completion of the Capitalisation Issue and the Share Offer 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

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the section headed "History, Development and Reorganisation — Reorganisation" in this prospectus for further details.

#### 5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

Save for the alterations described in section headed "History, Development and Reorganisation", no changes in the share capital of the subsidiaries of our Company took place within the two years immediately preceding the date of this prospectus.

#### 6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

#### (a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their shares 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 in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

*Note:* Pursuant to the written resolutions of our existing Shareholders passed on 21 February 2019, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the total number of issued Shares immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Share which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our 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 our Shareholders in general meeting.

#### (ii) Source of funds

Repurchases 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. A listed 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.

Any repurchases by our 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 our Company or out of our 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 our Company from knowingly repurchasing our 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 our 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 our Company on GEM.

#### (b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

#### (c) Exercise of the Repurchase Mandate

On the basis of 500,000,000 Shares in issue immediately after completion of the Share Offer, our Directors would be authorised under the Repurchase Mandate to repurchase up to 50,000,000 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.

#### (d) Funding of repurchase

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws of the Cayman Islands.

Our 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 our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

#### (e) General

None of our 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 our Company if the Repurchase Mandate is exercised.

Our 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 and the applicable laws of 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 our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our 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, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our 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 our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

– IV-6 –

# **B. FURTHER INFORMATION ABOUT THE BUSINESS**

## 1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a share swap agreement entered into between Brilliant Trade Enterprises Limited and Butao Global Limited dated 27 June 2018 in relation to the transfer of 80,000 shares in Butao Ramen Limited to Butao Global Limited;
- (b) an agreement relating to subscription of 900 shares in Butao Global Limited in consideration of HK\$6,000,000 dated 3 July 2018 entered into between Ng Wai Hung and Butao Global Limited;
- (c) a share swap agreement dated 21 February 2019 entered into between Brilliant Trade Enterprises Limited, Ng Wai Hung and Tasty Concepts Holding Limited in relation to the transfer of the entire issued share capital in Butao Global Limited to Tasty Concepts Holding Limited;
- (d) the Deed of Non-competition dated 21 February 2019 entered into by (i) Brilliant Trade Enterprises Limited; (ii) Tang Chun Ho Chandler; (iii) Tang Hing Chee; (iv) Tai Shiu Bun Mariana; and (v) Tang Wing Shan Ariel in favour of Tasty Concepts Holding Limited (賞之味控股有限公司) (for itself and as trustee for and on behalf of its subsidiaries), details of which are set out in the section headed "Relationship with Controlling Shareholders Non-competition undertaking" in this prospectus;
- (e) the Deed of Indemnity dated 21 February 2019 entered into by (i) Brilliant Trade Enterprises Limited; (ii) Tang Chun Ho Chandler; (iii) Tang Hing Chee; (iv) Tai Shiu Bun Mariana; and (v) Tang Wing Shan Ariel in favour of Tasty Concepts Holding Limited (賞之味控股有限公司) (for itself and as trustee for and on behalf of its subsidiaries) containing indemnities referred to in the paragraph headed "Tax and other indemnities" in this appendix; and
- (f) the Public Offer Underwriting Agreement.

# 2. Intellectual property rights of our Group

# (a) Trademark

As at the Latest Practicable Date, our Group has registered four trademarks and three series of trademark in Hong Kong, out of which the followings are considered to be material to our business and with which we conduct the majority of our business in Hong Kong:

Trademark	Registered owner	Class	Registration number	Duration
	Kind Most	29, 30, 43	302660058	4 July 2013 - 3 July 2023
<b>B</b>	Kind Most	30, 43	302351312	21 August 2012 - 20 August 2022
	Kind Most	35	303904696	19 September 2016 - 18 September 2026
A B BEE	Kind Most	29, 30, 43	303737034	8 April 2016 - 7 April 2026
Butad	Kind Most	30, 35, 43	303904678	19 September 2016 - 18 September 2026
膨王	Kind Most	35	303904687	19 September 2016 - 18 September 2026
A CON	Kind Most	30, 43	303448251	19 June 2015 - 18 June 2025

# STATUTORY AND GENERAL INFORMATION

As at the Latest Practicable Date, our Group has registered 20 trademarks in the PRC, out of which the followings are considered to be material to our business and with which we conduct the majority of our business in the PRC:

