



LH GROUP

叙福樓集團

LH GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1978

GLOBAL OFFERING

Sole Sponsor



光大證券

EBS INTERNATIONAL

Joint Global Coordinators



光大證券

EBS INTERNATIONAL



國金證券(香港)有限公司
SINOLINK SECURITIES (HK) CO. LTD.



時富金融 CFSG

IMPORTANT

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



LHGROUP

叙福樓集團

LH GROUP LIMITED
(叙福樓集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

- Number of Offer Shares under the Global Offering :** 200,000,000 Shares (subject to the Over-allotment Option)
- Number of Hong Kong Public Offer Shares :** 20,000,000 Shares (including 2,000,000 Employee Reserved Shares) (subject to reallocation)
- Number of International Placing Shares :** 180,000,000 Shares (subject to reallocation and the Over-allotment Option)
- Offer Price :** Not more than HK\$1.30 per Offer Share and expected to be not less than HK\$1.00 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\$0.1 per Share
- Stock code :** 1978

Sole Sponsor



China Everbright Capital Limited

Joint Global Coordinators



China Everbright Securities (HK) Limited



國金證券(香港)有限公司
SINOLINK SECURITIES (HK) CO. LTD.

Joint Bookrunners



Celestial Capital Limited



China Everbright Securities (HK) Limited



國金證券(香港)有限公司
SINOLINK SECURITIES (HK) CO. LTD.



Celestial Capital Limited



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited 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 paragraph headed "Documents delivered to the Registrar of Companies" 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 document referred to above.

The final Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Friday, 18 May 2018 and in any event, not later than Monday, 21 May 2018. If, for any reason, the final Offer Price is not agreed by Monday, 21 May 2018 (or such later date so agreed by our Company and the Joint Global Coordinators), between the Joint Global Coordinators (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds for termination arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the subsection headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus.

15 May 2018

EXPECTED TIMETABLE⁽¹⁾

Latest time for lodging PINK application forms	12:00 noon on Thursday, 17 May 2018
Latest time to complete electronic applications under the White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Friday, 18 May 2018
Application lists of the Hong Kong Public Offering open ⁽³⁾ ...	11:45 a.m. on Friday, 18 May 2018
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, 18 May 2018
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 18 May 2018
Application lists of the Hong Kong Public Offering close ⁽³⁾ ...	12:00 noon on Friday, 18 May 2018
Expected Price Determination Date ⁽⁵⁾	Friday, 18 May 2018
Announcement of the Offer Price, the levels of indication of interest in the International Placing, the level of applications in respect of the Hong Kong Public Offering and the Employee Preferential Offering and basis of allocation under the Hong Kong Public Offering and the Employee Preferential Offering to be published on the website of the Stock Exchange at www.hkexnews.hk ⁽⁶⁾ and our Company's website at www.lhgroup.com.hk ⁽⁷⁾ and in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) on or before	Tuesday, 29 May 2018
Results of allocations in the Hong Kong Public Offering and the Employee Preferential Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the subsection headed "How to apply for the Hong Kong Public Offer Shares and Employee Reserved Shares — 11. Publication of results" from	Tuesday, 29 May 2018
Results of allocations in the Hong Kong Public Offering to be available at www.iporesults.com.hk (alternatively: English https://www.eipo.com.hk/en/Allotment ; Chinese https://www.eipo.com.hk/zh-hk/Allotment) with a "search by ID/Business Registration Number" function on	Tuesday, 29 May 2018
Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering and the Employee Preferential Offering on or before ⁽⁸⁾	Tuesday, 29 May 2018
Despatch of White Form e-Refund payment instructions/ refund cheques in respect of wholly successful (in the event that the final Offer Price is less than initial price per Hong Kong Public Offer Share payable on application) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and the Employee Preferential Offering on or before ⁽⁸⁾	Tuesday, 29 May 2018
Dealings in the Shares on the Stock Exchange to commence at	9:00 a.m. on Wednesday, 30 May 2018

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Global Offering, including the conditions of the Hong Kong Public Offering, are set out in the section headed “Structure and conditions of the Global Offering” in this prospectus. If there is any change in this expected timetable, an announcement will be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese).
- (2) You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 18 May 2018, the application lists will not open and close on that day. Please see the subsection headed “How to apply for the Hong Kong Public Offer Shares and Employee Reserved Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus. If the application lists do not open and close on Friday, 18 May 2018, the dates mentioned in this section headed “Expected timetable” may be affected. A press announcement will be made by us in such event.
- (4) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the subsection headed “How to apply for the Hong Kong Public Offer Shares and Employee Reserved Shares — Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Friday, 18 May 2018 and in any event, not later than Monday, 21 May 2018. If, for any reason, the final Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.
- (6) The announcement will be available for viewing on the “Main Board — Allotment of results” page on the website of the Stock Exchange at www.hkexnews.hk.
- (7) None of the websites or any of the information contained on those websites form part of this prospectus.
- (8) Applicants who have applied on **WHITE** Application Forms or through the **White Form eIPO** service for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates in person from our Company’s Hong Kong Share Registrar at Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 29 May 2018 or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques. Individual applicants who are eligible for personal collection may not authorise any other person to collect on their behalf. Corporate applicants which are eligible for personal collection may arrange for collection by their authorised representatives bearing letters of authorisation from the corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Public Offer Shares 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 or the 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 through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to those bank accounts in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the addresses as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Public Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.

EXPECTED TIMETABLE⁽¹⁾

Share certificates are expected to be issued on Tuesday, 29 May 2018 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respect and neither of the Underwriting Agreements has been terminated in accordance with its terms. 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.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering 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 pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We 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 us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, any of the Underwriters, any of our or their respective directors or any other persons or parties involved in the Global Offering.

Please note that the totals set forth in the tables in this prospectus may differ from the sum of individual items in such tables due to rounding.

	Page
Expected timetable	i
Contents	iv
Summary	1
Definitions	16
Glossary	30
Forward-looking statements	32
Risk factors	33
Information about this prospectus and the Global Offering	53
Directors and parties involved in the Global Offering	56
Corporate information	61
Industry overview	63
Regulatory overview	73

CONTENTS

	Page
History, development and reorganisation	82
Business	105
Relationship with Controlling Shareholders	177
Substantial shareholders	193
The cornerstone investors	195
Directors and senior management	203
Share capital	215
Financial information	218
Future plans and use of proceeds	259
Underwriting	261
Structure and conditions of the Global Offering	270
How to apply for the Hong Kong Public Offer Shares and Employee Reserved Shares	281
Appendix I — Accountant's report	I-1
Appendix II — Unaudited pro forma financial information	II-1
Appendix III — Summary of the constitution of the Company and Cayman Islands Companies 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

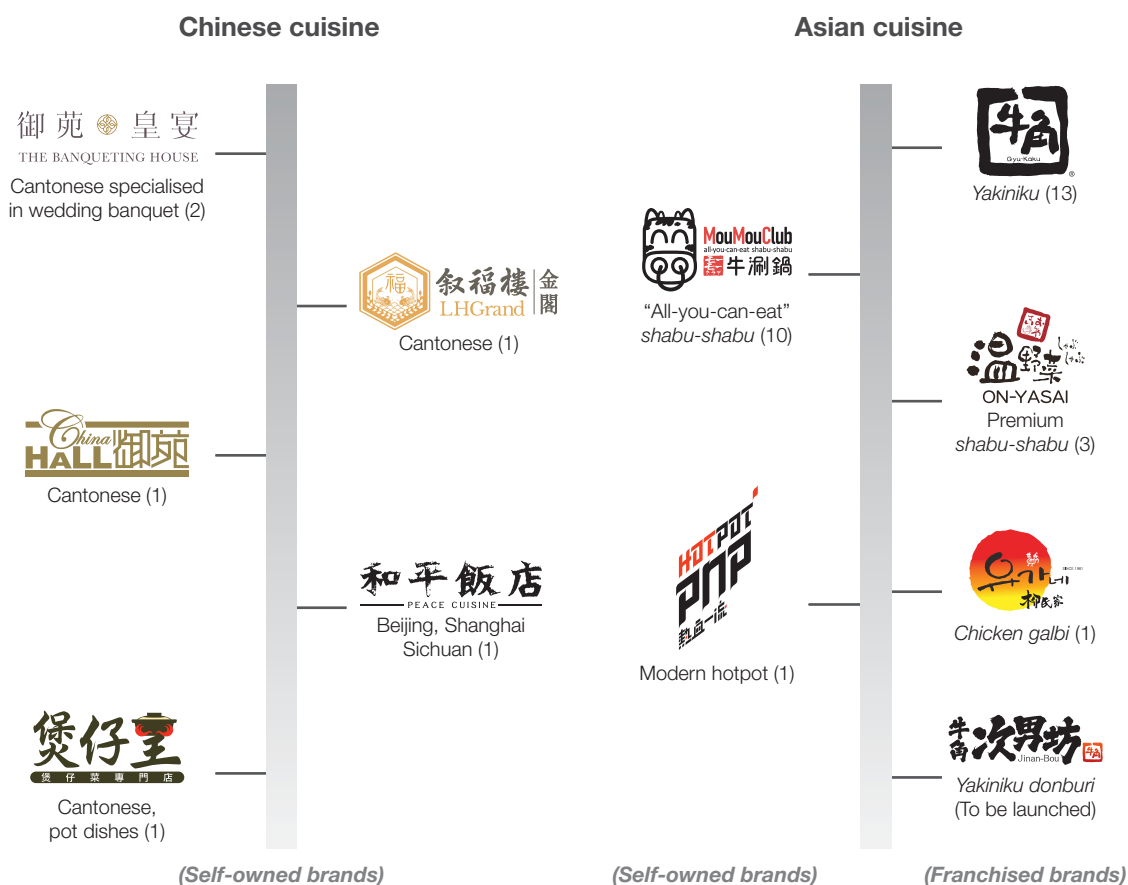
SUMMARY

This summary aims at giving you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, 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. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary" in this prospectus.

OVERVIEW

We are a top full service multi-brand restaurant group with 34 restaurants in Hong Kong specialising in Chinese and Asian (in particular Japanese) cuisine. As at the Latest Practicable Date, we operated six Chinese restaurants and 28 Asian restaurants, which serve quality, value-for-money delicacies to diversified customer segments seeking a wide array of culinary experiences.

We operate a diverse and appealing portfolio of 10 brands and are developing one new brand, which are self-owned or franchised. The diagram below shows our brand portfolio, the number of restaurants and cuisine served under each brand as at the Latest Practicable Date:



SUMMARY

The popularity and image of our brand portfolio has enabled us to maintain a competitive position in the market as follows:

	<u>Industry rank</u>	<u>Market share</u>
Overall — Full service restaurant group in Hong Kong	5th	1.8%
Asian cuisine — Full service restaurant group in Hong Kong	3rd	3.6%
Japanese cuisine — Full service restaurant group in Hong Kong	2nd	7.9%

Note: The industry ranking and market share data are compiled by Frost & Sullivan based on revenue in 2017.

We set up our first restaurant under the “Lucky House (叙福樓)” brand in late 1980s offering Cantonese delicacies. Through years of business evolvement, we further established “The Banqueting House (御苑皇宴)” in 2007 as our top Chinese brand. Having envisioned the popularity of Japanese specialty dishes, we extended our footprints to the Asian cuisine market by setting up Kabushikigaisha HK in 2008 to develop and manage our Asian cuisine brands, establishing well-received self-owned brands including “Mou Mou Club (牛涮鍋)” and introducing famous franchised brands including “Gyu-Kaku (牛角)” in 2010. With over 30 years of heritage, we have strengthened our foothold in the full service restaurant market in Hong Kong and become a sizeable restaurant operator with 34 restaurants as at the Latest Practicable Date.

Restaurant network

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

	<u>Chinese cuisine restaurants</u>	<u>Asian cuisine restaurants</u>		<u>Total</u>
	Number of restaurants operated under our self-owned brands	Number of restaurants operated under our self-owned brands	Number of restaurants operated under franchised brands	
As at 1 January 2015	7	13	10	30
Commencement of operation during the year ⁽¹⁾	1	1	2	4
Closure of restaurants during the year ⁽²⁾	—	(3)	—	(3)
As at 31 December 2015	8	11	12	31
Commencement of operation during the year ⁽³⁾	—	1	2	3
Closure of restaurants during the year ⁽⁴⁾	(2)	—	—	(2)
As at 31 December 2016	6	12	14	32
Commencement of operation during the year ⁽⁵⁾	1	2	4	7
Closure of restaurants during the year ⁽⁶⁾	-	(4)	(1)	(5)
As at 31 December 2017	7	10	17	34
Commencement of operation during the period ⁽⁷⁾	—	1	—	1
Closure of restaurant during the period ⁽⁸⁾	(1)	—	—	(1)
As at the Latest Practicable Date	6	11	17	34

Note: see “Business - Overview of our restaurant network and operations - Our brand and restaurant portfolio” for the notes to the above table.

SUMMARY

We pride ourselves in the extensive market coverage of our brand portfolio, which allows us to tap into customer segments spanning across mid-to-high end market (mainly at the lower end of this market segment) to mass market with different culinary preferences. For Chinese cuisine, our “*The Banqueting House* (御苑皇宴)”, “*China Hall* (御苑)” and “*LHGrand* (叙福樓金閣)” restaurants generally have larger venues and focus on Cantonese dishes and Chinese banquet services, while our “*Pot Master* (煲仔王)” and “*Peace Cuisine* (和平飯店)” restaurants are specialists in pot dishes and Beijing, Shanghai and Sichuan cuisine, respectively. For Asian cuisine, we consider our “*Mou Mou Club* (牛涮鍋)” and “*Gyu-Kaku* (牛角)” brands as pioneers of Japanese dishes, *shabu-shabu* and *yakiniku*, taking advantage of the growing multi-cultural taste of the dining communities in recent years. Our Asian cuisine offering has been further strengthened by the addition of “*On-Yasai* (溫野菜)” (Japanese premium *shabu-shabu*), “*Yoogane* (柳氏家)” (Korean *chicken galbi*) and “*Hotpot PNP*” (modern hotpot). We consider that we have a balanced profile of self-owned brands and franchised brands.

Revenue

For FY2015, FY2016 and FY2017, our revenue was HK\$771.2 million, HK\$743.0 million and HK\$829.2 million, respectively. The table below shows a breakdown of our revenue for the years indicated:

	FY2015		FY2016		FY2017	
	Revenue (HK\$'000)	Percentage (%)	Revenue (HK\$'000)	Percentage (%)	Revenue (HK\$'000)	Percentage (%)
Chinese restaurants						
<u>Self-owned brands</u>						
● <i>The Banqueting House</i>	179,453	23.3	167,215	22.5	157,022	18.9
● <i>China Hall</i>	42,721	5.5	50,331	6.7	48,528	5.9
● <i>Lucky House Seafood Restaurant</i>	64,938	8.4	11,234	1.5	—	—
● <i>Nanjing Dong Lu</i>	9,781	1.3	2,166	0.3	—	—
● <i>Peace Cuisine</i>	17,885	2.3	18,249	2.5	18,150	2.2
● <i>Pot Master</i>	34,921	4.5	43,776	5.9	39,922	4.8
● <i>LHGrand</i>	—	—	—	—	26,612	3.2
<i>Total of Chinese restaurants</i>	349,699	45.3	292,971	39.4	290,234	35.0
Asian restaurants						
<u>Self-owned brands</u>						
● <i>Mou Mou Club</i>	178,001	23.1	167,067	22.5	186,646	22.5
● <i>Sushi Dai</i>	9,004	1.2	11,555	1.6	8,469	1.0
● <i>Tamashii</i>	473	0.1	—	—	—	—
● <i>Lazat Laksa</i>	12,485	1.6	—	—	—	—
● <i>Hotpot PNP</i>	—	—	—	—	3,854	0.5
<i>Sub-total:</i>	199,963	26.0	178,622	24.1	198,969	24.0
<u>Franchised brands</u>						
● <i>Gyu-Kaku</i>	198,601	25.8	216,065	29.0	256,167	30.9
● <i>On-Yasai</i>	1,038	0.1	34,607	4.7	46,296	5.6
● <i>Yoogane</i>	—	—	—	—	17,231	2.1
<i>Sub-total:</i>	199,639	25.9	250,672	33.7	319,694	38.6
<i>Total of Asian restaurants:</i>	399,602	51.9	429,294	57.8	518,663	62.6
Sale of food ingredients ^(Note)	21,867	2.8	20,781	2.8	20,255	2.4
Total revenue:	771,168	100.0	743,046	100.0	829,152	100.0

Note: As we source various food ingredients in bulk for our restaurants, we may, upon the request of individual customers or other restaurant operators and after accessing our stock availability and operation needs, supply certain excess food ingredients to them on a cost-plus basis.

SUMMARY

Our revenue generated by Asian cuisine restaurants have increased from HK\$399.6 million in FY2015 to HK\$429.3 million in FY2016, and further to HK\$518.7 million in FY2017, which was mainly attributable to growing business of our franchised brands restaurants. Our revenue generated by our Chinese restaurants decreased from HK\$349.7 million in FY2015 to HK\$293.0 million in FY2016, and to HK\$290.2 million in FY2017. Such decreases were mainly attributable to (i) the closure of Lucky House Seafood Restaurant in February 2016 due to the expiry of the tenancy which was not renewed due to the renovation of the relevant shopping mall and (ii) the closure of Nanjing Dong Lu as we decided not to renew the relevant tenancy upon its expiration due to the unsatisfactory guest visits and revenue.

The table below shows the operating information by brand for the years indicated:

	FY2015					FY2016					FY2017				
	Average spending per customer (HK\$) (approx.)	Average daily revenue (HK\$'000) (approx.)	Seat turnover rate (times) (approx.)	Gross profit margin (%) (approx.)	Operating margin (%) (approx.)	Average spending per customer (HK\$) (approx.)	Average daily revenue (HK\$'000) (approx.)	Seat turnover rate (times) (approx.)	Gross profit margin (%) (approx.)	Operating margin (%) (approx.)	Average spending per customer (HK\$) (approx.)	Average daily revenue (HK\$'000) (approx.)	Seat turnover rate (times) (approx.)	Gross profit margin (%) (approx.)	Operating margin (%) (approx.)
Chinese restaurants															
Self-owned brands															
● <i>The Banqueting House</i>	123	121	2.28	77.7	32.8	140	124	2.31	78.6	31.4	135	123	2.46	77.3	24.2
● <i>China Hall</i>	234	164	1.78	78.8	36.7	226	151	1.66	79.4	32.8	224	144	1.59	77.9	29.6
● <i>Lucky House Seafood Restaurant</i>	168	124	2.15	76.8	24.7	154	137	2.58	76.2	27.9	136	133	2.85	75.7	24.1
● <i>Nanjing Dong Lu</i>	68	178	4.21	74.4	27.0	81	189	3.74	76.4	1.4	—	—	—	—	—
● <i>Peace Cuisine</i>	132	27	2.31	84.4	23.0	133	24	2.05	84.1	1.3	—	—	—	—	—
● <i>Pot Master</i>	110	49	2.60	83.6	37.8	109	50	2.64	82.8	36.9	123	50	2.35	85.1	37.6
● <i>LHGrand</i>	56	96	5.19	75.1	34.6	62	119	5.81	76.5	34.8	64	110	5.18	76.2	28.6
	—	—	—	—	—	—	—	—	—	—	83	163	5.24	73.1	9.7
Asian restaurants															
Self-owned brands															
● <i>Mou Mou Club</i>	138	45	3.49	66.6	31.0	146	43	3.63	67.4	31.3	156	50	3.42	66.2	31.7
● <i>Sushi Dai</i>	154	53	3.67	66.5	32.3	150	50	3.48	67.6	31.9	160	52	3.26	66.0	32.5
● <i>Tamashii</i>	103	25	4.13	65.3	26.6	106	31	5.08	64.0	25.4	106	30	4.89	64.0	23.6
● <i>Lazat Laksa</i>	189	1	0.19	48.1	-49.5	—	—	—	—	—	—	—	—	—	—
● <i>Hotpot PNP</i>	62	40	4.21	70.2	20.1	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	164	41	3.69	80.2	10.3
Franchised brands															
● <i>Gyu-Kaku</i>	176	52	3.40	75.9	30.2	182	51	3.45	74.4	29.5	195	59	3.81	75.2	33.9
● <i>Oh-Yasai</i>	176	52	3.37	75.9	30.6	175	51	3.50	75.3	30.3	187	58	3.88	75.3	35.0
● <i>Yoogane</i>	229	61	3.69	66.7	-51.7	240	55	3.13	68.3	24.2	272	59	3.22	75.7	30.8
	—	—	—	—	—	—	—	—	—	—	163	75	4.62	73.0	26.2

Notes:

- (1) Average spending per customer is calculated by dividing the total revenue of the relevant restaurant(s) not including sales of membership by the total approximate number of customer visits.
- (2) Average daily revenue is calculated by dividing the revenue of the relevant restaurant(s) not including sales of membership by the total approximate number of operation days.

SUMMARY

- (3) Seat turnover rate is calculated by dividing the approximate number of customer visits per operation day by the number of seatings of the relevant restaurant(s).
- (4) Gross profit margin is calculated by dividing the gross profit for the year by revenue of the year. Gross profit is calculated by deducting the cost of food and beverages from the revenue attributable to the relevant restaurant(s) respectively.
- (5) Operating margin is calculated by dividing the operating profit for the year by revenue of the year. Operating profit is calculated by deducting the operating costs (namely cost of food and beverages, staff costs, rental expenses, and franchise fees and royalty fees (where applicable)) from the revenue of each restaurant.
- (6) Please also refer to the notes on the restaurants under the subsection headed "Business — Our restaurant network and locations — Our restaurant operating data" for details.

SUMMARY

The decrease in the gross profit margin for our Chinese cuisine restaurants from FY2016 to FY2017 was mainly attributable to less wedding banquet, which generally have higher margins, being held in FY2017 due to the comparatively longer slack season for wedding banquets in the lunar calendar in 2017 than that in 2016.

The decrease in the operating margin for our Chinese cuisine restaurants from FY2015 to FY2016 was mainly due to the closure of Lucky House Restaurant in February 2016. The decrease from FY2016 to FY2017 was mainly attributable to (i) the decrease in guest count, (ii) the start-up operating expenses incurred for LHGrand during the decoration period from April to June 2017 while no revenue was generated during the same period and (iii) the less wedding banquet held during FY2017 as mentioned above.

Our customers and suppliers

Due to the nature of our business, most of our customers are the general public and we did not rely on any single customer.

During the Track Record Period, our suppliers primarily included suppliers of food ingredients and beverages. For FY2015, FY2016 and FY2017, the total purchases from our five largest suppliers in aggregate accounted for 28.5%, 32.6% and 39.5%, respectively, of our total purchases.

OUR COMPETITIVE STRENGTHS

We believe that our success is attributable to, among other things, the following major competitive strengths:

- A portfolio of iconic brands giving us a strong foundation for business success
- Diversified and wide customer base through multi-brand strategy
- Standardised and centralised management of restaurant operations giving us operational efficiency
- Responsive and multi-faceted marketing campaigns enhancing our brand image and recognition
- Positive corporate culture and goodwill with emphasis on social responsibilities and environmental protection
- Experienced management team and effective management structure

OUR BUSINESS STRATEGIES

We intend to continue solidifying our market position as a top multi-brand full service restaurant group in Hong Kong and enhancing market penetration into different customer segments by adopting the following strategies:

- Expanding our restaurant network and enhancing our market penetration in Hong Kong

SUMMARY

- Strengthening our multi-brand business model with new additions to our brand portfolio
- Tapping into the PRC and other Asia Pacific countries
- Enhancing operational efficiency and cost savings

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme), Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan Holdings Limited and Ms. Ko Sau Chee Grace will together control 75% of the issued share capital of the Company in aggregate through LHG Holdings Limited. Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan Holdings Limited and Ms. Ko Sau Chee Grace are therefore a group of Controlling Shareholders of the Company under the Listing Rules.

Acting in concert arrangement

Notwithstanding the fact that none of the Controlling Shareholders individually has held a controlling interest in the Company nor have they explicitly formalised or documented their acting in concert arrangement prior to the Reorganisation, the Controlling Shareholders have been, and will continue to be, acting in concert. The acting in concert arrangement has been evidenced by the factual circumstances that reflect the mutual trust and bonding as a collective group understanding encapsulating the features including (i) high degree of integration and interconnections among the operating subsidiaries; (ii) the long-term business relationship and consolidated management and control; and (iii) the intention to jointly affect the management and control as a unit. To continue to reflect such consensus and the mutual trust and bonding as a group in the consensus building process for the acting in concert arrangement among the Controlling Shareholders after the Reorganisation and going forward, the Controlling Shareholders have consolidated and exercised and continue to centralise voting control through LHG Holdings to become a group of Controlling Shareholders of the Company.

Excluded business

The Directors have confirmed that to the best of their knowledge, information and belief, as at the Latest Practicable Date, save for Mr. Lau Kwong Kwan and Hop Kwan Holdings Limited's interests in the Excluded Businesses, none of the Controlling Shareholders nor Directors and any of their respective close associates have interests in businesses, other than our Group's businesses, which may directly or indirectly compete against the businesses of our Group.

For details, see "Relationship with Controlling Shareholders" in this prospectus.

DIVIDENDS AND DIVIDEND POLICY

For FY2015, no dividends were declared and paid. For FY2016 and FY2017, total dividends of approximately HK\$3.8 million and HK\$39.5 million were declared and paid to the shareholders of the

SUMMARY

Group before the Reorganisation, respectively. In July 2017, dividends of approximately HK\$1.5 million were declared and paid to our Shareholders. In February 2018, dividends of approximately HK\$21.0 million were declared and paid to our Shareholders. On 4 May 2018, we also declared and paid dividends of HK\$8.0 million to our Shareholders, which was settled in cash through internal resources. You should note that historical dividend distributions are not indicative of our future dividend distribution policy. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors the Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. For details of our declared dividend and dividend policy, please see the subsection headed “Financial information — Dividend and dividend policy” in this prospectus.

After the Listing, declaration of dividends will be subject to recommendation of our Board after considering the factors described above. Subject to the above factors, our Board intends to recommend dividends of no less than 50% of our profit after tax available for distribution to the Shareholders in a financial year.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Post-IPO Share Option Scheme on 4 May 2018. A summary of the principal terms of the Post-IPO Share Option Scheme is set out in “Statutory and general information — D. Share Option Scheme — 1. Post-IPO Share Option Scheme” in Appendix IV to this prospectus.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following is a summary of our Group’s consolidated results during the Track Record Period, which are extracted from the Accountant’s Report set out in Appendix I to this prospectus.

Selected consolidated statements of comprehensive income

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	771,168	743,046	829,152
Profit before taxation	55,802	49,153	32,224
Profit and total comprehensive income for the year	46,682	40,551 ⁽¹⁾	23,997 ⁽²⁾
Profit and total comprehensive income for the year attributable to Shareholders of the Company	41,913	36,281	22,391

Notes:

- (1) The decrease in our net profit from FY2015 to FY2016 was primarily due to the fall in our revenue caused by restaurants closure, including (i) Chinese restaurants such as Lucky House Seafood Restaurant; and (ii) three Asian cuisine restaurants under our self-owned brands.
- (2) The decrease in our net profit from FY2016 to FY2017 was primarily due to (i) the one-off listing expenses incurred; and (ii) the increase in our property rentals and related expenses and depreciation and amortisation.

SUMMARY

Selected consolidated statements of financial position

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	128,714	152,711	200,632
Current assets	270,693	276,156	146,327
Non-current liabilities	(11,945)	(12,786)	(16,966)
Current liabilities	(161,418)	(156,366)	(128,491)
Net current assets	109,275	119,790	17,836
Net assets	226,044	259,715	201,502 ⁽¹⁾

Note:

- (1) The drop in our net assets from FY2016 to FY2017 was primarily due to the decrease in our cash and cash equivalents resulting from (i) acquisition of remaining interest in our subsidiaries; and (ii) dividend paid.

Selected consolidated statement of cash flows

	FY2015	FY2016	FY2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows generated from operating activities	85,720	57,055	54,656
Net cash flows used in investing activities	(33,650)	(51,747)	(71,848)
Net cash flows used in financing activities (Note)	(2)	(8,220)	(129,176)
Net increase/(decrease) in cash and cash equivalents	52,068	(2,912)	(146,368)
Cash and cash equivalents at beginning of year	167,202	219,270	216,358
Cash and cash equivalents at end of year	219,270	216,358	69,990

Note: Our Group had net cash used in financing activities of HK\$129.2 million for FY2017 mainly due to (i) the deemed distribution to the shareholders of the Company of approximately HK\$81.8 million, (ii) the acquisition of non-controlling interests of approximately HK\$61.3 million, (iii) the repayments to shareholders of approximately HK\$42.8 million; (iv) the dividend paid of HK\$41.0 million; and (v) the listing expenses paid of approximately HK\$4.2 million, which was partially offset by the capital contribution by the shareholders of the Company of approximately HK\$100.0 million as part of the Reorganisation.

Key financial ratios

	FY2015	FY2016	FY2017
Net profit margin (%) ⁽¹⁾	6.1	5.5	2.9
Return on equity (%) ⁽²⁾	20.7	15.6	11.9
Return on total assets (%) ⁽³⁾	11.7	9.5	6.9

	As at 31 December		
	2015	2016	2017
Current ratio (times)	1.7	1.8	1.1
Quick ratio (times)	1.6	1.6	0.9
Gearing ratio (%) ⁽⁴⁾	20.6	16.6	N/A
Net debt to equity ratio (%)	Net cash	Net cash	Net cash

Notes:

- (1) The decrease in our net profit margin from FY2015 to FY2017 was primarily caused by (i) the one-off listing expenses of approximately HK\$16.1 million incurred during the relevant year; and (ii) the increase in the percentage of property rentals and related expenses and depreciation and amortisation to our revenue.
- (2) The drop in return on equity from FY2015 to FY2017 was a combined effect of (i) the strengthened equity base; and (ii) the fluctuation in our net profit margin as discussed in note (1).

SUMMARY

- (3) The decrease in our return on total assets from FY2015 to FY2017 was primarily attributable to (i) the increase in our total assets resulting from our business expansion and cash generated from our restaurant operations; and (ii) the fluctuation in our net profit margin as discussed in note (1).
- (4) The decrease trend in our gearing ratio from FY2015 to FY2017 was caused by (i) the strengthened equity base; and (ii) further settlement of outstanding debts.

See “Financial information” in this prospectus for details.

LISTING EXPENSES

The listing expenses in connection with the Global Offering primarily consist of underwriting commission and professional fees and, assuming an Offer Price of HK\$1.15 per Share, being the mid-point of the proposed Offer Price range, are estimated to be HK\$37.3 million. During the Track Record Period, we incurred listing expenses of HK\$21.5 million, of which HK\$16.1 million was recognised in the consolidated statement of comprehensive income for FY2017 and HK\$5.4 million was recognised as prepayments in the consolidated statement of financial position as at 31 December 2017 which will be accounted for as a deduction from equity upon Listing. Subsequent to the Track Record Period, we expect further incur listing expenses of HK\$15.8 million prior to and upon completion of the Global Offering, of which (i) HK\$5.3 million is expected to be recognised as expenses in our consolidated statement of comprehensive income for FY2018 and (ii) HK\$10.5 million is expected to be accounted for as a deduction from equity upon Listing under the relevant accounting standard. The actual amounts to be recognised to the consolidated statements of comprehensive income of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

SUMMARY

SELECTED OPERATING DATA

Comparable restaurants

Comparable restaurant sales for a given fiscal year refer to the revenue of all restaurants qualified as comparable restaurants during that fiscal year, which exclude the contributions from and impacts of the opening and closing of restaurants which were not operating throughout the full year of each of the financial years and the restaurants that had temporarily ceased operation for a period of time due to renovation. The table below sets forth our comparable restaurant sales over the Track Record Period.

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2016</u>	<u>FY2017</u>
Number of comparable restaurants				
<i>Chinese cuisine</i>				
— Self-owned brands	5	5	6	6
<i>Asian cuisine</i>				
— Self-owned brands	9	9	5	5
— Franchised brands	8	8	8	8
Sub-total:	<u>17</u>	<u>17</u>	<u>13</u>	<u>13</u>
Total:	<u><u>22</u></u>	<u><u>22</u></u>	<u><u>19</u></u>	<u><u>19</u></u>
Comparable restaurants sales (HK\$'000)				
<i>Chinese cuisine</i>				
— Self-owned brands	232,606	227,998	278,056	264,025
<i>Asian cuisine</i>				
— Self-owned brands	137,654	139,202	88,389	85,838
— Franchised brands	<u>142,436</u>	<u>143,718</u>	<u>153,588</u>	<u>180,831</u>
Sub-total:	<u>280,090</u>	<u>282,920</u>	<u>241,977</u>	<u>266,669</u>
Total:	<u><u>512,696</u></u>	<u><u>510,918</u></u>	<u><u>520,033</u></u>	<u><u>530,694</u></u>
Percentage increase/decrease of comparable restaurants sales during comparable years				
<i>Chinese cuisine</i>				
— Self-owned brands	-2.0%		-5.1%	
<i>Asian cuisine</i>				
— Self-owned brands	+1.1%		-2.9%	
— Franchised brands	+0.9%		+17.7%	
Overall increase for Asian cuisine	+1.0%		+10.2%	
Overall increase/decrease	-0.3%		+2.1%	

See also “Financial information — Key factors affecting our results of operations and financial condition — Comparable restaurants” for further details.

Guest traffic and average check per guest

Our business is significantly affected by changes in guest traffic and average check per guest. We calculated the average check per guest based on the total revenue divided by the estimated number of guests of the comparable restaurants in the relevant period. The guest traffic and average check per guest at our restaurants are affected by, among others, the general economic condition in Hong Kong, our menu mix and pricing, and changes in customer tastes, preference and discretionary

SUMMARY

spending. The following table sets forth the estimated guest count, estimated seat turnover rate and estimated average check per guest for our comparable restaurants during the Track Record Period.

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2016</u>	<u>FY2017</u>
Estimated guest count of comparable restaurants ('000)				
<i>Chinese cuisine</i>				
— Self-owned brands	1,555	1,604	1,928	1,830
<i>Asian cuisine</i>				
— Self-owned brands	943	970	593	548
— Franchised brands	<u>821</u>	<u>832</u>	<u>828</u>	<u>894</u>
Sub-total:	<u>1,764</u>	<u>1,802</u>	<u>1,421</u>	<u>1,442</u>
Total estimated guest count	<u>3,319</u>	<u>3,406</u>	<u>3,349</u>	<u>3,272</u>
Estimated seat turnover rate of comparable restaurants				
<i>Chinese cuisine</i>				
— Self-owned brands	2.29	2.35	2.39	2.27
<i>Asian cuisine</i>				
— Self-owned brands	3.29	3.37	3.29	3.05
— Franchised brands	2.83	2.86	3.20	3.46
Overall estimated seat turnover rate for Asian cuisine	3.06	3.12	3.24	3.29
Overall estimated seat turnover rate	2.64	2.70	2.69	2.63
Estimated average check per guest of comparable restaurants (HK\$)				
<i>Chinese cuisine</i>				
— Self-owned brands	149.6	142.2	144.2	144.3
<i>Asian cuisine</i>				
— Self-owned brands	145.9	143.5	149.1	156.7
— Franchised brands	173.6	172.8	185.4	202.3
Overall average check per guest for Asian cuisine	158.8	157.0	170.3	185.0
Overall average check per guest	154.5	150.0	155.3	162.2

Note: Estimated seat turnover rate is calculated by dividing the estimated guest count (including both dining and banquet customers for Chinese cuisine) by the outcome of multiplying the seating capacity of the relevant comparable restaurants by the number of operating days during the year. Seating capacities of our restaurants are estimates only and do not take into account the short-term adjustment to accommodate for any temporary upswing in guest traffic, such as the significantly increased guest traffic at some of our restaurants during public holidays, in which the Directors consider that such effect is insignificant and would not affect the reliability of the seat turnover rate.

See also “Financial information — Key factors affecting our results of operations and financial condition — Guest traffic and average check per guest” for further details.

Major cost components

During the Track Record Period, our major cost components were the costs of food and beverages used in our operations, staff costs and property rentals and related expenses. See “Financial information” in this prospectus for details.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Since 31 December 2017 and up to the Latest Practicable Date, we continued to expand our restaurant network by opening one new restaurant under our “*Mou Mou Club* (牛瀾鍋)” brand in Ma On Shan in February 2018. We have also entered into three lease agreements for the premises at (i) the Grand Plaza, Mong Kok, (ii) the Tuen Mun Town Plaza (I), Tuen Mun for the opening of “*Gyu-*

SUMMARY

Kaku (牛角) restaurants and (iii) Cityplaza, Taikoo Shing for the opening of a “*On-Yasai* (溫野菜)” restaurant in 2018. See “Business — Properties — Leased properties” in this prospectus for details.

We have also entered into a new licencing agreement for the exclusive sub-licenced rights to operate restaurants under the “*Gyu-Kaku* (牛角)” brand in the South China area (except that the sub-licensor can still operate restaurants in South China area under the said brand). See “Business — Our franchised brands, franchising and licencing arrangements — Licencing arrangement” in this prospectus for details of the licencing agreement. As we have not committed to opening any minimum number of restaurants or making any capital contribution under the licencing agreement, we will first set up a team to conduct market researches and feasibility studies on our expansion into the PRC. Subject to the results of such market researches and feasibility studies, we will then consider whether to proceed with setting up “*Gyu-Kaku* 牛角” restaurants in the PRC and the relevant timeframe.

“The Banqueting House (御苑皇宴)” in 26 Kimberley Road, Tsim Sha Tsui, with its tenancy going to be expired in March 2018 which we do not intend to renew, has ceased operation in February 2018.

Further, we currently expect that our financial results for FY2018 will be negatively impacted by (i) non-recurring listing expenses of approximately HK\$5.3 million (calculated on the assumption of an Offer Price of HK\$1.15 per Share, being the mid-point of the proposed Offer Price range) recognised and to be recognised as expenses in our consolidated statements of comprehensive income.

Save as disclosed above, since 31 December 2017 and up to the Latest Practicable Date, our Directors confirm that there has been no material adverse change in either our business model or financial or trading position, or the Hong Kong full service restaurant market.

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$1.15 per Offer Share, being the mid-point of the proposed Offer Price range of HK\$1.00 to HK\$1.30 per Share, and assuming the Over-allotment Option is not exercised) will be approximately HK\$192.7 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

<u>Amounts (HK\$)</u>	<u>Percentage of total amount of the net proceeds</u>	<u>Use of proceeds</u>
64.8 million	34%	Opening a total of eight restaurants under our self-owned brands by end of 2020, including applying HK\$38.0 million (approximately 20% of the net proceeds) for four Chinese restaurants and applying HK\$26.8 million (approximately 14% of the net proceeds) for four Asian cuisine restaurants.
108.6 million	56%	Opening a total of 19 restaurants under our four franchised brands (which are all Asian cuisine restaurants) by end of 2020.
19.3 million	10%	Additional working capital, strategic investment and other general corporate purposes

Note: The actual timing, number, brand and geographical location of new restaurants opening will vary depending on, among other things, competitive landscape, customers’ culinary preferences and macro-economic factors, the actual timing of handing over leased premises to us by our landlords, and are subject to uncertainties which may result in adjustments to our expansion plans for opening of new restaurants indicated above.

SUMMARY

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. For example, (i) the limited choices of commercially attractive locations, failure to renew existing leases, breach of lease agreements, or increase in rental expenses may adversely affect our results of operations; (ii) we may not be able to implement and manage our growth strategies effectively, which may adversely affect our ability to continue to improve our business prospects and profitability; (iii) there are uncertainties on obtaining or renewing the licences and permits necessary for our operations, or complying with the conditions attached thereto, could adversely affect our business and results of operations; and (iv) we have previously been involved in certain incidents of non-compliance with certain Hong Kong regulatory requirements. For details, see “Risk factors” in this prospectus.

POSSIBLE IMPACT OF THE FUTURE APPLICATION OF HKFRS 16 “LEASES”

We are a lessee of various properties, including our restaurants and offices, under which the relevant leases are classified as operating leases. As of 31 December 2017, the lease commitments amounted to HK\$325.4 million with most of them had an original lease term of over one year, which are currently classified under operating leases which is not reflected in our consolidated statement of financial position. HKFRS 16 “Leases”, which we expect to apply for the first time for our financial year beginning on 1 January 2019, provides new provisions for the accounting treatment of leases and will in the future upon adoption of the standard no longer allow lessees to recognise certain leases outside of the consolidated statement of financial position. Instead, for all leases with a term of more than 12 months, unless the underlying asset is of low value, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Upon the adoption of the new standard, there will be an increase in right-of-use assets and an increase in lease liabilities in our consolidated statement of financial position which will affect our related financial ratios, such as an increase in debt to equity ratio. Further, 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. Further details of the application of HKFRS 16 are set out in Note 2.1 of the Accountant’s Report in Appendix I to this prospectus. See also “Risk Factors — Future application of HKFRS 16 “Leases” could affect our operating results, financial position and certain financial ratios due to our operating lease commitments.”

GLOBAL OFFERING STATISTICS

	<u>Based on the maximum Offer Price of HK\$1.30 per Offer Share</u>	<u>Based on the minimum Offer Price of HK\$1.00 per Offer Share</u>
Market capitalisation of our Shares ⁽²⁾	HK\$1,040 million	HK\$800 million
Unaudited pro forma adjusted net tangible assets per Offer Share ⁽³⁾	HK\$0.54	HK\$0.47

Notes:

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised and no options are granted under the Post-IPO Share Option Scheme.

SUMMARY

- (2) The market capitalisation is calculated based on 800,000,000 Shares expected to be in issue immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised.
- (3) The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in Appendix II headed “Unaudited pro forma financial information” to this prospectus and on the basis of a total of 800,000,000 Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised.
- (4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2017. In particular, the unaudited pro forma adjusted net tangible assets of the Group has not taken into account a dividend of HK\$21.0 million paid in February 2018 and a dividend of HK\$8.0 million declared and paid on 4 May 2018. The unaudited pro forma adjusted net tangible assets per Share would have been HK\$0.44 and HK\$0.51 per Share based on the Offer Price of HK\$1.00 and HK\$1.30 per Offer Share respectively if the payment of such dividends had been accounted for.