Trademark	Registered owner	Class	Registration number	Duration
	Kind Most	30	17154548	21 August 2016 - 20 August 2026
膨 <b>王</b>	Kind Most	35	21428946	21 November 2017 - 20 November 2027
	Kind Most	43	17154546	21 August 2016 - 20 August 2026
Butao	Kind Most	30	21428892	21 November 2017 - 20 November 2027
Butao.	Kind Most	35	21428961	21 November 2017 - 20 November 2027
Butao" Butao"	Kind Most	43	21429176	21 November 2017 - 20 November 2027
	Kind Most	30	12801017	28 December 2014 - 27 December 2024
	Kind Most	35	21428902	21 November 2017 - 20 November 2027

## STATUTORY AND GENERAL INFORMATION

Trademark	Registered owner	Class	Registration number	Duration
	Kind Most	43	12799569	7 December 2014 - 6 December 2024
	Kind Most	29	12800941	14 November 2014 - 13 November 2024
<b>B</b>	Kind Most	30	11341263	14 January 2014 - 13 January 2024
<b>B</b>	Kind Most	43	11341262	14 January 2014 - 13 January 2024
赤 王 Red King あかおう	Kind Most	30	14075178	28 April 2015 - 27 April 2025
翠 王 Jade King みどりおう	Kind Most	30	14075176	28 April 2015 - 27 April 2025
限 定 王 Limited King げんていおう	Kind Most	30	14075177	28 April 2015 - 27 April 2025
黑 王 Black King くろおう	Kind Most	30	14075020	14 August 2015 - 13 August 2025
HERE BOTA	Kind Most	30	9094898	7 February 2012 - 6 February 2022

## STATUTORY AND GENERAL INFORMATION

Trademark	Registered owner	Class	Registration number	Duration
PIER BUTA	Kind Most	43	9094910	21 February 2012 - 20 February 2022

As at the Latest Practicable Date, our Group has registered 15 trademarks in Macau, out of which the followings are considered to be material to our business and with which we conduct the majority of our business in Macau:

Trademark	Registered owner	Class	Registration number	Duration
	Kind Most	29	N/107574	28 June 2016 - 28 June 2023
	Kind Most	30	N/107575	28 June 2016 - 28 June 2023
	Kind Most	43	N/107576	28 June 2016 - 28 June 2023
	Kind Most	29	N/107565	28 June 2016 - 28 June 2023
	Kind Most	29	N/107568	28 June 2016 - 28 June 2023
	Kind Most	29	N/107571	28 June 2016 - 28 June 2023



## STATUTORY AND GENERAL INFORMATION

Trademark	Registered owner	Class	Registration number	Duration
	Kind Most	30	N/107566	28 June 2016 - 28 June 2023
	Kind Most	30	N/107569	28 June 2016 - 28 June 2023
	Kind Most	30	N/107572	28 June 2016 - 28 June 2023
	Kind Most	43	N/107567	28 June 2016 - 28 June 2023
	Kind Most	43	N/107570	28 June 2016 - 28 June 2023
	Kind Most	43	N/107573	28 June 2016 - 28 June 2023
BBE	Kind Most	29	N/109916	30 August 2016 - 30 August 2023
	Kind Most	30	N/109917	30 August 2016 - 30 August 2023
	Kind Most	43	N/109918	30 August 2016 - 30 August 2023

## STATUTORY AND GENERAL INFORMATION

As at the Latest Practicable Date, our Group has registered the following trademarks and series of trademarks in other countries including Australia, Canada, the EU, Singapore, Taiwan and the USA:

#### Australia

Trademark	Registered owner	Class	Registration number	Duration
BUTA O	Kind Most	30, 43	1496716	14 June 2012 - 14 June 2022
	Kind Most	29, 30, 43	1563982	20 June 2013 - 20 June 2023

#### Canada

Trademark	Registered owner	Class	Registration number	Duration
HE	Kind Most	30, 43	TMA903,814	19 May 2015 - 19 May 2030

#### European Union

ತಿಗೆದ್ದರೆ BUTAO

Trademark	Registered owner	Class	Registration number	Duration
<b>B</b> BE	Kind Most	29, 30, 43	012690889	13 March 2014 - 13 March 2024
黑王	Kind Most	29, 30, 43	012714895	21 March 2014 - 21 March 2024