DEFINITIONS

In this prospectus, the following expressions shall have the meanings set out below unless the context requires otherwise.

“Air Pollution Control Ordinance” or “APCO”	Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Air Pollution Control Regulations” or “APCR”	Air Pollution Control (Furnaces, Ovens and Chimneys) (Installation and Alteration) Regulations (Chapter 311A of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Application Form(s)”	WHITE application form(s), YELLOW application form(s), PINK application form(s) and GREEN application form(s), or where the context so requires, any of such forms as used in the Hong Kong Public Offering
“Articles” or “Articles of Association”	the articles of association of our Company, adopted on 4 May 2018 which will become effective upon the Listing and as amended supplemented or modified from time to time, a summary of which is contained in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BAFG”	Buy All Food Global Co., Ltd, an Independent Third Party and the franchisor of “ <i>Yoogane</i> (柳氏家)”
“Board” or “our Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made on the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the subsection headed “A. Further information about our Company” in Appendix IV to this prospectus
“Cayman Islands Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	chairman of the Board
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “the Company” or “our Company”	LH GROUP LIMITED (叙福樓集團有限公司), an exempted company incorporated under the laws of Cayman Islands with limited liability on 9 June 2017
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of our Company for the purposes of this prospectus and the Listing, means LHG Holdings Limited, Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan Holdings Limited and Ms. Ko Sau Chee Grace, or as the context requires, anyone of them
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	Corporate Governance Code as set out in the Appendix 14 of the Listing Rules
“Deed of Non-competition”	the deed of non-competition dated 4 May 2018 entered into by our Controlling Shareholders in favour of our Company (for ourselves and for benefit of our subsidiaries), particulars of which are set out in the subsection headed “Relationship with Controlling Shareholders — Non-competition undertakings” in this prospectus
“Director(s)”	the director(s) of our Company

DEFINITIONS

“Dutiable Commodities (Liquor) Regulations”	Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Dutiable Commodities Ordinance”	Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Eligible Employee(s)”	all full-time employee(s) of our Group who joined our Group on or before the Latest Practicable Date and who: (a) is/are at least 18 years of age; (b) has/have a Hong Kong address and is/are a holder of Hong Kong Identity Card; (c) remain(s) as a full-time employee of our Company or any of our subsidiaries, and is/are not on probation, as at the Latest Practicable Date; (d) has/have not tendered resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before the Latest Practicable Date; (e) is/are not the chief executive or directors of our Company or our subsidiaries or a close associate of such chief executive or directors; (f) is/are neither an, nor a close associate of existing beneficial owner(s) of Shares or of shares of any of our subsidiaries; and (g) is/are not any other connected person of our Company or a person who will become a connected person of our Company immediately upon the completion of the Global Offering
“EPD”	Environmental Protection Department of The Government of the Hong Kong Special Administrative Region
“Employee Preferential Offering”	the offer of up to 2,000,000 Hong Kong Public Offer Shares to the Eligible Employees as described in the subsection headed “Structure and conditions of the Global Offering — Hong Kong Public Offering — Employee Preferential Offering” in this prospectus
“Employee Reserved Shares”	up to 2,000,000 Hong Kong Public Offer Shares (representing 10% of the Offer Shares available under the Hong Kong Public Offering) available in the Employee Preferential Offering and which are to be allocated out of the Hong Kong Public Offer Shares
“Employees’ Compensation Ordinance” or “ECO”	Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Employment Ordinance” or “EO”	Employment Ordinance (Chapter 57 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Excluded Business”	other than our Group, the businesses which the Controlling Shareholders have control of or interests in, details of which are set out in the subsection headed “Relationship with Controlling Shareholders — Excluded businesses”

DEFINITIONS

“Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations” or “FIU(F)R”	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
“Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations” or “FIU(LALG)R”	Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Fameco (H.K.)”	Fameco (H.K.) Limited (福豪(香港)有限公司), a company incorporated in Hong Kong with limited liability on 2 March 2006 and an indirect wholly-owned subsidiary of our Company
“FBR”	the Food Business Regulation (Chapter 132X of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“FEHD”	Food and Environmental Hygiene Department of The Government of the Hong Kong Special Administrative Region
“First Benefit (Sha Tin)”	First Benefit (Sha Tin) Limited (首利(沙田)有限公司), a company incorporated in Hong Kong with limited liability on 22 September 2016 and an indirect wholly-owned subsidiary of our Company
“Food Safety Ordinance” or “FSO”	Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Frost & Sullivan”	Frost & Sullivan Limited, a market research consultant who is an Independent Third Party
“Frost & Sullivan Report”	the industry report prepared by Frost & Sullivan on full-service restaurant market in Hong Kong
“FY”	financial year ended or ending 31 December
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Goal Yield”	Goal Yield Limited (閱勝有限公司), a company incorporated in Hong Kong with limited liability on 4 December 2012 and an indirect wholly-owned subsidiary of our Company
“Green Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group” or “our Group” or “we” or “us”	our Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

DEFINITIONS

“Heritage Capital”	Heritage Capital Limited (傳承有限公司), a company incorporated in Hong Kong with limited liability on 15 July 2011 and an indirect wholly-owned subsidiary of our Company
“HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards promulgated by HKICPA
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Food Culture”	Hong Kong Food Culture Limited (本土飲食文化有限公司), a company incorporated in Hong Kong with limited liability on 30 July 2014 and an indirect wholly-owned subsidiary of our Company
“Hong Kong Public Offer Shares”	the new Shares (subject to reallocation) being initially offered by our Company for subscription in the Hong Kong Public Offering, as described under the section headed “Structure and conditions of the Global Offering” in this prospectus inclusive of the Hong Kong Public Offer Shares which are available for subscription by the Eligible Employees pursuant to the Employee Preferential Offering
“Hong Kong Public Offering”	the issue and offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%) on and subject to the terms and conditions described in this prospectus and the Application Forms, and for the avoidance of doubt, includes the Employee Preferential Offering
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering, whose names are set out under the subsection headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 14 May 2018 and entered into among our Company, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters relating to the Hong Kong Public Offering
“HOTPOT PNP BVI Co.”	HOTPOT PNP HOLDINGS LIMITED (熱血一流控股有限公司), a BVI business company incorporated in the BVI on 9 June 2017 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Independent Third Party(ies)”	individual(s) or company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any directors, chief executives and substantial shareholders of our Company or any of its subsidiaries and any of their respective associates
“International Placing”	the conditional placing of the International Placing Shares at the final Offer Price outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act, including to professional, institutional and other investors in Hong Kong, as described under the section headed “Structure and conditions of the Global Offering” in this prospectus
“International Placing Shares”	the 180,000,000 Shares initially offered by our Company for subscription under the International Placing, subject to adjustment and the exercise of the Over-allotment Option, as described under the section headed “Structure and conditions of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Placing, who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement expected to be entered into by, among others, us, the Joint Global Coordinators and the International Underwriters relating to the International Placing
“Joint Bookrunners”	China Everbright Securities (HK) Limited, Sinolink Securities (Hong Kong) Company Limited, Celestial Capital Limited and RHB Securities Hong Kong Limited
“Joint Global Coordinators”	China Everbright Securities (HK) Limited, Sinolink Securities (Hong Kong) Company Limited and Celestial Capital Limited
“Joint Lead Managers”	China Everbright Securities (HK) Limited, Sinolink Securities (Hong Kong) Company Limited, Celestial Capital Limited, RHB Securities Hong Kong Limited and Grand View Securities Limited
“Kabu (Development)”	Kabu (Development) Limited (株式會社(發展)有限公司), a company incorporated in Hong Kong with limited liability on 16 February 2016 and an indirect wholly-owned subsidiary of our Company
“Kabu (KB)”	KABU Kowloon Bay Limited (株式九龍灣有限公司), a company incorporated in Hong Kong with limited liability on 11 May 2017 and an indirect wholly-owned subsidiary of our Company
“Kabu (HR)”	Kabu (HR) Limited (株式會社(人力資源)有限公司), a company incorporated in Hong Kong with limited liability on 3 June 2010 and an indirect wholly-owned subsidiary of our Company
“Kabu (New Shop)”	Kabu (New Shop) Limited (株式會社(新店)有限公司), a company incorporated in Hong Kong with limited liability on 11 August 2016 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Kabushikigaisha BVI Co.”	KABUSHIKIGAISHA HOLDINGS LIMITED (株式會社控股有限公司), a BVI business company incorporated in the BVI on 12 June 2017 and a direct wholly-owned subsidiary of our Company
“Kabushikigaisha HK”	Kabushikigaisha Limited (株式會社有限公司), a company incorporated in Hong Kong with limited liability on 4 August 2008 and an indirect wholly-owned subsidiary of our Company
“Keen Wise (Mong Kok)”	Keen Wise (Mong Kok) Limited (勤穎(旺角)有限公司), a company incorporated in Hong Kong with limited liability on 2 March 2017 and an indirect wholly-owned subsidiary of our Company
“Korean Catering HK”	Korean Catering Limited (韓國餐飲有限公司), a company incorporated in Hong Kong with limited liability on 14 April 2015 and an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	5 May 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Legal Counsel”	Mr. Chan Chung, Barrister-at-law in Hong Kong
“LHG Catering”	LHG Catering Limited (叙福樓餐飲有限公司), a company incorporated in Hong Kong with limited liability on 23 January 2008 and an indirect wholly-owned subsidiary of our Company
“LHG Chinese Catering BVI Co.”	LHG CHINESE CATERING LIMITED (叙福樓中餐有限公司), a BVI business company incorporated in the BVI with limited liability on 9 June 2017 and a direct wholly-owned subsidiary of our Company
“LHG Holdings”	LHG HOLDINGS LIMITED (叙福樓控股有限公司), a BVI business company incorporated in the BVI with limited liability on 9 June 2017 and a holding company of our Company
“LHG Management BVI Co.”	LHG MANAGEMENT LIMITED (叙福樓管理有限公司), a BVI business company incorporated in the BVI with limited liability on 9 June 2017 and a direct wholly-owned subsidiary of our Company
“LHG Procurement BVI Co.”	LHG PROCUREMENT LIMITED (叙福樓採購有限公司), a BVI business company incorporated in the BVI with limited liability on 9 June 2017 and a direct wholly-owned subsidiary of our Company
“LHG Office”	Lucky House Group Limited (叙福樓香港有限公司), a company incorporated in Hong Kong with limited liability on 29 October 1996 and an indirect wholly-owned subsidiary of our Company
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange

DEFINITIONS

“Listing Date”	the date on which dealings in our Shares first commence on the Main Board, which is expected to be on or about Wednesday, 30 May 2018
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange, independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Max Flow (East City)”	Max Flow (East City) Limited (溢高(東城)有限公司), a company incorporated in Hong Kong with limited liability on 20 October 2016 and an indirect wholly-owned subsidiary of our Company
“Max Grands”	Max Grands Limited (溢鈞有限公司), a company incorporated in Hong Kong with limited liability on 11 January 2018 and an indirect wholly owned subsidiary of our Company
“Max Max”	Max Max Limited (溢溢有限公司), a company incorporated in Hong Kong with limited liability on 11 January 2018 and an indirect wholly owned subsidiary of our Company
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on 4 May 2018, as amended from time to time, a summary of which is contained in Appendix III to this prospectus
“Minimum Wage Ordinance” or “MWO”	Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Minority Shareholders of Lucky House Restaurant Group Co. Ltd.”	the minority shareholders of Lucky House Restaurant Group Co. Ltd. are Ms. Chik Yuk, Mr. Wong Hon Cheong and Mr. Wong Hon Kong
“Mou Mou BVI Co.”	MOU MOU HOLDINGS LIMITED (牛瀾鍋控股有限公司), a BVI business company incorporated in the BVI with limited liability on 9 June 2017 and an indirect wholly-owned subsidiary of our Company
“Mou Mou Club (Causeway Bay)”	Mou Mou Club Limited (牛瀾鍋有限公司), a company incorporated in Hong Kong with limited liability on 17 February 2010 and an indirect wholly-owned subsidiary of our Company
“Mou Mou Club (Fanling)”	Mou Mou Club (Fanling) Limited (牛瀾鍋(粉嶺)有限公司), a company incorporated in Hong Kong with limited liability on 22 October 2010 and an indirect wholly-owned subsidiary of our Company
“Mou Mou Club (HH)”	Mou Mou Club (HH) Limited (牛瀾鍋(紅磡)有限公司), a company incorporated in Hong Kong with limited liability on 23 March 2011 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Mou Mou Club (KB)”	Mou Mou Club (KB) Limited (牛瀾鍋(九龍灣)有限公司), a company incorporated in Hong Kong with limited liability on 26 June 2014 and an indirect wholly-owned subsidiary of our Company
“Mou Mou Club (KF)”	Mou Mou Club (KF) Limited (牛瀾鍋(葵芳)有限公司), a company incorporated in Hong Kong with limited liability on 19 February 2009 and an indirect wholly-owned subsidiary of our Company
“Mou Mou Club (LF)”	Mou Mou Club (LF) Limited (牛瀾鍋(樂富)有限公司), a company incorporated in Hong Kong with limited liability on 27 August 2010 and an indirect wholly-owned subsidiary of our Company
“Mou Mou Club (No 9)”	Mou Mou Club (No 9) Limited (牛瀾鍋(九號店)有限公司), a company incorporated in Hong Kong with limited liability on 1 April 2010 and an indirect wholly-owned subsidiary of our Company
“Mou Mou Club (Prince Edward)”	Mou Mou Club (Prince Edward) Limited (牛瀾鍋(太子)有限公司), a company incorporated in Hong Kong with limited liability on 19 May 2016 and an indirect wholly-owned subsidiary of our Company
“Mou Mou Club (SSW)”	Mou Mou Club (SSW) Limited (牛瀾鍋(小西灣)有限公司), a company incorporated in Hong Kong with limited liability on 26 June 2014 and an indirect wholly-owned subsidiary of our Company
“Mou Mou Club (TST)”	Mou Mou Club (TST) Limited (牛瀾鍋(尖沙咀)有限公司), a company incorporated in Hong Kong with limited liability on 30 August 2010 and an indirect wholly-owned subsidiary of our Company
“Mou Mou Club (TW)”	Mou Mou Club (TW) Limited (牛瀾鍋(荃灣)有限公司), a company incorporated in Hong Kong with limited liability on 1 April 2010 and an indirect wholly-owned subsidiary of our Company
“MPF”	Mandatory Provident Fund
“Mr. Ko Cheuk Kuen”	Mr. Ko Cheuk Kuen (高爵權), a Controlling Shareholder and father of Ms. Grace Ko
“Mr. Lam Kwan Ying”	Mr. Lam Kwan Ying (林群英), spouse of Ms. Chan Wai Chun and father of Ms. Lam Tsz Yin Wendy, Mr. Lam Ka Kui, Ms. Lam Chi Luen and Mr. Lam Ka Ki Jacky.
“Mr. Simon Wong”	Mr. Wong Kit Lung, Simon (黃傑龍), an executive Director and a Controlling Shareholder and son of Mr. Wong Yiu Hung
“Mr. Wong Yiu Hung”	Mr. Wong Yiu Hung (黃耀鏗), a Controlling Shareholder and father of Mr. Simon Wong
“Ms. Chan Wai Chun”	Ms. Chan Wai Chun (陳惠珍), spouse of Mr. Lam Kwan Ying and mother of Ms. Lam Tsz Yin Wendy, Mr. Lam Ka Kui, Ms. Lam Chi Luen and Mr. Lam Ka Ki Jacky

DEFINITIONS

“Ms. Grace Ko”	Ms. Ko Sau Chee, Grace (高秀芝), an executive Director and a Controlling Shareholder and daughter of Mr. Ko Cheuk Kuen
“Multi Success (Kowloon Tong)”	Multi Success (Kowloon Tong) Limited (乘興(九龍塘)有限公司), a company incorporated in Hong Kong with limited liability on 15 March 2017 and an indirect wholly-owned subsidiary of our Company
“Multi Prospects”	Multi Prospects Limited (乘泰有限公司), a company incorporated in Hong Kong with limited liability on 6 December 2017 and an indirect wholly owned subsidiary of our Company
“Multi Victories”	Multi Victories Limited (乘凱有限公司), a company incorporated in Hong Kong with limited liability on 17 January 2018 and an indirect wholly owned subsidiary of our Company
“Nekketsu Ichiryu HK”	Nekketsu Ichiryu Limited (熱血一流有限公司), a company incorporated in Hong Kong with limited liability on 23 February 2017 and an indirect wholly owned subsidiary of our Company
“Occupational Safety and Health Ordinance” or “OSHO”	Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Occupiers Liability Ordinance” or “OLO”	Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Offer Price”	the Offer Price per Offer Share (exclusive of brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%) at which the Offer Shares are to be subscribed pursuant to the Global Offering, to be determined in the manner further described in the subsection headed “Structure and conditions of the Global Offering — Price determination of the Global Offering” in this prospectus
“Offer Shares”	the Hong Kong Public Offer Shares and the International Placing Shares, including the additional Shares that might be issued under any exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company under the International Underwriting Agreement to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 30,000,000 additional new Shares at the Offer Price representing 15% of the initial number of Offer Shares offered under the Global Offering, at the Offer Price to, among other things, cover the over-allocations (if any) in the International Placing, as described in the section headed “Structure and conditions of the Global Offering” in this prospectus
“Peace Cuisine (YT)”	Peace Cuisine (YT) Limited (和平飯店(油塘)有限公司), a company incorporated in Hong Kong with limited liability on

DEFINITIONS

	14 December 2011 and an indirect wholly-owned subsidiary of our Company
“PINK application form(s)”	the application form(s) to be completed by Eligible Employees
“Post-IPO Share Option Scheme”	the share option scheme conditionally adopted by our Company, further details of which are described in the subsection headed “Statutory and general information — D. Share Option Scheme — 1. Post-IPO Share Option Scheme” in Appendix IV to this prospectus
“Price Determination Date”	the date, expected to be on or around Friday, 18 May 2018 but in any event not later than Monday, 21 May 2018, on which the Offer Price will be determined for the purposes of the Global Offering
“REINS”	REINS International Inc., an Independent Third Party and the franchisor of “ <i>Gyu-Kaku</i> (牛角)”, “ <i>On-Yasai</i> (溫野菜)” and “ <i>Gyu-Kaku Jinan-Bou</i> (牛角次男坊)”
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in “History, development and reorganisation — Reorganisation” in this prospectus
“Rongda”	容大餐飲管理(天津自貿試驗區)有限公司, an Independent Third Party and the licensor of “ <i>Gyu-Kaku</i> (牛角)” of the exclusive sub-licenced rights in the South China area
“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
“Shabushabu (Causeway Bay)”	Shabushabu (Causeway Bay) Limited (涮涮鍋(銅鑼灣)有限公司), a company incorporated in Hong Kong with limited liability on 10 December 2015 and an indirect wholly-owned subsidiary of our Company
“Shabushabu HK”	Shabushabu Limited (涮涮鍋有限公司), a company incorporated in Hong Kong with limited liability on 18 February 2015 and an indirect wholly-owned subsidiary of our Company
“Share(s)”	ordinary share(s) with par value of HK\$0.10 each in the share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s)
“Sole Sponsor”	China Everbright Capital Limited, a licenced corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO), being the sole sponsor to the Global Offering

DEFINITIONS

“Stabilising Manager” or “Sinolink”	Sinolink Securities (Hong Kong) Company Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between LHG Holdings and the Stabilising Manager on or about the same date as the International Underwriting Agreement
“Stock Exchange” or “HKEx”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases, as approved by the SFC and as amended, supplemented or otherwise modified from time to time
“Tamashii (WK)”	Tamashii (WK) Limited (魂爐端燒(西九)有限公司), a company incorporated in Hong Kong with limited liability on 13 August 2013 and an indirect wholly-owned subsidiary of our Company
“The Banqueting House (TST)”	The Banqueting House (TST) Co. Limited (御苑皇宴(尖沙咀)有限公司), a company incorporated in Hong Kong with limited liability on 9 January 2008 and an indirect wholly-owned subsidiary of our Company
“The China House (KF)”	The China House (KF) Limited (御苑(葵芳)有限公司), a company incorporated in Hong Kong with limited liability on 30 July 2014 and an indirect wholly-owned subsidiary of our Company
“Track Record Period”	the periods comprising FY2015, FY2016 and FY2017
“Tremendous Luck”	Tremendous Luck Restaurant Limited (多福居酒家有限公司), a company incorporated in Hong Kong with limited liability on 21 March 2005 and an indirect wholly-owned subsidiary of our Company
“Triple Brilliant”	Triple Brilliant Development Limited (三旺發展有限公司), a company incorporated in Hong Kong with limited liability on 6 July 1993 and an indirect wholly-owned subsidiary of our Company
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement

DEFINITIONS

“United States” or “US” or “U.S.” or “USA”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“Water Pollution Control Ordinance” or “WPCO”	Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Wealthy (Tin Shui Wai)”	Wealthy (Tin Shui Wai) Limited (富年(天水圍)有限公司), a company incorporated in Hong Kong with limited liability on 14 March 2017 and an indirect wholly-owned subsidiary of our Company
“White Form eIPO”	the application of Hong Kong Public Offer Shares for issue in the applicant’s own name by submitting applications online through the designated website at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Yakiniku (Aberdeen)”	Yakiniku (Aberdeen) Limited (日本燒烤(香港仔)有限公司), a company incorporated in Hong Kong with limited liability on 17 June 2009 and an indirect wholly-owned subsidiary of our Company
“Yakiniku (CB)”	Yakiniku (CB) Limited (日本燒烤(銅鑼灣)有限公司), a company incorporated in Hong Kong with limited liability on 11 July 2011 and an indirect wholly-owned subsidiary of our Company
“Yakiniku (KB)”	Yakiniku (KB) Limited (日本燒烤(九龍灣)有限公司), a company incorporated in Hong Kong with limited liability on 3 September 2010 and an indirect wholly-owned subsidiary of our Company
“Yakiniku (MK)”	Yakiniku (MK) Limited (日本燒烤(旺角)有限公司), a company incorporated in Hong Kong with limited liability on 2 September 2008 and an indirect wholly-owned subsidiary of our Company
“Yakiniku (Tai Po)”	Yakiniku (Tai Po) Limited (日本燒烤(大埔)有限公司), a company incorporated in Hong Kong with limited liability on 14 April 2015 and an indirect wholly-owned subsidiary of our Company
“Yakiniku (TM)”	Yakiniku (TM) Limited (日本燒烤(屯門)有限公司), a company incorporated in Hong Kong with limited liability on 18 October 2012 and an indirect wholly-owned subsidiary of our Company
“Yakiniku (TW)”	Yakiniku (TW) Limited (日本燒烤(荃灣)有限公司), a company incorporated in Hong Kong with limited liability on 1 April 2010 and an indirect wholly-owned subsidiary of our Company
“Yakiniku (YL)”	Yakiniku (YL) Limited (日本燒烤(元朗)有限公司), a company incorporated in Hong Kong with limited liability on 30 June 2014 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Yakiniku HK” Yakiniku (HK) Limited (日本燒烤(香港)有限公司), a company incorporated in Hong Kong with limited liability on 30 July 2010 and an indirect wholly-owned subsidiary of our Company

“%” per cent

Unless expressly stated or otherwise required by the context, all data contained in this prospectus are as at the Latest Practicable Date.

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assume no exercise of the Over-allotment Option and any options which may be granted under the Post-IPO Share Option Scheme.

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

GLOSSARY

This glossary contains certain definitions and technical terms in this prospectus which relate to our business and the industries and sectors that we operate in. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

“App”	mobile application
“Asian cuisine”	includes major cuisine of Asian countries, other than Chinese cuisine
“CAGR”	compound annual growth rates
“chicken galbi”	a type of Korean dish usually made by stir-frying diced chicken in Korean chilli sauce and other ingredients
“comparable restaurant sales”	based on those restaurants that were operating throughout the periods under comparison. For example, the comparable restaurant for FY2015 and FY2016 are restaurants that were open throughout both FY2015 and FY2016
“dim sum”	點心, Cantonese Chinese food prepared in small bit-sized or individual portions and traditionally cooked and served in small steamer baskets made out of bamboo
“full service restaurant”	the catering segment that is made up of traditional sit-down restaurants with full table service provided by waiters. Full-service restaurants generally offer food at fixed lunch and dinner times rather than all day
“GFA”	gross floor area
“HACCP”	Hazard Analysis and Critical Control Points, a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product
“ISO”	An acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 22000”	food safety management system requirements published by ISO
“ISO 9001”	quality management system requirements published by ISO
“mass market”	when used in the context of the full service restaurant industry, a full service restaurant in which the average spending per customer is below HK\$150, according to the Frost & Sullivan Report

GLOSSARY

“mid-to-high end”	when used in the context of the full service restaurant industry, a full service restaurant in which the average spending per customer is between HK\$150 and HK\$450, according to the Frost & Sullivan Report
“shabu-shabu”	涮涮鍋, Japanese hotpot with thinly sliced meat, vegetables and other ingredients boiled in water in a cooking pot
“siu mei”	燒味, Cantonese-style meat dishes roasted in special Chinese-style sauce in an open fire oven to give a siu mei Chinese-style barbecue flavour
“sq.ft.”	square feet
“sukiyaki”	壽喜燒, Japanese hotpot, which consists of meat (usually thinly sliced beef) being slowly cooked or simmered in a shallow iron pot in a mixture of soy sauce, sugar, and mirin (a type of condiment used in Japanese cuisine), alongside vegetables and other ingredients
“suspended meals”	meals, which are paid for in advance, to be distributed to people in need later
“tempura”	天婦羅, a Japanese dish of seafood or vegetables that have been battered and deep fried
“yakniku”	燒肉, Japanese barbeque with meats and other ingredients grilled over hot charcoal or gas burner
“yakniku donburi”	燒肉丼, a Japanese rice bowl dish with ingredients such as meats grilled over hot charcoal or gas burner and vegetables served on rice
“yakitori”	燒鳥, a Japanese type of skewered and grilled chicken

FORWARD-LOOKING STATEMENTS

This prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “expect”, “may”, “plan”, “consider”, “ought to”, “should”, “would”, “shall”, “will” and the negative of these terms and other similar expressions, as they relate to us. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources, which reflect our management’s current view with respect to future events based on the beliefs of our management and assumptions made by and information currently available to our management, and are subject to certain risks, uncertainties and factors, including the risk factors described in the section headed “Risk factors” in this prospectus. Potential investors of the Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. 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. In light of these, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Group’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in the section headed “Risk factors” in this prospectus. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

RISK FACTORS

You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that a substantial part of our Group's operations are conducted in Hong Kong, the legal and regulatory environment of which may differ from that prevailing in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

The limited choices of commercially attractive locations, failure to renew existing leases, breach of lease agreements, or increase in rental expenses may adversely affect our results of operations.

Most of our existing restaurants are located in the major commercial and residential districts in Hong Kong. In view of our stringent criteria on the restaurant locations, commercially viable choices are limited. If we are to relocate existing restaurants or open new restaurants, we cannot assure you that we will be able to find suitable premises for our restaurants on commercially reasonable terms. Accordingly, our relocation or expansion plan may be delayed or disrupted which may in turn adversely affect our results of operations and financial conditions. The lease agreements for our restaurants generally have an initial lease term of three to six years with or without options to renew. For leases without options to renew, whether we are able to renew is normally subject to further negotiation with the landlords. There is no assurance that we will be able to renew such lease agreements on terms which are acceptable to us. If we are unable to renew any of the existing leases, we will need to identify alternative locations to carry on the business of the relevant restaurants. Further, if we breach any of our lease agreements, such lease agreements may be terminated prematurely which will require us to relocate. As a result, our operations may be disrupted and our financial performance may be adversely affected due to, among others, additional costs for any such relocation.

During the Track Record Period, we leased all of the properties on which our restaurants operated. We are accordingly exposed to market fluctuations of the retail rental market. For FY2015, FY2016 and FY2017, our property rentals and related expenses amounted to HK\$130.2 million, HK\$130.6 million and HK\$152.5 million, respectively, representing 16.9%, 17.6% and 18.4% of our revenue from restaurant operations during the respective years. If we are unable to pass the increase in our property rentals and related expenses onto our customers, our financial condition and results of operations may be adversely affected.

We may not be able to implement and manage our growth strategies effectively, which may adversely affect our ability to continue to improve our business prospects and profitability.

Our future success depends largely on our ability to implement our future plans. We intend, among others, to expand our restaurant network in Hong Kong and enrich our brand portfolio from time to time. We have introduced our new brand “Hotpot PNP (熱血一流)” in late 2017 and plan to launch our new franchised brand “Gyu-Kaku Jinan-Bou (牛角次男坊)” in late 2018. See “Business — Our

RISK FACTORS

business strategies” and “Business — Our expansion plans, site selection and development” and “Future plans and use of proceeds” in this prospectus for details on our future plans.

The implementation of our future plans will require capital investments, significant amount of managerial and technical resources and efforts, and timely execution, which is subject to risks and uncertainties in:

- identifying suitable locations and securing leases on commercially acceptable terms;
- obtaining the required government licences and certificates;
- having or securing sufficient funding for restaurants opening and operations;
- efficiently managing the time and costs involved in the design, renovation and opening of each new restaurant;
- accurately estimating expected consumer demand in new locations and markets;
- securing adequate suppliers that meet our quality standards;
- hiring, training and retaining skilled management and employees on commercially acceptable terms; and
- successfully promoting our new restaurants and competing in the markets where our new restaurants are located.

We cannot assure you that we will be able to open our planned new restaurants on a timely basis, if at all, and if opened, these restaurants will operate profitably. We may not be successful in launching new self-owned and franchised brands. The operating results of new restaurants and the popularity of new brands may not be comparable with any of our existing restaurants and existing brands. Further, opening new restaurants and developing new brands may place substantial burden on our managerial, operational and financial resources, and place significant demands on us to maintain consistent food and service quality across a larger restaurant network and more diversified brand portfolio, and preserve our corporate culture across a larger and more diverse employee base.

To manage and support our growth, we must improve our existing operational and administrative systems as well as our financial and management controls. Our continued growth also depends on our ability to recruit, train and retain additional qualified management personnel as well as other administrative, sales and marketing personnel. We also need to continue managing our relationships with our suppliers and customers. All of these endeavours will require substantial management attention and efforts and significant additional expenditures.

Any of the above or similar risks or uncertainties could significantly delay or otherwise restrict our ability to implement and manage our future plans. Any failure to manage future growth effectively and efficiently may materially and adversely affect our business and financial results, which could in turn adversely affect our ability to continue to improve our business prospects and profitability.

RISK FACTORS

There may be uncertainties on obtaining or renewing the licences and permits for our operations for factors beyond our control, which could adversely affect our business and results of operations.

We are required to obtain and maintain various types of licences, including (i) general restaurant licences; (ii) food factory licence; (iii) water pollution control licences; and (iv) liquor licences, and other approvals or permits, including restricted food permits for our restaurant operation in Hong Kong. Most of the requisite licences are usually valid for one to two years and we need to renew our licences before their expiry to comply with the relevant regulatory requirements and ensure that we can continue with our business operation without any disruption. For details, see “Regulatory overview” in this prospectus.

We may experience difficulties or failures in obtaining or renewing the necessary approvals, licences and permits for new restaurants in a timely manner or at all for factors beyond our control. During the Track Record Period, there had been delay in obtaining general restaurant licence for certain of our restaurants due to inadvertent error in the application documents and resignation of the original officer processing our applications, which prolonged the application process. For details, see “Business — Legal proceedings and compliance” in this prospectus.

Given the uncertainties on obtaining and renewing the licences and permits necessary for our operations, planned new business operations and/or expansion may be delayed and our existing restaurant business could be interrupted. We may also be subject to fines and penalties.

We have previously been involved in certain incidents of non-compliance with certain Hong Kong regulatory requirements.

We have previously been involved in certain non-compliance with statutory requirements under the Food Business Regulations and Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations. For details, see “Business — Legal proceedings and compliance” in this prospectus.

If any enforcement action is taken by the relevant authorities, we may be required to pay certain penalties and our Directors may be subject to imprisonment. Additionally, we cannot assure you that our business and financial position, prospects, our reputation in the industry and our relationship with customers will not be adversely affected by such historical non-compliance incidents.

Opening new restaurants could result in fluctuations in our financial performance, and sales of our existing restaurants may be negatively affected if new restaurants are opened nearby.

Our operating results have been, and may in the future continue to be, significantly influenced by new restaurants opening which often involves initially lower sales and higher start-up operating costs, as well as changes in our geographic coverage. New restaurants also incur additional expenses before opening such as rental deposits, renovation cost, cost on utensils and equipment and staff costs, and require time to achieve our target performance. Our progress in opening new restaurants may also occur unevenly. Accordingly, the number and timing of new restaurant openings has had, and may continue to have, a material impact on our profitability. As a result, our results of operations may

RISK FACTORS

fluctuate significantly and our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

Further, the target customers of our restaurants may vary by location, depending on a number of factors such as population density, local retail and business attractions, area demographics and geography. As a result, the opening of new restaurants nearby existing restaurants could adversely impact the sales and guest traffic of existing restaurants. Some of our customers may be diverted from our existing restaurants to our new restaurants, and vice versa.

We also plan to open new restaurants in districts that we currently do not have any presence. There is however no assurance that our restaurants can be well received in the new districts, or that customer diversion among our existing and new restaurants will not occur or become more significant in the future as we continue to expand our operations, which could have a material adverse effect on sales at our existing restaurants and our overall profitability.

Our success depends substantially on the market recognition of our brands, and any damage to our brands could materially and adversely affect our business and results of operations.

We believe our success depends substantially on the market recognition of our brands. In particular, we have invested significant effort and financial resources to establish and preserve the market recognition and reputation of our self-owned Chinese cuisine brands, namely “*The Banqueting House* (御苑皇宴)”, “*China Hall* (御苑)”, “*LHGrand* (叙福樓金閣)”, “*Peace Cuisine* (和平飯店)”, and “*Pot Master* (煲仔王)”, and our self-owned and franchised Asian cuisine brands, namely “*Mou Mou Club* (牛涮鍋)”, “*Hotpot PNP* (熱血一流)”, “*Gyu-Kaku* (牛角)”, “*On-Yasai* (溫野菜)” and “*Yoogane* (柳氏家)”. Over the years, our brands have received various certifications and awards, details of which are set out in “Business — Our certifications, awards and recognitions” in this prospectus.

We believe that our continued success will depend largely on our ability to protect and enhance the value of our brands. Any incident that erodes consumer trust in or affinity for our brands could significantly reduce their value. As we continue to grow in size, expand our food offerings and services and extend our geographic coverage, maintaining quality consistency may become increasingly difficult and we cannot assure you that we can maintain customer confidence in our brands. If customers perceive or experience a deterioration in the quality of food, service, ambiance or believe in any way that we fail to deliver a consistently positive dining experience, our brand value could suffer, which could have a material adverse effect on our business.

Our financial results depend on the success of our existing and new restaurants.

Our financial results depend on our ability to increase sales and efficiently manage costs in our existing and new restaurants. In particular, the success of our restaurants depends principally on our ability to increase guest traffic and the average check per guest. Factors that may adversely affect our guest traffic and the average check per guest include, without limitation:

- increased competition in the Hong Kong catering industry;
- changes in customer preferences;

RISK FACTORS

- declining economic conditions that may adversely affect discretionary customer spending in the markets we serve;
- guest budgeting constraints and choosing not to order high margin items;
- customer sensitivity to our menu price increases;
- our reputation and consumer perception of our brands and our offerings in terms of quality, price, value and service; and
- dining experiences in our restaurants.

The profitability of our restaurants is also subject to cost increases that are either wholly or partially beyond our control, including, without limitation:

- rental costs and related expenses under leases for our existing and new restaurants;
- food and other supplies costs;
- labour costs;
- energy, water and other utility costs;
- insurance costs;
- information technology and other logistical costs;
- costs associated with any material interruptions in our supply chain; and
- compliance costs relating to any changes in government regulation.

We cannot guarantee that we will have comparable restaurants sales growth or maintain our growth of revenue in the future. The failure of our existing or new restaurants to perform as expected could have a significant negative impact on our financial condition and results of operations.

Any failure to deal with customer complaints or adverse publicity involving our brands, food or services could materially and adversely impact our business and results of operations.

We can be adversely affected by negative publicity or news reports, whether accurate or not, regarding food quality issues, public health concerns, illness, safety, injury or government or industry findings concerning our restaurants, restaurants operated by other food service providers (including franchisees of our franchised brands based in other countries) or others across the catering industry supply chain.

During the Track Record Period, certain of our customers made complaints at our restaurants, through social media platforms or through the Consumer Council and the FEHD, which were generally related to our service, queuing up and seat arrangements, loyalty membership arrangements,

RISK FACTORS

food or hygiene. To the best information and knowledge of our Directors, we are not aware of any customer complaints seeking material compensation that could have material adverse effect on our business and results of operations during the Track Record Period and up to the Latest Practicable Date.

Significant number of complaints or claims against us, even if meritless or unsuccessful, could force us to divert management and other resources from our business concerns and result in adverse publicity. Customers might lose confidence in our Group and our brands, which may lead to decrease in guest traffic and business of our restaurants subject to such complaints and our restaurants under the same or related brands, and also damage to our image.

Additional capital expenditure for our expansion plan may result in a significant increase in our depreciation charge.

In view of our business strategies and expansion plans, we anticipate that our future capital expenditure will increase as we open new restaurants, renovate existing restaurants and expand our operations. Such capital expenditure may result in increase in depreciation expenses, which may in turn adversely affect our results of operations. Our projected capital expenditure for FY2018, FY2019 and FY2020 are HK\$58.7 million, HK\$51.0 million and HK\$69.9 million, respectively. We expect that our planned capital expenditure for FY2018, FY2019 and FY2020 will be primarily used for property, plant and equipment for our expansion plans for opening of new restaurants, and renovation of our existing restaurants and replacement of utensils in Hong Kong. The expected depreciation expenses relating to our expansion plan amount to HK\$5.6 million, HK\$23.6 million and HK\$42.5 million for FY2018, FY2019 and FY2020, respectively.

If our restaurant sites do not meet our expectations or the demographics or other characteristics of the surrounding area adversely change, we may still be obligated to pay rent even if we cease operations at such sites.

There can be no assurance that our restaurant sites will meet our expectations or that the characteristics or demographics of surrounding areas will not change in the future, resulting in reduced sales at these sites. For example, construction or renovation works in surrounding areas may adversely affect the accessibility of our restaurants or reduce the pedestrian or vehicle flow in the area, resulting in reduced guest traffic at our restaurants. In these circumstances, we may wish to relocate or cease operations. However, as most of our lease agreements have fixed terms, we would be obligated to continue to make rental payments for the entire duration of such leases at the relevant restaurants. In such circumstances, our business and results of operations may be materially and adversely affected.

During the Track Record Period, we originally operated a restaurant under our brand “*Tamashii* (魂)” in Jordan. Due to the delay in the construction of Guangzhou — Shenzhen — Hong Kong Express Rail Link, the pedestrian or vehicle flow nearby our “*Tamashii* (魂)” restaurant did not grow as expected, and the guest traffic at the restaurant was unsatisfying. In July 2017, we decided to cease operations of our “*Tamashii* (魂)” restaurant. As our lease agreement for the relevant properties will only be expiring in September 2018, we are still making rental payments of HK\$1 each month.

RISK FACTORS

If there is any adverse incident associated with the quality of our food and services or if the hygiene standards of our restaurants fall below the relevant statutory requirements, our restaurant business and reputation could be adversely affected.

We face an inherent risk of food contamination, complaints and liability claims filed by our customers. In the event of such claims or complaints, our reputation and business may be adversely affected.

A substantial portion of the food ingredients used in our restaurants is initially delivered to our central processing and logistic centre in Yau Tong. Any food contamination occurring therein, during the transportation from the central processing and logistic centre to our restaurants and at our restaurants could adversely affect our food quality. Due to the scale of our operations, we also face the risk that certain of our employees may not adhere to our internal quality control procedures and requirements. Any failure to detect defective food supplies, or observe proper hygiene and other quality control requirements or standards could adversely affect our food quality, which could lead to liability claims, complaints and related adverse publicity, reduced guest traffic at our restaurants, imposition of penalties against us by relevant authorities and compensation awards by courts.

During the Track Record Period and up to the Latest Practicable Date, we had no material non-compliances with food and health-related laws and regulations which subjected our Group to any material penalty. However, two complaints about presence of foreign substances in the food served in two of our restaurants were made to the FEHD in April and July of 2016, respectively, resulting in the FEHD issuing two warning letters to us. Further, complaints in relation to one suspected food poisoning incident in one of our restaurants were made to the FEHD and our Group in December 2017. The food sampling tests conducted in the relevant restaurant by the Government Laboratory did not reveal unsatisfactory results and no warning letter has been issued by the FEHD as at the Latest Practicable Date. See “Business — Our customers — Customer feedbacks” for details of the above complaints. We cannot assure you 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 harm our reputation, results of operations and financial condition. Although we maintain public liability insurance for all our restaurants, we would be required to pay compensation with our own funds if we are liable for any liability claim without or outside the scope of our existing public liability insurance coverage.

We may not be able to renew our franchising agreements on commercially acceptable terms.

We operate restaurants under both self-owned and franchised brands. During the Track Record Period, we operated restaurants under three franchised brands, namely “Gyu-Kaku (牛角)”, “On-Yasai (溫野菜)” and “Yoogane (柳氏家)” and we are required to pay franchise fees, royalty fees and other related franchising fees for the rights to use the brands. See “Business — Our franchised brands, franchising and licencing arrangements” in this prospectus for details.