**Black King** 

くろおう

## STATUTORY AND GENERAL INFORMATION

Trademark	Registered owner	Class	Registration number	Duration
赤王	Kind Most	29, 30, 43	012715124	21 March 2014 - 21 March 2024
Red King				
あかおう				
限定王	Kind Most	29, 30, 43	012715215	21 March 2014 - 21 March 2024
Limited King				
げんていおう				
翠王	Kind Most	29, 30, 43	012715314	21 March 2014 - 21 March 2024
Green King				
みどりおう				
Green King	Kind Most	29, 30, 43	012715314	

## Singapore

BUTAO

Trademark	Registered owner	Class	Registration number	Duration
FR	Kind Most Limited	30	T1216204H	29 October 2012 - 29 October 2022

## STATUTORY AND GENERAL INFORMATION

#### Taiwan

Trademark	Registered owner	Class	Registration number	Duration
BUTA	Kind Most	30	01579372	16 May 2013 - 15 May 2023
THE	Kind Most	43	01616263	16 December 2013 - 15 December 2023

USA

Trademark	Registered owner	Class	Registration number	Duration
BBE	Kind Most	30	5173913	4 April 2017 - 4 April 2027
9 <b>19</b> 2	Kind Most	43	5173920	4 April 2017 - 4 April 2027
BUTAO	Kind Most	30, 43	4320143	16 April 2013 - 16 April 2023
黑王	Kind Most	30	5043517	20 September 2016 - 20 September 2026

-

## **Black King**

BUTAO

くろおう

## STATUTORY AND GENERAL INFORMATION

Trademark	Registered owner	Class	Registration number	Duration
翠王	Kind Most	30	4887666	19 January 2016 - 19 January 2026
Jade King				
みどりおう				
赤王	Kind Most	30	4879321	5 January 2016 - 5 January 2026
Red King				
あかおう				
限定王	Kind Most	30	4879332	5 January 2016 - 5 January 2026
Limited King				
げんていおう				

### (b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names:

Domain Name	Registrant	Duration
butaoramen.com	Butao Ramen	20 May 2012 - 20 May 2019
butaotogo.com	Butao Ramen	17 November 2015 - 17 November 2019

## STATUTORY AND GENERAL INFORMATION

## C. INFORMATION ABOUT THE PRC SUBSIDIARIES OF OUR GROUP

### Butao Guangzhou

Date of establishment	:	25 December 2015
Corporate nature	:	Limited liability company (wholly foreign-owned enterprise)
Attributable interest of our Company	:	100%
Total registered capital and paid registered capital (as at the Latest Practicable Date)	:	RMB2,000,000
Term	:	25 December 2015 to 25 December 2045
Scope of business	:	Food and beverage management
Legal representative	:	Mr. Tang Chun Yu
Butao Shanghai		
Date of establishment	:	30 April 2015
	•	50 mpm 2015
Corporate nature	:	Limited liability company (wholly foreign-owned enterprise)
Corporate nature Attributable interest of our Company		-
Attributable interest of our	:	Limited liability company (wholly foreign-owned enterprise)
Attributable interest of our Company Total registered capital and paid registered capital (as at the Latest Practicable	:	Limited liability company (wholly foreign-owned enterprise)
Attributable interest of our Company Total registered capital and paid registered capital (as at the Latest Practicable Date)	:	Limited liability company (wholly foreign-owned enterprise) 100% RMB2,000,000

## STATUTORY AND GENERAL INFORMATION

## Butao Shanghai (Trading)

Date of establishment	:	20 November 2015
Status	:	Dissolved
Corporate nature	:	Limited liability company (wholly foreign-owned enterprise)
Attributable interest of our Company	:	100%
Total registered capital and paid registered capital (as at the Latest Practicable Date)	:	RMB500,000 (registered capital) Nil (paid registered capital)
Term	:	20 November 2015 to 19 November 2045
Scope of business	:	International trading
Legal representative	:	Ms. Tai
Butao Shenzhen		
<b>Butao Shenzhen</b> Date of establishment	:	11 July 2017
	:	11 July 2017 Limited liability company (wholly foreign-owned enterprise)
Date of establishment		
Date of establishment Corporate nature Attributable interest of our	:	Limited liability company (wholly foreign-owned enterprise)
Date of establishment Corporate nature Attributable interest of our Company Total registered capital and paid registered capital (as at the Latest Practicable	:	Limited liability company (wholly foreign-owned enterprise) 100% RMB3,000,000 (registered capital)
Date of establishment Corporate nature Attributable interest of our Company Total registered capital and paid registered capital (as at the Latest Practicable Date)	:	Limited liability company (wholly foreign-owned enterprise) 100% RMB3,000,000 (registered capital) approximately RMB1,503,000 (paid registered capital)