For FY2015, FY2016 and FY2017, revenue attributable to our franchised brands amounted to HK\$199.6 million, HK\$250.7 million and HK\$319.7 million, respectively, representing 25.9%, 33.7% and 38.6% of our total revenue for the corresponding periods, respectively. As at the Latest Practicable Date, 17 restaurants out of our total of 34 restaurants were operated under our franchised brands.

RISK FACTORS

If we fail to renew any of our franchising agreements, these agreements were terminated due to our material breach or that the terms of the agreements were not commercially acceptable to us, our financial performance may be materially and adversely affected. See “Business — Our franchised brands, franchising and licencing arrangements” in this prospectus for the terms of our existing franchising agreements.

We are under contractual obligations to open a certain number of restaurants.

We have entered into franchising agreements in relation to “*Gyu-Kaku* (牛角)”, “*On-Yasai* (温野菜)”, “*Yoogane* (柳氏家)” and “*Gyu-Kaku Jinan-Bou* (牛角次男坊), which require us to open a certain number of restaurants under each of these brands within a specific period of time. For details, see the subsection headed “Business — Our franchised brands, franchising and licencing arrangements” in this prospectus. If we fail to comply with such opening requirements, we may be in breach of the relevant agreement and the relevant franchisor may, among others, terminate the agreement, which may adversely affect our operational and financial position.

We rely on individuals to hold all the liquor licences of our restaurants.

All of the liquor licences of our restaurants were held by individuals as at the Latest Practicable Date.

Pursuant to Regulation 15 of the Dutiable Commodities (Liquor) Regulations, any transfer of a liquor licence must be conducted in the prescribed form with the consent of the liquor licence holder. In case of illness or temporary absence of the liquor licence holder, the secretary of the Liquor Licensing Board may in his/her discretion authorise any person to manage the licenced premises under Regulation 24 of the Dutiable Commodities (Liquor) Regulations, upon application by the liquor licence holder. For any application for cancellation of the liquor licence made by the holder of liquor licence, one must make an application for new issue of a liquor licence to the Liquor Licensing Board. In case of death or insolvency of the liquor licence holder, his/her executor or administrator or trustee may carry on the business in the licenced premises until the expiration of the licence under section 54 of the Dutiable Commodities Ordinance.

If the relevant liquor licence holder in each of our restaurants refuses to give consent to a transfer application when a transfer is required, or fails to make an application in respect of his/her illness or temporary absence or makes a cancellation application without our consent, or if an application for new issue of a liquor licence is required in case of death or insolvency of the relevant employee, the relevant restaurant may have to cease its sale of liquor for the time being, in which case may adversely affect our business and profitability.

Our operations are susceptible to fluctuation in the supply, quality or costs of food ingredients, which could adversely affect our business, margins and results of operations.

Our profitability depends significantly on our ability to anticipate and react to fluctuation in the supply, quality or costs of food ingredients. Our costs of food and beverage accounted for 27.4%, 27.1% and 27.6% of our revenues for FY2015, FY2016 and FY2017, respectively.

RISK FACTORS

The availability (in terms of type and variety), quality and prices of food ingredients can fluctuate and are subject to factors beyond our control, including seasonal fluctuations, climate conditions, natural disasters, general economic conditions, global demand, governmental policies and regulations and exchange rates fluctuations. Moreover, there is no assurance that our current suppliers will always be able to meet our stringent quality control requirements in the future. If any of our suppliers fails to supply quality food ingredients to us, we cannot assure you that we will be able to find suitable replacement suppliers in a timely manner on acceptable terms, and any failure to do so could increase our food costs and could cause shortages of food and other supplies at our restaurants.

Any failure to source food ingredients which meet our quality standard, in sufficient quantities, at competitive prices and in a timely manner may cause a disruption in our restaurant operation, which may in turn adversely affect our business, margins and results of operations.

We face inventory obsolescence risk.

As a restaurant operator, our raw materials mainly include food ingredients which have limited shelf life. Fresh seafood, frozen meat and canned food have shelf lives ranging from one day to one week, one to six months, and one to two years, respectively. As the age of the food ingredients increases, our risk of obsolescence increases. Although we monitor the quality and expiry dates of our inventory on a daily basis to prevent obsolescent stock, usage of our food ingredient are subject to various factors beyond our control such as the varying popularity of the relevant dishes and guest traffic at our restaurants, we hence cannot guarantee that all of our food inventory can be fully utilised within its shelf life. As our business grows, our inventory level increases and inventory obsolescence risk may also increase along with the increased purchase of inventories. In addition, any unpredicted and adverse changes to the optimal storage conditions of our warehouse facilities may expedite the deterioration of our products which in turn increase inventory obsolescence risk.

We are subject to risk of recoverability of deferred tax assets.

We recorded deferred income tax assets of HK\$6.7 million, HK\$9.3 million and HK\$12.8 million for the year end of FY2015, FY2016 and FY2017 respectively. Deferred tax assets are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involve a number of assumptions relating to our operating environment and require a significant level of judgment exercised by our Directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

Future application of HKFRS 16 “Leases” could affect our operating results, financial position and certain financial ratios due to our operating lease commitments.

We are a lessee of various properties, including our restaurants and offices, under which the relevant leases are classified as operating leases. Our current accounting policy for such leases is set forth in Note 2.22 to the Accountant’s Report in Appendix I to this prospectus.

RISK FACTORS

As of 31 December 2017, the lease commitments amounted to HK\$325.4 million with most of them had an original lease term of over one year, which are currently classified under operating leases which is not reflected in our consolidated statement of financial position. HKFRS 16 “Leases”, which we expect to apply for the first time for our financial year beginning on 1 January 2019, provides new provisions for the accounting treatment of leases and will in the future upon adoption of the standard no longer allow lessees to recognise certain leases outside of the consolidated statement of financial position. Instead, for all leases with a term of more than 12 months, unless the underlying asset is of low value, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

There are certain recognition exemptions under HKFRS 16 that a lessee may elect in respect of short-term leases (leases that, at the commencement date of the respective leases, have a lease term of 12 months or less) and leases for which the underlying asset is of low value. The new standard will therefore result in an increase in right-of-use assets and an increase in lease liabilities in our consolidated statement of financial position after the adoption of new standard. This will affect our related financial ratios, such as an increase in debt to equity ratio.

In our consolidated statement of comprehensive income after the adoption of the new standard, the financial impact of leases will be recognised in the future as depreciation of the right-of-use assets and will no longer be recorded 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 statement of comprehensive income in the initial year of the lease, and decreasing expenses during the latter part of the lease term. Further details of the application of HKFRS 16 are set out in Note 2.1 of the Accountant’s Report in Appendix I to this prospectus.

Our success depends on our key personnel and our business may be harmed if we lose their services or they are not able 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 growth strategy while maintaining the strength of our brands. Our future success also depends heavily upon the continuing services and performance of our key management personnel, in particular our executive Directors and certain senior management personnel. We must continue to attract, retain and motivate a sufficient number of qualified management and operating personnel, including district managers, restaurant-level managers and head chefs, to maintain consistency in the quality of our restaurants and fulfil our planned expansion plans. If any of 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 strategies, we may be unable to grow our business at the speed or in the manner in which we expect. Competition for experienced management and operating personnel in the catering industry in Hong Kong is intense, and the pool of qualified candidates is limited. We may not be able to retain our existing key management and operating personnel or attract senior executives or key personnel in the future.

RISK FACTORS

If one or more of our key personnel is unable or unwilling to continue to serve in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our results of operations may be materially and 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 knowhow as a result. Any failure to attract, retain and motivate these key personnel may harm our reputation and result in a loss of business.

Our business could be adversely affected by difficulties in recruitment and retention of our employees.

We believe our success depends in part upon our ability to attract, retain and motivate a sufficient number of qualified employees, including restaurant staff, chefs, and kitchen staff. Highly service-oriented and qualified individuals are in relatively short supply in Hong Kong and competition for these employees is intense. Any failure to employ and retain enough qualified employees could delay planned new restaurant openings or result in higher employee turnover, either of which could have a material adverse effect on our business and results of operations. In addition, competition for qualified employees could also require us to pay higher wages, which could result in higher labour costs.

Minimum wage requirements in Hong Kong may further increase and impact our staff costs in the future.

Salary levels of employees in the Hong Kong catering industry have been increasing in recent years. For FY2015, FY2016 and FY2017, our staff costs amounted to HK\$251.5 million, HK\$245.9 million and HK\$259.5 million, respectively, representing 32.6%, 33.1% and 31.3% of our revenue during the respective periods. Our operations in Hong Kong are required to comply with the statutory minimum wage requirements, which came into force on 1 May 2011. The initial statutory minimum wage rate was HK\$28 per hour. The statutory minimum wage rate was regularly reviewed and has been increased in the past. With effect from 1 May 2017, the statutory minimum wage rate was HK\$34.5 per hour.

If there is any further increase in the statutory minimum wage rate, our staff costs would likely to increase as a result. As wages increase, competition for qualified employees also increases, which may indirectly result in further increase in our staff costs. Given the competitive market environment in Hong Kong, we may not be able to increase our prices high enough to pass these increased staff costs onto our customers, in which case our business and results of operations would be materially and adversely affected.

We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties.

As a restaurant operator, we usually receive and handle large amounts of cash in our daily operations. For FY2015, FY2016 and FY2017, our revenue settled by way of cash accounted for approximately 40.5%, 35.7% and 32.5% of our total revenue respectively.

RISK FACTORS

In late October 2016, we experienced cash misappropriation by a restaurant manager of two of our Asian cuisine restaurants in the aggregated amount of approximately HK\$320,000, and have strengthened our cash management procedures in response. See “Business — Our pricing strategies — Settlement and cash management” for further details. Other than this incident, we are not aware of any instances of fraud, theft and other misconduct (including cash misappropriation) involving employees, customers or other third parties that would have a material adverse effect on our business, results of operations and financial condition during the Track Record Period and up to the Latest Practicable Date.

However, we cannot assure you that there will not be any such instances in the future. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business, results of operations and financial condition.

Any failure of our information technology system or breach of our network security could interrupt our operations and adversely affect our business.

We rely on our computer systems and network infrastructure to monitor the daily operations of our restaurants and food production and to collect accurate up-to-date financial and operating data for business analysis. Any damage or failure of our computer systems or network infrastructure that causes an interruption in our operations could have a material adverse effect on our business and results of operations.

We also receive and maintain certain personal information about our customers when accepting credit cards for payment. If our network security is compromised and such information is stolen or obtained by unauthorised persons or used inappropriately, we may become subject to litigation or other proceedings brought by cardholders and financial institutions issuing the cards. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our Group and our brands could also be negatively affected by these events, which could further adversely affect our business and results of operations.

Our insurance policies may not provide adequate coverage for all claims associated with our business operations.

During the Track Record Period, we have obtained insurance policies that we believe are customary for businesses of our size and type and in line with the standard commercial practice in Hong Kong. For details on the insurance policies we maintain, see the subsection headed “Business — Insurance” in this prospectus. However, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to be insured, such as loss of reputation. If we were held liable for uninsured losses or amounts, or claims for insured losses which exceed the limits of our insurance coverage, our business and results of operations may be materially and adversely affected.

RISK FACTORS

We may not be able to adequately protect our intellectual property, which, in turn, could harm the value of our brand and adversely affect our business.

We believe that the success of our business and the strength of our competitive position depend to a large extent on our customer awareness and recognition of the qualities for which our brands stand. Our ability to implement our business plan successfully also depends in part on our ability to further build brand recognition using our trademarks, proprietary know-how, recipes, trade secrets and other intellectual property, including our names and logos.

As at the Latest Practicable Date, we owned 34 trademarks in Hong Kong and Macau with 12 trademark applications pending in the PRC. Please refer to the subsection headed “Statutory and general information — B. Information about our business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus for details of our intellectual property rights. Despite our efforts in protecting our intellectual property rights, we cannot prevent others from independently developing or otherwise obtaining access to our proprietary know-how, concepts, recipes and trade secrets.

If our efforts to maintain and protect our intellectual property are inadequate, or if any third party misappropriates, dilutes or infringes on our intellectual property, the value of our brands may be harmed, which could have a material adverse effect on our business and might prevent our brand from achieving or maintaining market acceptance. Even if the use by an infringing restaurant of identical or similar trademarks, brands and logos does not confuse customers, the distinctive nature of our restaurants’ brand image could be blurred because our trademarks, brands and logos may lose the distinctive association with our restaurants that we are trying to establish with customers. Furthermore, negative publicity or customer disputes and complaints regarding any infringing parties’ unauthorised use of our or similar trademarks, brands and logos could dilute or tarnish our restaurants’ brand appeal.

Additionally, we may, from time to time, be required to institute litigation, arbitration or other proceedings to enforce our intellectual property rights, which would likely be time-consuming and expensive to resolve and would divert our management’s time and attention regardless of its outcome. Even if we are able to successfully enforce our rights, any harm done to our brands could materially reduce sales, profitability and prospects.

We are subject to credit risk.

We recorded trade receivables in the amount of HK\$5.6 million, HK\$11.5 million and HK\$12.7 million for each of FY2015, FY2016 and FY2017, respectively. Trade receivables mainly represent receivables from financial institutions in relation to the payment settled by credit cards by customers of which the settlement is normally within 3 days from transaction date. As our business grows, our balance of trade receivables may grow which in turn increase our credit risk.

Further, as we source various food ingredients in bulk for our restaurants, we may, upon the request of individual customers or other restaurant operators and after accessing our stock availability and operation needs, supply certain food ingredients to them on a cost-plus basis. We offer our

RISK FACTORS

customers of food ingredients credit period of 30 days. Although we monitor and control the outstanding receivables from time to time, we are subject to credit risk if our customers default in payments.

The results of our Chinese cuisine restaurants operations may fluctuate significantly from period to period due to seasonality and other factors.

Our overall results of operations may fluctuate significantly from period to period because of various factors, including the timing of new restaurant openings and the incurrence of associated pre-opening costs and expenses, operating costs for our newly opened restaurants, any losses associated with our restaurant closings and seasonal fluctuations. During the Track Record Period, our Chinese cuisine restaurants generally achieved higher sales from November to February due to Chinese festivals such as Lunar New Year and Winter Solstice, and also customers' preference to hold banquets during year-ends, and lower sales in April and July of the lunar calendar, with fewer customers dining out or holding banquets during festivals such as Ching Ming Festival. As a result of the above factors, the results of our Chinese cuisine restaurants operations may fluctuate significantly from period to period and a comparison of different periods may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability.

Our historical results may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our Shares to decline. Our revenues, expenses and operating results may vary from period to period in response to a variety of factors beyond our control, including general economic conditions, special events, regulations or actions pertaining to restaurants based in Hong Kong and our ability to control costs and operating expenses. You should not rely on our historical results to predict the future performance of our Shares.

Our profitability is dependent upon the spending power of our target consumers and a decline of such spending power may adversely affect our business.

During the Track Record Period, the average spending per customer per meal for our restaurants ranges from about HK\$60 to HK\$300 (excluding banquet services), and we targeted mid-to-high end market customers (mainly at the lower end of this market segment) and mass market customers. Our Directors anticipate that our revenue will continue to be primarily derived from customers with mid-to-high spending power in the foreseeable future. In view of the sensitivity of the spending power of our target customers to economic downturn and political and social instability, there can be no assurance that the economic, political and social conditions, as well as government policies, would always be favourable to our business in Hong Kong. Any unfavourable economic, political and social conditions may adversely affect our results of operations.

RISK FACTORS

Unforeseeable business interruptions, such as fires, floods, or other natural or man-made disasters, may materially and adversely affect our business operations.

Our operations are vulnerable to interruption by fires, floods, typhoons, power failures and power shortages, hardware and software failures, computer viruses, terrorist attacks and other events beyond our control. Our business is also dependent on prompt delivery and transportation of our food ingredients and other supplies. Certain events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays and labour strikes, could also lead to delayed or lost deliveries of food supplies to our central processing and logistic centre and our restaurants which may result in revenue loss or customer claims. Perishable food ingredients, such as fresh, chilled or frozen food ingredients, may deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation. This may result in failure to provide quality food and services to our customers, thereby adversely affecting our business and damaging our reputation. Fires, floods, earthquakes and terrorist attacks may lead to evacuations and other disruptions in our operations, which may also prevent us from providing quality food and service to customers for an indefinite period of time, thereby affecting our business and damaging our reputation. Any such event could materially and adversely affect our business operations and results of operations.

Possible expansion into the PRC or overseas market may or may not succeed as the PRC and overseas market is different from our existing market in Hong Kong.

As at the Latest Practicable Date, we have no operations in the PRC or overseas market, which we may tap into in the future. Although we have entered into a licencing agreement for the exclusive sub-licenced rights to operate restaurants under the “Gyu-Kaku (牛角)” brand in the South China area, we did not have any concrete plan on the timing for opening any restaurant in the PRC as at the Latest Practicable Date. We may only proceed with our PRC expansion plan subject to satisfactory results of market researches and feasibility studies which we will conduct.

The PRC and overseas markets which we target may have different business environments, competition, customers’ preferences and spending patterns, and legal and regulatory requirements from our existing market in Hong Kong. As a result, we are subject to various risks and uncertainties in opening new restaurants in new markets. For example, customers in the new markets may not be familiar with our brands and we may need to build brand awareness in such markets through greater investments in advertising and promotional activities than our original plan. We may not be able to correctly anticipate or understand customer preferences in the new markets, which may affect the attractiveness and popularity of the menus and the dining environment in our restaurants. We may find it more difficult to hire, train and retain qualified employees who share our business philosophy in the new markets. We may have difficulty in finding reliable suppliers which meet our quality standards in the new markets and in complying with the relevant rules and regulations on restaurant operations in the relevant jurisdictions. In addition, we will also be susceptible to macro-economic conditions in the PRC or other countries which are beyond our control. Any of our possible expansion into the PRC or overseas market may or may not succeed.

RISK FACTORS

RISKS RELATING TO OUR INDUSTRY

We face risks related to instances of food-borne illnesses, health epidemics and other outbreaks or diseases.

The restaurant industry is susceptible to food-borne illnesses, health epidemics and other outbreaks. Furthermore, our reliance on third-party suppliers of food ingredients and other supplies increases the risk that food-borne illness incidents could be caused by such suppliers outside of our control and could affect multiple restaurants in our Group. New illnesses resistant to any precautions currently in place may develop in the future, or diseases with long incubation periods could arise, such as mad-cow disease, that could give rise to claims or allegations on a retroactive basis. Reports in the media of instances of food-borne illnesses could, if highly publicised, negatively affect our industry overall and us in particular, impacting our restaurant sales, forcing the closure of some of our restaurants and conceivably having a significant impact on our operations. This risk exists even if it were later determined that the illness in fact was not caused by our restaurants. Furthermore, other illnesses, such as hand, foot and mouth disease, could adversely affect the supply of some of our important food ingredients and significantly increase our costs.

We also face 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 economy in Hong Kong. For example, in 2003, certain Asian countries and regions, including the PRC, Hong Kong and Taiwan, encountered an outbreak of Severe Acute Respiratory Syndrome, or SARS, a highly contagious form of atypical pneumonia. In 2013 and 2014, human infected cases of influenza A (H7N9) were discovered in China and Hong Kong. A recurrence of SARS or an outbreak of any other epidemics or pandemics, including without limitation, influenza and avian flu, in the areas where we have restaurants may result in quarantines, temporary closures of our restaurants, travel restrictions or the sickness or death of key personnel and our guests. Any of the above may cause material decreases in guest traffic and disruptions to our operations, which in turn may materially and adversely affect our business and results of operations.

The restaurant business may be subject to increasingly stringent licensing requirements, environmental protection regulations and hygiene standards, which can increase our operating costs.

We are required to obtain a number of licences and permits for our restaurant operations, including, among others, general restaurant licences, water pollution control licences, liquor licences, food factory licence and restricted food permits. We are also required to comply with certain environmental protection regulations. The licensing requirements and environmental protection regulations for our restaurant operations in Hong Kong may become more stringent in the future. Also, we cannot assure you that we could obtain or renew all the required licences and permits for our restaurant operations in a timely manner or at all.

In addition, if the relevant government authority concludes that any of our restaurants is not able to meet the required hygiene standards or that we fail to comply with any of the conditions attached to our licences, permits or approvals, we may be required to take steps to comply with the

RISK FACTORS

relevant laws and regulations or may result in revocation of our licences, permits or approvals or suspension of the operation of the relevant restaurant. Any failure to comply with existing regulations, or future legislative changes, could cause our Group to incur significant compliance costs or expenses or result in imposition of fines or penalties against us or suspensions of some or all of our business, which could materially and adversely affect our financial condition and results of operations.

Macro-economic factors have had and may continue to have a material adverse effect upon our business, financial condition and results of operations.

The catering industry in Hong Kong is affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels and consumer spending patterns. In particular, our results of operations are closely affected by the macro-economic conditions in Hong Kong. Any deterioration of the Hong Kong economy, decrease in disposable consumer income, fear of a recession and decreases in consumer confidence may lead to a reduction of guest traffic and average spending per invoice at our restaurants, which could materially and adversely affect our financial condition and results of operations.