## D. 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 our Company and its associated corporations

Immediately following the completion of the Capitalisation Issue and the Share Offer without taking into account the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the GEM, will have to be notified to our 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 our Directors, to be notified to our Company and the Stock Exchange, will be as follows:

(i) Long position in our Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Percentage of interest
Mr. C Tang (Note 1)	Interest of a controlled corporation	341,250,000	68.25%
Mr. HC Tang (Note 1)	Interest of a controlled corporation	341,250,000	68.25%

*Note 1:* Brilliant Trade is owned as to 35% and 35% by each of Mr. C Tang and Mr. HC Tang respectively, each of whom is deemed, or taken to be, interested in the 341,250,000 Shares held by Brilliant Trade for the purposes of the SFO.

(ii) Long position in the ordinary shares of associated corporation

Name of	Name of associate		Number of share held/	Percentage
<b>Director</b> Mr. C Tang	<b>corporation</b> Brilliant Trade	Capacity/Nature Beneficial owner	interested in	of interest 35%
Mr. HC Tang	Brilliant Trade	Beneficial owner	35	35%

#### (b) Interests of substantial and other Shareholders in our Shares and underlying Shares

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under 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 issued voting shares of any other member of our Group:

Name	Capacity/ Nature of interest	Number of Shares held/ interested in	Percentage of interest
Brilliant Trade	Beneficial owner	341,250,000	68.25%
Ms. Lee Wai Yu Giselle (Note 2)	Interest of spouse	341,250,000	68.25%
Ms. Tai (Note 3)	Interest of spouse	341,250,000	68.25%

*Note 2:* Ms. Lee Wai Yu Giselle is the spouse of Mr. C Tang. Accordingly, Ms. Lee Wai Yu Giselle is deemed, or taken to be, interested in the Shares in which Mr. C Tang is interested for the purpose of the SFO.

#### 2. Particulars of service agreements

Each of our Directors has entered into a service contract or an appointment letter (as the case may be) with our Company for an initial fixed term of three years commencing on the Listing Date which may only be terminated in accordance with the provisions of the service contract or the appointment letter (as the case may be) or by (i) our Company giving to any Director not less than three months' prior notice in writing (or by payment in lieu of notice) or (ii) by any Director giving to our Company not less than three month's prior notice in writing.

#### 3. Remuneration of Directors

- (a) The aggregate amount of remuneration paid (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) to our Directors by our Group in respect of the Track Record Period were approximately HK\$1,250,000, HK\$986,000 and HK\$412,000, respectively.
- (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 our Group to our Directors for the year ending 31 March 2019 will be approximately HK\$1,063,000.

*Note 3:* Ms. Tai is the spouse of Mr. HC Tang. Accordingly, Ms. Tai is deemed, or taken to be, interested in the Shares in which Mr. HC Tang is interested for the purpose of the SFO.

(c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

<b>Executive Director</b> Mr. C Tang	HK\$1,208,000
Non-executive Director Mr. HC Tang	HK\$360,000
Independent non-executive Directors	
Mr. Ho Chun Yin Steven	HK\$180,000
Mr. Ho Lai Chuen	HK\$180,000
Mr. Lee Koon Tak	HK\$180,000

#### 4. Fees or commission received

Save as disclosed in the section headed "Underwriting" in this prospectus, none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

#### 5. Related party transactions

Details of the related party transactions are set out under Note 30 to the Accountants' Report set out in Appendix I to this prospectus.

#### 6. Disclaimers

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed "Further information about our Company" in this appendix, and taking no account of Shares which may be taken up under the Share Offer, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Share Offer, have an interest or short position in our Shares or underlying Shares which will fall to be disclosed to our 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 issued voting shares of any member of our Group;
- (b) none of our Directors or chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our 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 our Directors, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the GEM;

- (c) none of our 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 prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our 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 prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of our Directors or the experts named in the paragraph headed "Qualifications of experts" in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest suppliers of our Group; and
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

#### E. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 21 February 2019. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, 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.