Moreover, the occurrence of a sovereign debt crisis, banking crisis or other disruptions in the global financial markets that could impact the availability of credit generally may have a material and adverse impact on financings available to us. Renewed turmoil affecting the financial markets, banking systems or currency exchange rates may significantly restrict our ability to obtain financing from the capital markets or from financial institutions on commercially reasonable terms, or at all, which could materially and adversely affect our business, financial condition and results of operations.

Intense competition in the catering industry in Hong Kong could prevent us from increasing or sustaining our revenue and profitability.

The catering industry is intensely competitive with respect to, among other things, food quality and consistency, taste, 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. We face significant competition at each of our locations from a variety of restaurants in various market segments, including locally-owned restaurants and regional and international chains. Our competitors also offer dine-in, take-away and delivery services. There are a number of well-established competitors with substantially greater financial, marketing, personnel and other resources and many of our competitors are well established in the markets where we have restaurants, or in which we intend to open new restaurants. Additionally, other companies may develop new restaurants that operate with similar concepts and target our customers resulting in increased competition. Competition in the Hong Kong catering industry has further been intensified by the increasing popularity of online meal ordering and delivery platforms, which may reduce customers' tendency to dine out.

Any inability to successfully compete with other restaurants in our markets may prevent us from increasing or sustaining our revenues and profitability and lose market share, which could have a material adverse effect on our business, financial condition, results of operations or cash flows. We

RISK FACTORS

may also need to modify or refine elements of our restaurant system to evolve our concepts in order to compete with popular new restaurant styles or concepts that develop from time to time. We cannot ensure that we will be successful in implementing these modifications or that these modifications will have the intended effect.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained.

Prior to the Global Offering, no public market for our Shares existed. Following the completion of the Global Offering, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for our Shares will develop or be sustained after the Global Offering.

In addition, we cannot assure you that our Shares will be traded in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by agreement among the Joint Global Coordinators (on behalf of the Underwriters) and us, and may not be indicative of the market price of the Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of Shares could be materially and adversely affected.

The trading prices of our Shares may be volatile, which could result in substantial losses to you.

The trading prices of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the trading price performance of other restaurant companies based in Asia may affect the trading price of our Shares. Various broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

RISK FACTORS

The sale or availability for sale of substantial amounts of our Shares could adversely affect their trading price.

Sales of substantial amounts of our Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

The Shares owned by our Controlling Shareholders are subject to certain lock-up periods. There can be no assurance that they will not dispose of these Shares following the expiration of the lock-up periods, or any Shares they may come to own in the future. We cannot predict what effect, if any, significant future sale will have on the market price of our Shares.

Because the Offer Price of our Shares is higher than our net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution.

If you purchase our Shares in the Global Offering, you will pay more for your Shares than our net book value on a per Share basis. As a result, investors of our Shares in the Global Offering will experience an immediate dilution in the net tangible asset value and our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our Shares may experience a further dilution of their interest if the Joint Global Coordinators (on behalf of the International Underwriters), exercises the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

There may be a dilutive effect on the earnings per Share associated with the Post-IPO Share Option Scheme.

We have adopted the Post-IPO Share Option Scheme, details of which are set out in the subsection headed “Statutory and general information — D. Share Option Scheme — 1. Post-IPO Share Option Scheme” in Appendix IV to this prospectus. Issuance of Shares pursuant to the exercise of options to be granted under the Post-IPO Share Option Scheme will result in an increase in the number of Shares in issue after the issuance and thereby will cause dilution to the percentage of ownership of the existing Shareholders, the earnings per Share, and net asset per Share.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Islands Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company’s minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of Cayman Islands Companies Law is set out in Appendix III to this prospectus.

RISK FACTORS

Certain statistics and forecasts in this prospectus were derived from third party sources and have not been independently verified.

This prospectus includes certain statistics and facts that have been extracted from official government sources and publications or other sources and we cannot guarantee neither the quality nor the reliability of such source material. They have not been prepared or independently verified by us, the Sole Sponsor, the Underwriters or any of its or their respective affiliates or advisers, and therefore we take no representation as to the accuracy of such facts and statistics. In addition, the section headed “Industry overview” of this prospectus contains certain forecast data which were based on certain assumptions which, by their nature, are subjective and uncertain. We cannot guarantee the accuracy or adequacy of such assumptions and accordingly, the forecast data. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place, on such facts, statistics and forecasts in this prospectus.

There are risks associated with the forward-looking statements contained in this prospectus.

This prospectus contains certain forward-looking statements and information relating to us and the subsidiaries comprising our Group, which are based on the beliefs of our management as well as assumptions made by and information currently available to our management. Such statements reflect the current views of our Company’s management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus.

You should not rely on any information contained in press articles or other media regarding our Group and the Global Offering.

Prior to the publication of this prospectus, there may be certain press and media coverage regarding our Group and the Global Offering which may include certain information relating to business operations, financial information, industry comparisons and other information about our Group that does not appear in this prospectus. We did not authorise the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Prospective investors should not rely on any such information and should only rely on information included in this prospectus in making any investment decision.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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 Listing Rules for the purpose of giving information with regard to us. 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 in this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on basis and assumptions that are fair and reasonable.

INFORMATION AND REPRESENTATION

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications in relation to subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attaching to them). It is emphasised that none of us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, any of the Underwriters, any of their respective directors, agents, advisers, employees, personnel or any other persons or parties involved in the Global Offering accepts responsibility for any tax affairs or liabilities of any person resulting from the subscription for, purchase, holding or disposing of, dealing in our Shares, or the exercise of any rights attaching to our Shares.

Issuer LH GROUP LIMITED

The Global Offering The Global Offering of (i) initially 20,000,000 new Shares for subscription by the public in Hong Kong (including 2,000,000 Employee Reserved Shares) (subject to reallocation) and (ii) initially 180,000,000 new Shares for subscription (subject to reallocation and the Over-allotment Option).

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

	<p>If the Over-allotment Option is exercised, our Company will be issuing up to 30,000,000 new Shares.</p> <p>Of the 20,000,000 Shares initially being offered under the Hong Kong Public Offering, up to 2,000,000 Shares are offered to the Eligible Employees for subscription under the Employee Preferential Offering.</p>
Offer Price range	Not more than HK\$1.30 and not less than HK\$1.00 per Share
Share borrowing arrangements in connection with settlement	The Stabilising Manager or any person acting for it may borrow from LHG Holdings up to 30,000,000 Shares (assuming the Over-allotment Option is exercised in full).
Over-allotment Option	Up to 30,000,000 additional new Shares to be issued by our Company
Shares outstanding after the Global Offering	800,000,000 Shares (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option)
Procedure for application for Hong Kong Public Offer Shares	Please refer to the section headed “How to apply for the Hong Kong Public Offer Shares and Employee Reserved Shares” in this prospectus and on the relevant Application Forms.
Conditions of the Hong Kong Public Offering	Details of the conditions of the Hong Kong Public Offering are set out in the subsection headed “Structure and conditions of the Global Offering — Conditions of the Global Offering” in this prospectus.
Lock-up undertakings by our Company and the Controlling Shareholders	Please refer to the subsections headed “Underwriting — Underwriting arrangements and expenses — Undertakings to the Stock Exchange under the Listing Rules” and “Underwriting — Underwriting arrangements and expenses — Undertakings pursuant to the Hong Kong Underwriting Agreement” in this prospectus.
Stamp duty	<p>Dealings in the Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.</p> <p>Transfers of the Shares registered on our principal register of members in Cayman Islands will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.</p>
Application for listing on the Stock Exchange	Application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, our Shares

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Capitalisation Issue and any Shares which fall to be issued pursuant to the exercise of the options granted under the Post-IPO Share Option Scheme. No part of the Share or the loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Restrictions on offers and offers for sale

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus 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 in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

Eligibility for CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and compliance of the stock admission requirements of HKSCC, our 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 participants of the Stock Exchange is required to take place in CCASS on the second business day (as defined in the Listing Rules) after any trading day. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Language

If there is any inconsistency between the English version and the Chinese translation of this prospectus, the English version of this prospectus shall prevail.

Rounding of figures

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

Commencement of dealing in the Shares

Dealings in our Shares on the Main Board are expected to commence at 9:00 a.m. (Hong Kong time) on Wednesday, 30 May 2018. Shares will be traded in board lots of 2,000 Shares each.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Wong Kit Lung Simon JP (黃傑龍)	Flat B, 30/F, Block 3 Pacific View 38 Tai Tam Road Tai Tam Hong Kong	Chinese (Hong Kong)
Ko Sau Chee Grace (高秀芝)	Flat C, 13/F, Fu Kar Court Fortress Garden 32 Fortress Hill Road North Point Hong Kong	Chinese (Hong Kong)
Ho Chi Wai (何志偉)	Flat D, 12/F, Block 6 Harmony Garden 9 Siu Sai Wan Road Siu Sai Wan Hong Kong	Chinese (Hong Kong)
<i>Independent non-executive Directors</i>		
Sin Yat Kin SBS, CSDSM (單日堅)	Flat C, 21/F, Tower 17 Pacific Palisades 1 Braemar Hill Road North Point Hong Kong	Chinese (Hong Kong)
Hung Lo Shan Lusan (熊璐珊)	Flat 4, 1/F, Block B Greenville Gardens 15 Shiu Fai Terrace Hong Kong	Chinese (Hong Kong)
Hung Wai Man JP (洪為民)	Flat D, 14/F Maple Mansion Taikoo Shing Hong Kong	Chinese (Hong Kong)

For detailed information of our Directors, please refer to the section headed "Directors and senior management" of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

Sole Sponsor

China Everbright Capital Limited
24/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

(a licenced corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities)

Joint Global Coordinators

China Everbright Securities (HK) Limited
24/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

(a licenced corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities)

Sinolink Securities (Hong Kong) Company Limited
Units 2503, 2505-06 25/F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

(a licenced corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities)

Celestial Capital Limited
21/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

(a licenced corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)

Joint Bookrunners

China Everbright Securities (HK) Limited
24/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

(a licenced corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities)

Sinolink Securities (Hong Kong) Company Limited
Units 2503, 2505-06 25/F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

(a licenced corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities)

Celestial Capital Limited
21/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

(a licenced corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)

RHB Securities Hong Kong Limited
12/F World-Wide House
19 Des Voeux Road Central
Hong Kong

(a licenced corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities))

Joint Lead Managers

China Everbright Securities (HK) Limited
24/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

(a licenced corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities)

Sinolink Securities (Hong Kong) Company Limited
Units 2503, 2505-06 25/F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

(a licenced corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities)

Celestial Capital Limited
21 /F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

(a licenced corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)

RHB Securities Hong Kong Limited
12/F World-Wide House
19 Des Voeux Road Central
Hong Kong

(a licenced corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities))

Grand View Securities Limited
Suite 6209, 62/F, The Centre,
99 Queen's Road, Central
Hong Kong

(a licensed corporation under the SFO to engage in type 1 (dealing in securities))

Hong Kong Underwriters and International Underwriters

China Everbright Securities (HK) Limited
24/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

Sinolink Securities (Hong Kong) Company Limited
Units 2503, 2505-06 25/F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Celestial Capital Limited
21 /F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

RHB Securities Hong Kong Limited
12/F World-Wide House
19 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	Grand View Securities Limited Suite 6209, 62/F, The Centre, 99 Queen's Road, Central Hong Kong
Legal advisers to the Company	<i>As to Hong Kong law</i> King & Wood Mallesons 13/F, Gloucester Tower, The Landmark 15 Queen's Road Central Central Hong Kong
	<i>As to Cayman Islands law</i> Walkers 15th Floor Alexandra House 18 Chater Road Central Hong Kong
Legal advisers to the Sole Sponsor and the Underwriters	<i>As to Hong Kong law</i> Deacons 5th Floor Alexandra House 18 Chater Road Central Hong Kong
Auditor and reporting accountant	PricewaterhouseCoopers Certified Public Accountants 22/F, Prince's Building Central Hong Kong
Receiving bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

Principal Place of Business and Head Office in Hong Kong	Unit 03, L22, Tower 1 Enterprise Square Five 38 Wang Chiu Road Kowloon Bay Hong Kong
Registered Office in Cayman Islands	Walkers Corporate Limited Cayman Corporate Centre 27 Hospital Road George Town Grand Cayman KY1-9008 Cayman Islands
Place of Business in Hong Kong registered under Part 16 of the Companies Ordinance	Unit 03, L22, Tower 1 Enterprise Square Five 38 Wang Chiu Road Kowloon Bay Hong Kong
Company's Website	www.lhgroup.com.hk <i>(The contents of this website do not form part of this prospectus)</i>
Joint Company Secretaries	Ms. Chan Hiu Yi (ACIS, ACS) Flat 7C Block 1 Yuet Ming Building 52 Yuet Wah Street Kwun Tong Hong Kong Ms. Yu Wing Sze (ACIS, ACS) 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorized Representatives	Mr. Ho Chi Wai Flat D, 12/F, Block 6 Harmony Garden 9 Siu Sai Wan Road Siu Sai Wan Hong Kong Ms. Chan Hiu Yi (ACIS, ACS) Flat 7C Block 1 Yuet Ming Building 52 Yuet Wah Street Kwun Tong Hong Kong
Audit Committee	Ms. Hung Lo Shan Lusan (Chairperson) Mr. Hung Wai Man JP Mr. Sin Yat Kin SBS
Remuneration Committee	Mr. Sin Yat Kin SBS (Chairperson) Mr. Wong Kit Lung Simon JP Ms. Hung Lo Shan Lusan

CORPORATE INFORMATION

Nomination Committee	Mr. Wong Kit Lung Simon <i>JP</i> (<i>Chairperson</i>) Mr. Sin Yat Kin <i>SBS</i> Mr. Hung Wai Man <i>JP</i>
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Cayman Islands Principal Share Registrar and Transfer Office	Walkers Corporate Limited Cayman Corporate Centre 27 Hospital Road George Town Grand Cayman KY1-9008 Cayman Islands
Compliance Advisor	China Everbright Capital Limited 24/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay Hong Kong
Principal Banks	Bank of China (Hong Kong) Kowloon East Commercial Centre Units 7-10, 6/F Telford House 16 Wang Hoi Road Kowloon Bay Hong Kong Shanghai Commercial Bank North Point Branch 486 King's Road North Point Hong Kong

INDUSTRY OVERVIEW

The information that appears in this section has been prepared by Frost & Sullivan and reflects estimates of market conditions based on publicly available sources 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 value of any security or the advisability of investing in us. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors 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. The information prepared by Frost & Sullivan and set out in this section has not been independently verified by us, the Sole Sponsor, the Controlling Shareholders, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s) or any other party or affiliate involved in the Global Offering and neither did they give any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an Independent Third Party, to conduct a study of the catering industry in Hong Kong. We agreed to pay Frost & Sullivan a fee of HK\$700,000 for the preparation of the Frost & Sullivan Report.

The methodology used by Frost & Sullivan in gathering the relevant market data in compiling the Frost & Sullivan Report included secondary research and primary interviews. Secondary research involves information integration of data and publication from publicly available resources, including official data and announcements from Hong Kong government departments, and market research on industry and enterprise player information issued by our chief competitors. Primary interviews are conducted with relevant institutions to obtain objective and factual data and prospective predictions.

Frost & Sullivan conducts research on market size, share and segmentation analysis, competitor tracking and corporate intelligence, etc. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Frost & Sullivan has four offices in China and direct access to the most knowledgeable experts and market participants in the catering industry.

ASSUMPTIONS USED IN THE FROST & SULLIVAN REPORT

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) the economy of Hong Kong is assumed to maintain steady growth across the forecast period; (ii) the social, economic and political environments of Hong Kong are likely to remain stable in the forecast period, which ensure the stable and healthy development of the catering market; and (iii) there is no war or large scale disaster during the forecast period.

INDUSTRY OVERVIEW

RELIABILITY OF INFORMATION IN THE FROST & SULLIVAN REPORT

The information contained in this section was extracted from the Frost & Sullivan Report.

OVERVIEW OF HONG KONG CATERING INDUSTRY

The Hong Kong catering industry refers to the commercial activities of providing prepared foods, consumption sites, and facilities for consumers. Set out below is a table showing the key characteristics of the common restaurant categories of the catering industry.

<u>Restaurant category</u>	<u>Key characteristics</u>
Full service restaurants	<p>They offer a wider range of cuisines at fixed lunch and dinner times rather than all day. They generally provide a more comfortable dining ambience and full table service.</p> <p>Customers are served their meals at the table and typically pay at the end of the meal. Service fees are often charged.</p>
Casual dining restaurants	<p>Casual dining refers to catering establishments that serve moderately-priced food in a casual environment. They typically provide some table service. Opening times are longer and meal times are more flexible than those of a full service restaurant.</p> <p>Examples are casual Chinese restaurants, casual western dining establishments, cafes, teahouses and bars serving drinks along with snacks.</p>
Quick service restaurants	<p>They provide a simple dining ambience. Limited or no table service is offered.</p> <p>Customers usually order food, settle their bills and take their meals at the service counter. Target customers include the young generation and the working class.</p>

Market size of Hong Kong catering industry

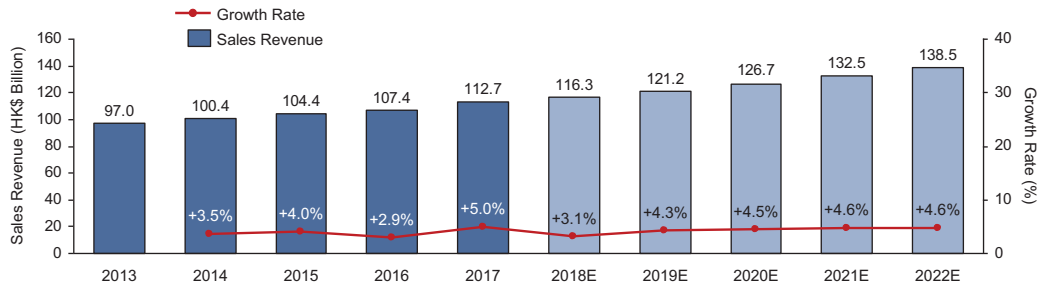
As one of the most famous tourist cities in Asia, Hong Kong is not only renowned as a shopping paradise but also well-known for its wide variety of delicious food. The catering industry is expected to keep a sustainable growth supported by solid market demand. The market size of the catering industry in Hong Kong experienced a moderate growth from HK\$97.0 billion in 2013 to HK\$112.7 billion in 2017, representing a CAGR of 3.8%.

With further development of the tourism industry, continuous improvement of per capita annual disposable income and a growing preference to dine out more often, the sales revenue of the catering market in Hong Kong is estimated to reach HK\$138.5 billion in 2022, realising a CAGR of 4.2% from 2017 to 2022.

Presently, consumers, especially tourists, are willing to choose restaurant chains with a well-established brand image and reputation. These restaurants generally provide delicious and fresh food with high and stable quality in order to retain their consumer base.

INDUSTRY OVERVIEW

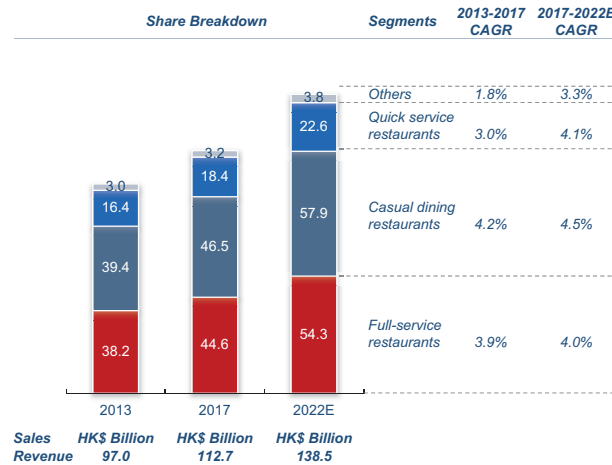
Sales Revenue of Catering Market (Hong Kong), 2013-2022E



Source: Frost & Sullivan

In Hong Kong, the casual dining restaurant segment and full service restaurants are the predominant market segments in the catering industry, accounting for 41.3% and 39.6% of total sales revenue of Hong Kong's catering industry respectively in 2017, with full service restaurants constituting the second largest target customer base due to their affordability and variety of cuisine offerings. This segment is estimated to account for 39.2% in the total revenue of Hong Kong's catering industry in 2022, and is likely to experience a moderate growth at a CAGR of 4.0%, reaching HK\$54.3 billion in 2022.

Catering Market Categories: Sales Revenue Split and Growth (Hong Kong), 2013, 2017 & 2022E



Note: Others include takeaway shops, hawker stalls, roadside vendors and those establishments not otherwise described in the organised segments above.

Source: Frost & Sullivan

INDUSTRY OVERVIEW

OVERVIEW OF HONG KONG FULL SERVICE RESTAURANT MARKET

The full service restaurant market can be categorised into three major types, including Chinese cuisine, Asian cuisine and Western cuisine:

Chinese cuisine refers to traditional Chinese dishes, which usually consists of cold dishes and hot dishes. Chinese cuisine includes Cantonese cuisine, Beijing cuisine, Sichuan cuisine, Shanghai cuisine and other Chinese cuisines. A grouped dining system is used in Chinese cuisine. People are seated on one table and share food from the same plate. Food is well cooked and organised in the kitchen before they are placed on table.