#### 1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

"Adoption Date"	21 February 2019, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolutions
"Board"	the board of Directors or a duly authorised committee of the board of Directors
"Business Day"	any day on which the Stock Exchange is open for the business of dealings in securities
"Group"	our Company and any entity in which our 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

#### 2. 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 our existing Shareholders passed on 21 February 2019:

#### (a) 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 (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

#### (b) Who may join and basis of eligibility

Our 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 our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) 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 our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

#### (c) 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 our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our 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 our 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. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

#### (d) 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 our Company on acceptance of the offer for the grant of an option is HK\$1.

#### (e) Maximum number of Shares

- (i) Subject to sub-paragraphs (ii) and (iii) 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 our 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 our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 50,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 50,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned above may be refreshed at any time by 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 our Company must not exceed 10% of our 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 our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share of our 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.

- (iii) Our Company may seek separate approval from our 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 our Company before such approval is sought. In such event, our Company must send a circular to our 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 and all other information required under the GEM Listing Rules.
- (iv) 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 our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

#### (f) 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 or any other share option schemes of our Company 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, our 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 our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

#### (g) Grant of options to certain connected persons

- (i) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (ii) 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 our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
  - (a) representing in aggregate over 0.1% of our Shares in issue; and

(b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our 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 our Company shall abstain from voting (except where any such 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 close associates is also required to be approved by the Shareholders in the aforesaid manner.

#### (h) Restrictions on the times of grant of options

- (i) 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 our 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:
  - (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
  - (b) the deadline for our Company to publish an announcement of the results for any year, or half-year under the GEM Listing Rules, or quarterly or other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement.

- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published:
  - (a) 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
  - (b) 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.

#### (i) 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 our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

#### (j) Performance targets

Save as determined by our 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.

#### (k) Ranking of Shares

The 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 our 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 our Company as the holder thereof.

#### (l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

#### (m) 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 (n) below arises within a period of three 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 (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

#### (n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our 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 or her 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 our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

#### (o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (n) above, the option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group, whether salary is paid in lieu of notice or not.

#### (p) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our 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 our 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, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our 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.

#### (q) 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 our 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 lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

#### (r) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group 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 two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our 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.

#### (s) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our 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 lapsed or 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 our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our 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. Our Board shall endeavour to procure that our 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 our 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 our Company and no claim shall lie against our 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 our Company or any of our officers.

#### (t) Lapse of options

An option shall lapse automatically on the earliest of:

- (i) the expiry of the period referred to in paragraph (i) above;
- (ii) the date on which our Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (1);
- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;
- (iv) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;

- (v) 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;
- (vi) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (vii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

#### (u) 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 our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

#### (v) 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.

#### (w) Alteration to the Share Option Scheme

- (i) The Share Option Scheme may be altered in any respect by resolution of our 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.
- (ii) Any alterations to any terms and conditions 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 our 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.
- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

#### APPENDIX IV STATUTORY AND GENERAL INFORMATION

#### (x) Termination to the Share Option Scheme

Our Company by resolution in general meeting or our 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.

#### (y) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Listing Division granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

#### 3. Present status of the Share Option Scheme

Application has been made to the Listing Division for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

#### F. OTHER INFORMATION

#### 1. Tax and other indemnities

Our Controlling Shareholders (collectively, the "Indemnifiers") have, under a deed of indemnity referred to in the paragraph headed "B. Further information about the Business — 1. Summary of material contracts" in this appendix, given joint and several indemnities to our Company for ourselves and our subsidiaries in connection with, among other things, (a) any taxation falling on any member of our 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 our Share Offer becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which our Share Offer becomes unconditional; and (b) any claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings against any member of our Group arising from any act or non-performance or omission of any member of our Group in relation to events occurred on or before the date on which our Share Offer becomes unconditional; and (c) any estate duty (or any similar tax or duty) which is or hereafter becomes payable by members of our Group under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) and under the laws and regulations of any other relevant jurisdictions outside Hong Kong arising on the death of any person at any time by reason of any transfer of any

#### STATUTORY AND GENERAL INFORMATION

property to any member of our Group on or before the date on which the Share Offer becomes unconditional. The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited combined financial statements of any member of our Group 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 Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of our Group on or before the date on which dealings of the shares on the GEM first commence.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands and BVI is likely to fall on our Group and the estate duty under the laws of Hong Kong has been abolished.