Asian cuisine includes traditional dishes from Asian countries other than China such as Japanese cuisine, Korean cuisine, and other Asian cuisines.

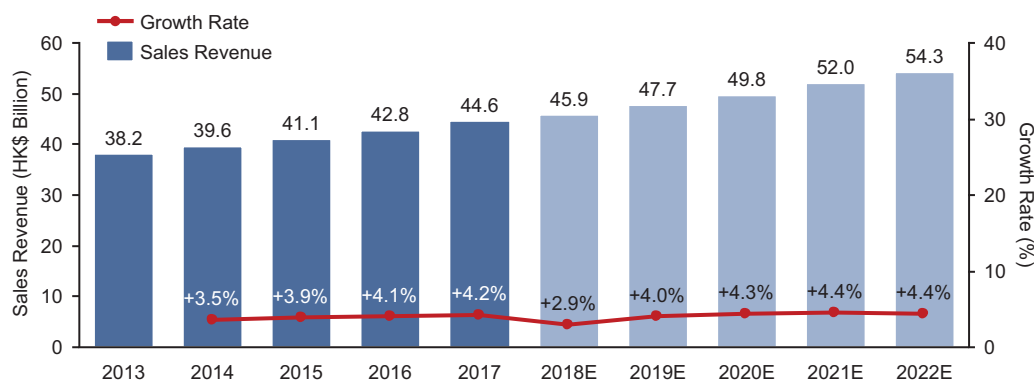
Western cuisine refers to western style dishes, which are usually served in separate dining systems. French cuisine, Italian cuisine, Mexican cuisine and all styles of cuisines other than Chinese cuisine and Asian cuisine are included in this segment. People generally do not share food and have their own dishes when having western cuisine. Dishes are served one by one, which usually consist of appetiser, soup, salad, main course, dessert, ice cream, and coffee.

MARKET SIZE OF HONG KONG FULL SERVICE RESTAURANT MARKET

Hong Kong's full service restaurant market increased from HK\$38.2 billion in 2013 to HK\$44.6 billion in 2017, with a CAGR of 3.9% in that period. This growth can be attributed to the increasing demand for dining out in Hong Kong along with the increasing household expenditure on food, as a result of the rising living standard and improving quality of lifestyle.

In the following years, with further development in the catering industry, high level of standardisation, increasing willingness of dining out, the Hong Kong full service restaurant market is expected to continue to maintain an upward trend. According to Frost & Sullivan, the total sales revenue of the full service restaurant market in Hong Kong is expected to reach HK\$54.3 billion in 2022, representing a CAGR of 4.0% from 2017.

Sales Revenue of Full service Restaurant Market (Hong Kong), 2012-2021E



Source: Frost & Sullivan

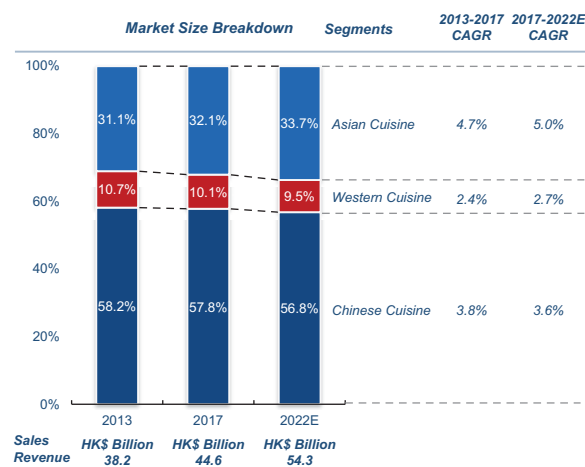
INDUSTRY OVERVIEW

Among the full service restaurant market, Chinese cuisine still accounts for the majority of full service restaurant market in terms of revenue. The market share was relatively stable during 2013 to 2017. Cantonese cuisine accounted for over 80% of the market for the Chinese cuisine market.

Asian cuisine, accounting for 32.1% in 2017 in terms of revenue, has experienced the fastest growth among all segments. The market is expected to grow from HK\$14.3 billion in 2017 to HK\$18.3 billion in 2022, representing a CAGR of 5.0%. Asian cuisine includes Japanese cuisine, Korean cuisine, Thai cuisine and other Asian style cuisines. Japanese cuisine accounted for the largest share of 14.0% of the total market among Asian cuisine. Japanese cuisine market kept growing during the past several years, reaching HK\$6.2 billion in 2017, representing a CAGR of 7.1% from 2013 to 2017. The segment is expected to maintain the fast growing trend in the coming future with a CAGR of 7.0% from 2017 to 2022. Korean cuisine grew from HK\$0.4 billion in 2013 to HK\$0.7 billion in 2017 at a CAGR of 11.0% and is expected to grow at a CAGR of 8.3% from 2017 to 2022.

Western cuisine accounted for approximately 9.5% in 2017.

Full service Restaurant Breakdown: Sales Revenue Split and Growth (Hong Kong), 2013, 2017 & 2022E



Source: Frost & Sullivan

MARKET DRIVERS OF HONG KONG FULL SERVICE RESTAURANT MARKET

Growing Consumption Power

The steady growth in income in Hong Kong during the years from 2013 to 2017 resulted in an increase in the consumption expenditure for dining out. As people in Hong Kong continued to pursue enhanced dining experiences, they were more willing to dine out. Hence the habit of dining out has remained high in recent years. More spending on dining-out would be one of the market drivers behind the growth of the full service restaurant market.

Increasing Awareness of Health

Consumers in Hong Kong are having a rising awareness of health and wellness. Compared with fast food, full service cuisines are always considered to be healthier and more nutritious. Dishes

INDUSTRY OVERVIEW

without strong flavour or oil such as Cantonese cuisine and Japanese cuisine are highly welcomed by Hong Kong consumers. The rising awareness of healthy eating is likely to drive the market in the coming future.

Growing Interest towards Other Cultures

The rapid development of the Internet and tourism has raised a growing interest towards other cultures. Eating has been essential to all cultures. Influenced by J-pop and K-pop, Japanese cuisine and Korean cuisine have become the two fastest growing segments in Hong Kong's full service restaurant market and are expected to further drive the market due to the growing popularity of Japanese and Korean idols and dramas.

ENTRY BARRIERS TO HONG KONG FULL SERVICE RESTAURANT MARKET

Initial Set-up Capital

It is crucial for full service restaurant operators in Hong Kong to have enough capital support to ensure renting and decorating, staff hiring, equipment and facilities purchasing. Full service restaurants usually lay more emphasis on decorating and environment, and training of waiters/waitresses.

Brand Awareness & Recognition

Generally, strong brand names are highly related to food taste, safety and quality, service and environment, etc. In that case, a restaurant with a positive reputation and a strong brand name is more likely to be welcomed by visitors. For the new entrants, it is hard for them to establish brand awareness and recognition in the short term.

Recruitment of Chefs

Full service restaurants depend more on the cooking skills of chefs than other types of restaurants. Recruitment of chefs and the standardisation of cooking procedures is a key entry barrier for new entrants. Moreover, management of staff turnover rate is difficult for new entrants with no experience.

Restaurant Location

Location is a key success factor for a restaurant. However, suitable locations may not be easily available for new entrants. New entrants have to seek chances for a new location. Limited supply of restaurant locations is a key entry barrier for new entrants.

Complex Licence Application

In Hong Kong, licence applications for operating restaurants are complicated which may deter new restaurant owners from entering into the market.

INDUSTRY OVERVIEW

KEY SUCCESS FACTORS OF HONG KONG FULL SERVICE RESTAURANT MARKET

Reliable Raw Material Suppliers and Highly Qualified Chefs

Raw food materials of food supply and cooking skills of chefs are the key factors to competitiveness of full service restaurants. Therefore, reliable raw food material suppliers are an important factor in ensuring hygienic and fresh food. Chefs, who are the soul of a restaurant, not only ensure the quality of the dishes, but also develop new dishes. The cooking skills of chefs determine the quality and the word of mouth of the restaurants.

Brand Awareness and Good Reputation

Brand image is the first impression to customers for a restaurant. The brand's success lies in the consumers' recognition of the food and service provided. As a tourist attraction, tourists refer to many source of information to judge the restaurants. Many social platforms offer third party comments on the restaurant. Management of customers' feedback and online remarks is a key success factor of full service restaurants.

High-Quality Service of Waiters

Full service restaurants have to pay much attention to the service quality of waiters. Modern restaurants should not only provide customers with food but also a comprehensive and meticulous service. The response time and the attitude of a waiter may not only determine the customers' satisfaction of the restaurant, but also the revenue considering the turnover rate of the tables/seats. Moreover, service of the restaurant is a key differentiator in such a highly competitive market.

Strong Management and Operational Capability

Unlike quick service restaurants, full service restaurants have much lower turnover rates of tables/seats. Therefore, shortening the waiting time of customers is the key to manage customers' satisfaction as well as the key to increase revenue by raising the turnover rate of tables/seats. Semi-finished food from the central kitchen is one key step to increase efficiency.

Suitable Location and Stable Visitors Flow

Suitable location refers to someplace where the restaurant can reach enough target customers to sustain its business. As in Hong Kong, land resources are scarce. Good location, which can target a stable flow of visitors with enough purchasing power, is a key success factor of full service restaurants.

Average Price of Key Raw Materials

Seafood, fresh vegetables, meat and drinks are the most commonly-used raw materials in the full service restaurant market. According to the Census and Statistics Department of Hong Kong, the consumer price indices of major ingredients have generally increased from 2012 to 2017. During the period from 2012 to 2017, the 2009/10-based price index of meat (including beef, pork, poultry, frozen meat and other meat) increased from 121.8 to 146.0, at a CAGR of approximately 3.7%. The price index

INDUSTRY OVERVIEW

of seafood (including salt-water fish and other fresh sea products) increased from 146.6 to 188.1, at a CAGR of approximately 5.1%. The price index of fresh vegetables increased from 109.8 to 123.9, representing a CAGR of approximately 2.4%. The price index of drinks (including alcohol and non-alcoholic drinks) increased from 107.4 to 114.7, at a CAGR of approximately 1.3%.

Consumer price index of major ingredients in full service restaurant

	2012	2013	2014	2015	2016	2017	CAGR between 2012 and 2017
Seafood	146.6	153.8	164.6	177.1	183.4	188.1	5.1%
Fresh Vegetables	109.8	121.8	123.5	123.4	135.9	123.9	2.4%
Meat	121.8	127.0	129.0	135.1	142.7	146.0	3.7%
Drinks	107.4	110.8	113.7	114.7	114.1	114.7	1.3%

Source: Hong Kong Census and Statistics Department, Frost & Sullivan

COMPETITIVE ANALYSIS OF HONG KONG FULL SERVICE RESTAURANT MARKET

As of 2017, Hong Kong's full service restaurants market is relatively fragmented and the top 10 players occupied approximately 33.2% of the entire full service restaurant market. The Group ranked at 5th of the market with revenue of HK\$0.81 billion and a market share of 1.8% in 2017.

Top Ten Players of Full service Restaurant Market in Terms of Revenue (Hong Kong), 2017

Ranking	Company	Revenue (HK\$ Billion)	Market Share (%)
1	Company A	4.70	10.5%
2	Company B	2.91	6.5%
3	Company C	2.45	5.5%
4	Company D	0.84	1.9%
5	The Group	0.81	1.8%
6	Company E	0.79	1.8%
7	Company F	0.68	1.5%
8	Company G	0.63	1.4%
9	Company H	0.61	1.4%
10	Company I	0.37	0.8%
Top 10		14.79	33.2%
Others		29.79	66.8%
Total		44.58	100.0%

Source: Frost & Sullivan

Compared to Hong Kong's Chinese cuisine market, the Asian Cuisine market in Hong Kong is more fragmented. The top five players only took up 28.7% of market share in terms of revenue in 2017. The Group ranked at 3rd place in terms of revenue in 2017. The Group gained HK\$0.52 billion of revenue in Hong Kong and took up approximately 3.6% of market share in 2017.

INDUSTRY OVERVIEW

Top Five Players of Asian Cuisine Market in Terms of Revenue (Hong Kong), 2017

Ranking	Company	Revenue (HK\$ Billion)	Market Share (%)
1	Company A	2.16	15.1%
2	Company B	0.57	4.0%
3	The Group	0.52	3.6%
4	Company J	0.45	3.1%
5	Company K	0.40	2.8%
Top Five		4.10	28.6%
Others		10.20	71.4%
Total		14.30	100.0%

Source: Frost & Sullivan

Hong Kong's Chinese cuisine market is relatively concentrated. The top three players occupied approximately 27.9% of market share in terms of revenue in 2017. In 2017, the Group realised HK\$0.29 billion of revenue in Chinese cuisine business and took up approximately 1.1% share in the market.

Hong Kong's Japanese cuisine market is relatively concentrated with top five players occupying 59.5% in terms of revenue in 2017. Company A, an integrated catering service provider in Hong Kong, ranked the first in Hong Kong's Japanese cuisine market in 2017. The Group ranked at the 2nd position in Hong Kong's Japanese cuisine market, with a market share of 7.9% in terms of revenue in 2017.

Top Five Players of Japanese Cuisine Market in Terms of Revenue (Hong Kong), 2017

Ranking	Company	Revenue (HK\$ Billion)	Market Share (%)
1	Company A	2.12	34.0%
2	The Group	0.49	7.9%
3	Company J	0.45	7.2%
4	Company K	0.40	6.4%
5	Company L	0.25	4.0%
Top five		3.71	59.5%
Others		2.53	40.5%
Total		6.24	100.0%

Source: Frost & Sullivan

OPPORTUNITIES OF HONG KONG FULL SERVICE RESTAURANT MARKET

Rising popularity of Japanese cuisines: According to Japan National Tourism Organisation, the number of Hong Kong visitors to Japan has demonstrated a robust growth from 745,881 in 2013 to 2,231,568 in 2017 with a CAGR of 31.5%, indicating that Japanese culture is on a rising trend for Hong Kong residents and indicating the rising demand for Japanese cuisines in Hong Kong. As a result, the popularisation of Japanese food in Hong Kong serves as a good development opportunity for related segment in the catering industry and it is not surprising to see the growing number of restaurants offering Japanese cuisines in recent years.

Expansion of online channels for marketing: During recent years, the number of smartphones with access to the Internet had demonstrated a significant growth in Hong Kong. The high penetration of smartphones and the Internet offer a potential opportunity for restaurant operators to further develop their business apart from traditional marketing tools.

INDUSTRY OVERVIEW

Rising popularity among young generation: Young people are more likely to dine out and are attracted to new culinary and specialty food. Thus specialty cuisine restaurants with modern and fashionable dining environments could attract more young customers compared to traditional restaurants.

THREATS TO HONG KONG FULL SERVICE RESTAURANT MARKET

Drop in Visitor Number: Due to the unstable global economy, the outbreak of MERS in South Korea, currency factor and other factors, Hong Kong's tourism industry stopped its continuous growing trend and faced a drop of 4.5% in 2016. Mainland China visitor arrivals, accounting for 75.5% of the overall market, dropped 6.7% in 2016. Though the market showed a recovering trend in 2017, the unstable tourism industry may influence the market.

Increasing operation cost on labour and raw materials: The rising cost of operation has been putting financial pressure on restaurant operators during the recent years, mainly attributable to increased minimum wage pursuant to bi-annual reviews of the Statutory Minimum Wages since 2011 and the soaring cost of raw materials including meat and vegetables along with inflation. With effect from 1 May 2017 the statutory minimum wage was increased to HK\$34.5 per hour. As a labour intensive industry, there is a likelihood that catering service providers may encounter the higher labour cost and thus operation cost.

REGULATORY OVERVIEW

The following sets out the most significant aspects of Hong Kong laws and regulations relating to our business operations in Hong Kong. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to us:

Laws relating to the operations of our restaurants

Depending on the nature of business of our Group's operations, there are three principal types of licences that may be required for the operation of our Group's restaurants in Hong Kong. They are as follows:

- (a) food business licence, including restaurant licence for restaurant operation, food factory licence for food factory businesses, restricted food permits for sale of live fish, shell fish, sashimi and oysters to be eaten in a raw state, and food safety licence for food importation and distribution which are required to be obtained before commencement of the relevant food business operation;
- (b) liquor licence, which is to be obtained before commencement of sale of liquor in the restaurant premises; and
- (c) water pollution control licence, which is required to be obtained before any discharge of trade effluents into a communal sewer or communal drain in a water control zone commences.

Health and safety regulatory compliance

General restaurant licence

Any person operating a restaurant in Hong Kong is required to obtain a general restaurant licence from the FEHD under the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and the FBR before commencing the restaurant business. It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffer to be carried on any restaurant business except with a general restaurant licence. 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 general restaurant licence. The FEHD will also consult the Buildings Department and the Fire Services Department in assessing the suitability of premises for use as a restaurant, where the fulfilment of the Buildings Department's structural standard and the fulfilment of the Fire Services Department's fire safety requirements are considered. It is provided under section 33C of the FBR that the FEHD 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 one year, both subject to payment of the prescribed licence fees and continuous compliance with the requirements under the relevant legislations and regulations. A provisional restaurant licence is renewable on one occasion and a full restaurant licence is renewable annually.

REGULATORY OVERVIEW

Under section 35 of the FBR, any person who is guilty of an offence for carrying on a restaurant business without a valid licence shall be liable on summary conviction to a maximum fine of HK\$50,000 and imprisonment for six months and, where the offence is a continuing offence, to an additional fine of HK\$900 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Food factory licence

In respect of food businesses involving the preparation of food for sale off the premises, a food factory licence has to be obtained from the FEHD under the FBR. It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffered to be carried on any food factory business except with a food factory licence. It is provided under section 33C of the FBR that the FEHD may grant a provisional food factory licence to a new applicant who has fulfilled the basic requirements in accordance with the FBR pending fulfilment of all outstanding requirements for the issue of a full food factory licence. A provisional food factory licence is valid for a period of six months or a lesser period and a full food factory licence is valid generally for a period of one year, both subject to payment of the prescribed licence fees and continuous compliance with the requirements under the relevant legislations and regulations. A provisional food factory licence is renewable on one occasion and a full food factory licence is renewable annually.

Under section 35 of the FBR, any person who is guilty of an offence for carrying on a food factory business without a valid licence shall be liable on summary conviction to a maximum fine of HK\$50,000 and imprisonment for six months and, where the offence is a continuing offence, to an additional fine of HK\$900 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Restricted food permit

Under sections 30(1), 31A and Schedule 2 of the FBR and according to the guideline of the FEHD, it is required that no person shall sell, or offer or expose for sale, or possess for sale or for use in the preparation of any article of food for sale, any of the foods specified in Schedule 2 of the FBR (including sashimi, oysters to be eaten in raw state, live fish and shell fish). Under section 35 of the FBR, any person who is guilty of an offence under section 30(1) of the FBR may be liable to a maximum fine of HK\$50,000, imprisonment for six months and HK\$900 for each day where the offence is a continuing offence.

Food safety licence

The FSO establishes a registration scheme for food importers and food distributors to require the keeping of records by persons who acquire, capture, import or supply food and to enable food import controls to be imposed. Under sections 4 and 5 of the FSO, any person who carries on a food importation business or food distribution business is required to register with the FEHD as a food importer or food distributor. Any person who does not register but carries on a food importation or distribution business, without reasonable excuse, commits an offence and is liable to a maximum of HK\$50,000 and imprisonment for six months.

REGULATORY OVERVIEW

Under section 24 of the FSO, a person who, in the course of business, supplies food in Hong Kong by wholesale must record the following information about the supply:

- (a) the date the food was supplied;
- (b) the name and contact details of the person to whom the food was supplied;
- (c) the total quantity of the food; and
- (d) a description of the food.

A record must be made under section 24 of the FSO within 72 hours after the time in which the supply had taken place. Any person who fails to comply with the record-keeping requirement, without reasonable excuse, commits an offence and is liable to a maximum fine of HK\$10,000 and imprisonment for three months.

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 legislations. 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 licenced premises, the licence in respect of such licenced premises will be subject to suspension for seven days ("**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 licenced premises, the licence will be subject to suspension for 14 days ("**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 licenced 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 tripled 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 has not yet been 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 legislations upon the conclusion of the hearing at a later date.

REGULATORY OVERVIEW

Hygiene Manager and Hygiene Supervisor Scheme

To strengthen food safety supervision in licenced food premises, the FEHD has introduced the Hygiene Manager and Hygiene Supervisor Scheme. Under this Hygiene Manager and Hygiene Supervisor Scheme, 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 provide training to 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 (September 2016 Edition)” of the FEHD, one of the criteria for the issuance of a provisional restaurant licence/full general restaurant licence is the submission of a duly completed nomination form for hygiene managers and/or hygiene supervisors together with a copy of the relevant course certificate(s).