#### 2. Litigation

Save as disclosed in the section headed "Business — Legal proceeding and potential claims" in this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

#### 3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

The Sponsor's fees are HK\$5 million and are payable by our Company.

#### 4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$33,540 and are payable by our Company.

#### 5. Promoter

Our Company has no promoter for the purpose of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the GEM Listing Rules.

#### 6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Frontpage Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Appleby	Legal adviser to our Company as to Cayman Islands law
Shu Jin Law Firm	Legal adviser to our Company as to PRC law
Liliana Faria Advogada	Legal adviser to our Company as to Macau law
Frost & Sullivan Limited	Market research consultant
Fan, Mitchell & Co., Limited	Internal control consultant
Mr. Yuen Siu Kei	Barrister-at-law in Hong Kong

#### 7. Consents of experts

Each of the experts has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

#### 8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

#### 9. Taxation of holders of Shares

#### (a) Hong Kong

Dealings in Shares registered on our 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 transfer 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 our 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 our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer 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.

#### **10.** Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained by Boardroom Share Registrars (HK) Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our 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 our Shares to be admitted into CCASS.

#### 11. No material adverse change

Our Directors confirm that save as disclosed in the section headed "Financial Information — Material adverse change" in this prospectus, there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 August 2018 (being the date to which the latest audited combined financial statements of our Group were made up) and up to the date of this prospectus.

#### 12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - no share or loan capital of our Company or any of the 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;
  - (ii) 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 capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
  - (iii) no commission has been paid or is payable (except to sub-underwriter(s)) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;

- (iv) no founder shares, management shares or deferred shares or any debentures of our Company have been issued or agreed to be issued; and
- (v) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Save as disclosed in the section headed "Underwriting" in this prospectus, none of the parties listed in the paragraph headed "Consents of experts" in this appendix:
  - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;
- (c) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus;
- (d) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (e) our Group has no outstanding convertible debt securities;
- (f) save as disclosed in this prospectus, our Company and our 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;
- (g) there is no arrangement under which future dividend declared by our Company have been waived or agreed to be waived;
- (h) our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law; and
- (i) the English text of this prospectus shall prevail over the Chinese text.

#### 13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

## APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

#### DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, copies of each of the WHITE and YELLOW Application Forms; copies of the written consents referred in "F. Other information — 7. Consents of experts" in Appendix IV to this Prospectus; and copies of the material contracts referred to in "B. Further information about the Business — 1. Summary of material contracts" in Appendix IV to this Prospectus.

#### DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for the inspection at the office of Nixon Peabody CWL at 5th Floor, Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants' Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this Prospectus;
- (c) the statement of adjustments in arriving at the figures set forth in the Accountants' Report prepared by Deloitte Touche Tohmatsu;
- (d) the assurance report on the compilation of unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this Prospectus;
- (e) the audited consolidated financial statements of Butao Global and its subsidiaries for the years ended 31 March 2017 and 31 March 2018 and the five months ended 31 August 2018;
- (f) the Companies Law;
- (g) the letters of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this Prospectus;
- (h) the legal opinions issued by the Shu Jin Law Firm, our legal adviser as to the PRC law, in respect to the compliance of applicable laws and regulations in respect of certain aspects of our Group in the PRC;
- the legal opinion issued by Mr. Yuen Siu Kei, a barrister-at-law in Hong Kong advising on certain aspects of a non-compliance matter referred to in the section headed "Business — Non-compliance" in this prospectus;
- (j) the legal opinion issued by Liliana Faria Advogada, our legal adviser as to Macau law, in respect to the compliance of applicable laws and regulations in respect of certain aspects of our Group in Macau;

## APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

- (k) the material contracts referred to in the section headed "Statutory and General Information — B. Further information about the Business — 1. Summary of material contracts" in Appendix IV to this Prospectus;
- (1) the written consents referred to in the section headed "Statutory and General Information — F. Other information — 7. Consents of experts" in Appendix IV to this Prospectus;
- (m) the service contracts of our Directors referred to in the section headed "Statutory and General Information — D. Further information about substantial shareholders, directors and experts — 3. Remuneration of Directors" in Appendix IV to this prospectus;
- (n) the rules of the Share Option Scheme;
- (o) the market research report issued by Frost & Sullivan Limited; and
- (p) the internal control review report prepared by Fan, Mitchell & Co., Limited.

# Tasty Concepts Holding Limited 賞之味控股有限公司