Liquor regulatory compliance

Liquor licence

In Hong Kong, a person must obtain a liquor licence from the Liquor Licensing Board under the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong). It is provided under section 17(3B) of the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong) 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 Liquor Licensing Board under the Dutiable Commodities (Liquor) Regulations before commencement of such business. Regulation 25A of the Dutiable Commodities (Liquor) Regulations 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 licenced 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 Dutiable Commodities (Liquor) Regulations, any transfer of a liquor licence must be made in the form as determined by the Liquor Licensing Board. For a transfer application, consent of the holder of a liquor licence is required. Under Regulation 24 of the Dutiable Commodities (Liquor) Regulations, in case of illness or temporary absence of the holder of a liquor licence, the secretary to the Liquor Licensing Board may in his discretion authorise any person to manage the licenced premises. The application under such Regulation is required to be made by the

REGULATORY OVERVIEW

holder of liquor licence. For any application for cancellation of the liquor licence made by the holder of a liquor licence, an application for the new issue of a liquor licence will be required to be made to the Liquor Licensing Board.

Under section 54 of the Dutiable Commodities Ordinance, in case of the death or insolvency of the holder of a liquor licence, his executor or administrator or trustee may carry on the business in the licenced premises until the expiration of the licence. Under Regulation 20 of the Dutiable Commodities (Liquor) Regulations, 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 legislations and regulations.

Under section 46 and Schedule 2 of the Dutiable Commodities Ordinance, a person who commits an offence under section 17 of the Dutiable Commodities Ordinance is liable to a maximum penalty of HK\$1,000,000 and imprisonment for two years.

Environmental regulatory compliance

Water pollution control licence

In Hong Kong, discharges of trade effluents into specific water control zones are subject to control by the EPD under the WPCO. Under sections 8(1) and 8(2) of the WPCO, a person who discharges (i) any waste or polluting matters into 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. Under sections 9(1) and 9(2) of the WPCO, a person who discharges any matter into a communal sewer or communal drain into 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(4) of the WPCO, the EPD may grant a water pollution control licence with terms and conditions 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 and generally five years, subject to payment of the prescribed licence fee and continuous compliance with the requirements under the relevant legislations and regulations. A water pollution control licence is renewable.

Under section 11 of the WPCO, a person who commits an offence under sections 8(1), 8(2), 9(1) or 9(2) of the WPCO, is liable to imprisonment for six months and a fine of HK\$200,000 for a first offence and up to HK\$400,000 for a second or subsequent offence and in addition, if the offence is continuing, to a fine of HK\$10,000 for each day where the offence has continued. Under section 11 of the WPCO, a person who commits an offence under sections 8(1A), 9(1) or 9(2) of the WPCO by

REGULATORY OVERVIEW

discharging any poisonous or noxious matter into a communal sewer or communal drain is liable to imprisonment for one year and a fine of HK\$400,000 for a first offence and up to HK\$1,000,000 and imprisonment for two years for a second or subsequent offence and in addition, if the offence is continuing, to a fine of HK\$40,000 for each day where the offence has continued.

Air pollution control approval

Under section 30 of the APCO and Regulation 11 of the APCR, (I) where it appears to the EPD that a chimney, relevant plant or other machinery or equipment may evolve any air pollutant by reason of (a) unsuitable design, defective construction or lack of maintenance; (b) excessive wear and tear; (c) the use of unsuitable fuel or other material; or (d) improper operation, the EPD may serve a notice on the owner of the premises in which the chimney, relevant plant or other machinery or equipment is found (i) requiring him, within a reasonable time specified in the notice, to modify, replace, clean or repair the chimney, relevant plant or other machinery or equipment specified in the notice or to take the other steps specified in the notice; (ii) requiring him, within a reasonable time specified in the notice, to install control equipment or a control system or additional control equipment or an additional control system specified in the notice; (iii) requiring him, after a reasonable time specified in the notice, to operate the chimney, relevant plant or other machinery or equipment in the manner specified in the notice; (iv) prohibiting him from using or permitting the use in the relevant plant or other machinery or equipment, after a reasonable time specified in the notice, the fuel, or other material, or mixture of fuels, or other materials specified in the notice; and (II) no occupier shall carry out or cause or permit to be carried out any work in relation to the installation, alteration or modification of any furnace, oven, chimney or flue on his premises unless approval in respect of all the plans and specifications of the same is obtained in accordance with the relevant regulations.

Under section 30(2) of the APCO, any owner who fails, without reasonable excuse, to comply with any of the requirements of a notice duly served upon him under section 30(1) of the APCO commits an offence and is liable to a fine of HK\$100,000 on conviction for a first offence and HK\$200,000 and imprisonment for six months for a second or subsequent offence and in addition, if the offence is a continuing offence, to a fine of HK\$20,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Under Regulation 12 of the APCR, an occupier who contravenes Regulation 11 of the APCR shall be guilty of an offence and shall be liable on conviction to a fine of HK\$50,000 and, in addition, shall be liable to a fine of HK\$500 for each day during which the offence has continued.

Other regulations relating to our business operations

Mandatory Provident Fund Schemes

The MPF schemes are defined as contribution retirement schemes 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 contributions for and in respect of the employee, subject to the minimum and maximum relevant income levels for

REGULATORY OVERVIEW

contribution purposes. Under Schedule 3 of the Mandatory Provident Fund Schemes Ordinance, the maximum level of relevant income for contribution purposes is currently HK\$30,000 per month or HK\$360,000 per year.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

The EO provides for, amongst 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 an employment contract 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. Under section 63C of the EO, 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) of the EO 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. Under section 63CA of the EO, 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 Ordinance (Chapter 608 of the Laws of Hong Kong)

The MWO provides for a prescribed minimum hourly wage rate for every employee employed under the EO. The statutory minimum wage is HK\$34.5 per hour. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the MWO is void.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

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 section 5 of 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 fault or negligence when the accident occurred. Similarly, under section 32 of the ECO 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. Under 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). Under section 40(2) of the ECO, an employer who fails to comply with the ECO to secure an insurance cover is liable on conviction upon indictment to a fine of HK\$100,000 and imprisonment for two years and on summary conviction to a fine of HK\$100,000 and imprisonment for one year.

REGULATORY OVERVIEW

Under 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 the occurrence of certain events. Any person who commits a breach of this provision is liable on conviction to a maximum fine of HK\$100,000.

Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations (Chapter 59V of the Laws of Hong Kong)

The FIU(F)R ensures that the proprietor of every 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 a fire. Regulation 14(5) of the FIU(F)R stipulates that the proprietor of any notifiable workplace who contravenes Regulation 5(1) of the FIU(F)R without reasonable excuse commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for six months.

Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong)

The FIU(LALG)R sets out the requirements for the testing and examination of lifting appliances and lifting gear (except a hoist) used for raising or lowering or as a means of suspension in any industrial undertakings. A lifting appliance is defined to mean, among other things, a winch. Regulation 5 of the FIU(LALG)R requires the owner of a lifting appliance to ensure that a lifting appliance is not used unless it has been thoroughly examined by a competent examiner at least once in the preceding 12 months, and a certificate in the approved form in which the competent examiner has made a statement to the effect that it is in safe working order has been obtained. Under Regulation 19(a) of the FIU(LALG)R, any contravention of Regulation 5 of the FIU(LALG)R commits an offence and is subject to a fine of HK\$200,000.

Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)

The OLO regulates the obligations of a person occupying or having control of premises on injuries resulting to persons or damage caused to goods or other property lawfully on the land.

The OLO 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 premise for the purposes for which he is invited or permitted by the occupier to be there.

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

The OSHO 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;

REGULATORY OVERVIEW

- (ii) making arrangements for ensuring safety and the absence of risks to health in connection with the use, handling, storage and transport of plants and 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.

Under section 6 of the OSHO, 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.

Under sections 9 and 10 of the OSHO, the Commissioner for Labour may also issue improvement notices against non-compliance of the OSHO or the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), or suspension notices against activities of workplace which may create imminent hazard to 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 for up to one year.

Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

The Competition Ordinance is to prohibit conduct that prevents, restricts or distorts competition in Hong Kong; to prohibit mergers that substantially lessen competition in Hong Kong, and to provide for incidental and connected matters.

The Competition Ordinance includes the first conduct rule, which states that an undertaking shall not make or give effect to an agreement, engage in a concerted practice, or, as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong; and the second conduct rule, which prohibits anti-competitive conduct by a party with substantial market power; and the merger rule, which prohibits mergers that have or are likely to have the effect of substantially lessening competition in Hong Kong. Upon breach, the Competition Tribunal may impose pecuniary penalty, director disqualifications, and prohibition, damage and other orders on offenders. For pecuniary penalty, section 93 of the Competition Ordinance enables the Competition Tribunal to award a penalty up to 10% of the turnover of the undertakings involved for up to three years in which the contravention occurs.

Our Directors have confirmed that our Group has obtained all relevant licences, certificates and permits as required under the relevant laws and regulations in Hong Kong for our restaurants and, save as disclosed under “Business — Legal proceedings and compliance” in this prospectus, has complied with the applicable laws and regulations in all material aspects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

HISTORY, DEVELOPMENT AND REORGANISATION

OUR HISTORY

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 9 June 2017. Since its incorporation, our Company has been an investment holding company with no business operations. Pursuant to the Reorganisation, as more particularly described in the subsection headed “Reorganisation” in this section, our Company has become the holding company of our Group for the purpose of the Listing and indirectly holds, through the BVI Intermediate Holding Companies and Hong Kong Intermediate Holding Companies, the entire interests of the operating subsidiaries of our Group.

The history of our Group dates back to the 1980s when our predecessor Chinese restaurants were opened in different parts of Hong Kong namely “*Pavilion Restaurant* (麗閣酒樓)”, “*Harvest Restaurant* (嘉禾大酒樓)” and “*Amoy Restaurant* (淘大酒樓)”. With the industry experience obtained whilst operating these predecessors, our Group operated our first restaurant under the brand “*Lucky House* (叙福樓)” at Waterloo Road, Hong Kong in 1986. “*Lucky House* (叙福樓)” positioned itself as a boutique restaurant offering Cantonese style dimsum delicacies and seafood, setting itself apart from traditional mainstream Cantonese restaurants with its sophistication and artistry. The “*Lucky House* (叙福樓)” chain took off and expanded quickly in the 1980s, with its geographical footprints covering more than 20 locations all around Hong Kong, including, Causeway Bay, Wanchai, Sheung Wan, Fortress Hill, Quarry Bay, Taikoo, Stanley, Yau Ma Tei, Mongkok, Tsim Sha Tsui, Cheung Sha Wan, Tai Kok Tsui, Lam Tin, Wong Tai Sin, Sha Tin, Tuen Mun, Tin Shui Wai, Kwai Chung and Kwai Tsing.

Mr. Wong Kit Lung Simon, our executive Director, explored a new business opportunity, based on our solid foundation and experience in building the “*Lucky House* (叙福樓)” brand, which diversifies our business model, expands our business and enhances our branding. In 2007, under the leadership of Mr. Wong Kit Lung Simon, our Group introduced “*The Banqueting House* (御苑皇宴)” brand, a high end wedding banquet services brand which integrated sophisticated Cantonese dining with thoughtful hotel-grade services. During the same period, our Group created our own brands, including “*Peace Cuisine* (和平飯店)” offering Shanghai, Beijing and Sichuan style cuisine and “*China Hall* (御苑)” offering retro Cantonese style dimsum delicacies.

In 2008, our Group established Kabushikigaisha HK, paving the way for the diversification and internationalisation of our cuisine offering. In 2010, our Group opened its first restaurant under the “*Mou Mou Club* (牛涮鍋)” brand which specialises in *shabu-shabu* and *sukiyaki* beef hotpot. Since 2010, Kabushikigaisha HK has secured franchising agreements to bring into Hong Kong brands that are popular in their places of origin and worldwide, namely the *yakiniku* specialist brand “*Gyu-Kaku* (牛角)”, *shabu-shabu* specialist brand “*On-Yasai* (温野菜)” and *chicken galbi* specialist brand “*Yoogane* (柳氏家)”. During the same period, our Group also created its own brand “*Sushi Dai* (寿司大)” offering Japanese style hand-moulded *sushi*. While leveraging our rich history and established expertise in Chinese cuisine, our Group continuously adapts to the culinary tastes of our customers and sets culinary trends through a spirit of innovation.

HISTORY, DEVELOPMENT AND REORGANISATION

OUR KEY MILESTONES

Year	Key milestones
1980s	<ul style="list-style-type: none">Opening of Chinese restaurants under the brands “Pavilion Restaurant (麗閣酒樓)”, “Harvest Restaurant (嘉禾大酒樓)” and “Amoy Restaurant (淘大酒樓)”, thus marking the beginning of our Group’s long-standing history of around 36 years
1986	<ul style="list-style-type: none">Opening of the first Cantonese style dimsum delicacies and seafood restaurant under the “Lucky House (叙福樓)” brand at Waterloo Road, Hong Kong, thus making the “Lucky House (叙福樓)” brand known to the public for the first time and setting up the cornerstone of our GroupSubsequent opening of more than 20 branches and marking our footprints all over Hong Kong, thus further building up and consolidating our market position in Hong Kong as part of our Group’s first blooming stage
1993	<ul style="list-style-type: none">Setting up our central processing and logistics centre through Triple Brilliant in Yau Tong, Hong Kong
2007	<ul style="list-style-type: none">Opening of the first restaurant offering high end wedding banquet services under “The Banqueting House (御苑皇宴)” brand in Kowloon Bay, Hong Kong
2008	<ul style="list-style-type: none">Establishment of Kabushikigaisha HK, marking the beginning of our internationalisation strategy and second blooming stage
2010	<ul style="list-style-type: none">Securing a franchising agreement with the widely famous <i>yakiniku</i> specialist “Gyu-Kaku (牛角)” brand from Japan, which has over 700 restaurants around the worldOpening of our first restaurant under the “Mou Mou Club (牛涮鍋)” brand <i>shabu-shabu</i> in Tseung Kwan O, Hong KongPioneering the introduction of the “Gyu-Kaku (牛角)” brand into Hong Kong and opening of our first “Gyu-Kaku (牛角)” restaurant offering <i>yakiniku</i> in Kowloon Bay, Hong KongIntroduction of one of the first Ocean Friendly Menus in Hong Kong through “The Banqueting House (御苑皇宴)” in support of the WWF’s Seafood Choice initiativeAwarded the “Better World Company” logo by Junior Chamber International Hong Kong under “The Banqueting House (御苑皇宴)” brand
2011	<ul style="list-style-type: none">Awarded the 2010 Hong Kong Emerging Service Brand by the Hong Kong Brand Development Council under “The Banqueting House (御苑皇宴)” brand
2012	<ul style="list-style-type: none">Awarded the 2012 Hong Kong Awards for Environmental Excellence Gold Award by the Environmental Campaign Committee and Environmental Protection Department under “The Banqueting House (御苑皇宴)” brand

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Key milestones
2015	<ul style="list-style-type: none"> • Awarded the 2014 Hong Kong Top Service Brand by the Hong Kong Brand Development Council under “<i>The Banqueting House</i> (御苑皇宴)” brand • Securing a franchising agreement with the widely popular <i>shabu-shabu</i> specialist “<i>On-Yasai</i> (温野菜)” brand from Japan, which has over 400 restaurants around the world • Pioneering the introduction of the “<i>On-Yasai</i> (温野菜)” brand into Hong Kong through opening of our first “<i>On-Yasai</i> (温野菜)” restaurant in Tsim Sha Tsui, Hong Kong • Securing a franchising agreement with the <i>chicken galbi</i> specialist “<i>Yoogane</i> (柳氏家)” brand from South Korea, which has over 150 restaurants around the world • Awarded the Hong Kong Green Organisation Certification by the Environmental Campaign Committee and Environmental Protection Department under “<i>The Banqueting House</i> (御苑皇宴)” brand
2016	<ul style="list-style-type: none"> • Awarded bronze prize under the Interior Space and Exhibition Design Category, 2015-2016 of A’Design Award for the design of our two adjoining restaurants under the “<i>Gyu-Kaku</i> (牛角)” and “<i>On-Yasai</i> (温野菜)” brands in Tsim Sha Tsui, Hong Kong • Awarded the “Gold with Distinction Award” in the crab dishes division in the “2016 Best of the Best Culinary Awards” by the Hong Kong Tourism Board under “<i>The Banqueting House</i> (御苑皇宴)” brand • Awarded the 2016 Hong Kong Awards for Environmental Excellence Gold Award by the Environmental Campaign Committee and Environmental Protection Department under “<i>The Banqueting House</i> (御苑皇宴)” brand
2017	<ul style="list-style-type: none"> • Pioneering the introduction of the “<i>Yoogane</i> (柳氏家)” brand into Hong Kong and opening of our first “<i>Yoogane</i> (柳氏家)” restaurant offering <i>chicken galbi</i> in Sha Tin, Hong Kong • Awarded silver prize under the Interior Space and Exhibition Design Category, 2016-2017 of A’Design Award for the design of our restaurant under the “<i>Mou Mou Club</i> (牛涮鍋)” brand in Kowloon Bay, Hong Kong

HISTORY, DEVELOPMENT AND REORGANISATION

SHAREHOLDING AND CORPORATE STRUCTURE

Our Group comprises LHG Holdings, our Company and 56 subsidiaries (45 of which are operating subsidiaries) established in Hong Kong, the Cayman Islands and the BVI:

BVI Intermediate Holding Companies

The BVI Intermediate Holding Companies were incorporated in the BVI as limited liability companies. Since their incorporation, our BVI Intermediate Holding Companies have been investment holding companies with no business operations. As at the Latest Practicable Date, our BVI Intermediate Holding Companies act as holding companies of our operating subsidiaries directly, save for Kabushikigaisha BVI Co. and HOTPOT PNP BVI Co. which hold our operating subsidiaries indirectly through Hong Kong Intermediate Holding Companies. Details of each BVI Intermediate Holding Company as at the Latest Practicable Date are set out below:

<u>Name of intermediate holding company</u>	<u>Date and place of incorporation</u>	<u>Total issued shares</u>	<u>Principal business activities</u>
1. LHG Chinese Catering BVI Co.	9 June 2017 (BVI)	1	Holding company of the Chinese Catering Operating Companies
2. Kabushikigaisha BVI Co.	12 June 2017 (BVI)	1	Holding company of Kabushikigaisha HK
3. LHG Management BVI Co.	9 June 2017 (BVI)	1	Holding company of the Management Operating Companies
4. LHG Procurement BVI Co.	9 June 2017 (BVI)	1	Holding company of the Procurement Operating Company
5. Mou Mou BVI Co.	9 June 2017 (BVI)	1	Holding company of the Mou Mou Club Operating Companies
6. HOTPOT PNP BVI Co.	9 June 2017 (BVI)	1	Holding company of Nekketsu Ichiryu HK

(each a “**BVI Intermediate Holding Company**” and a member of our Group)

HISTORY, DEVELOPMENT AND REORGANISATION

Hong Kong Intermediate Holding Companies

As at the Latest Practicable Date, Kabushikigaisha BVI Co. act as the holding company of our Japanese Catering Operating Companies and Korean Catering Operating Company (through BVI Intermediate Holding Companies and Hong Kong Intermediate Holding Companies) and of our Future Investment Holding Company. The Hong Kong Intermediate Holding Companies have acted as the direct or indirect holding entities of their respective operating subsidiaries prior to and upon the completion of the Reorganisation. Details of each Hong Kong Intermediate Holding Company as at the Latest Practicable Date are set out below:

Name of intermediate holding company	Date and place of incorporation	Total issued shares	Shareholding immediately prior to Reorganisation	Principal business activities
1. Kabushikigaisha HK (株式會社(香港))	4 August 2008 (Hong Kong)	900,000,000 (A class ordinary shares) 19,000,000 (ordinary shares)	77.78% to Lucky House Group (Management) Limited; 11.11% to Ms. Ko Sau Chee Grace; 11.11% to Draconis Investment Limited	Holding company of Mou Mou BVI Co., HOTPOT PNP BVI Co., Yakiniku HK, Shabushabu HK, Korean Catering HK and Future Investment Holding Company
2. Yakiniku HK (日本燒烤(香港))	30 July 2010 (Hong Kong)	1,000,000	100% to Kabushikigaisha HK	Holding company of Yakiniku Operating Companies
3. Shabushabu HK (涮涮鍋(香港))	18 February 2015 (Hong Kong)	10,000	100% to Kabushikigaisha HK	Holding company of Shabushabu Operating Companies
4. Nekketsu Ichiryu HK (熱血一流(香港))	23 February 2017 (Hong Kong)	10,000,000	80.2% to Kabushikigaisha HK; 9.9% to Hong Kong Luckystars Investment Limited; 9.9% to Max Legend Holdings Limited	Holding company of Nekketsu Ichiryu Operating Company
5. Korean Catering HK (韓國餐飲(香港))	14 April 2015 (Hong Kong)	10,000	100% to Kabushikigaisha HK	Holding company of Korean Catering Operating Company

(each a “Hong Kong Intermediate Holding Company” and a member of our Group)

HISTORY, DEVELOPMENT AND REORGANISATION

Operating subsidiaries engaged in Chinese restaurant operations in Hong Kong

The following table sets out details of our six operating subsidiaries which operated our Chinese restaurants in Hong Kong as at the Latest Practicable Date:

Name of operating subsidiary	Date and place of incorporation	Date of commencement of business of subsidiary	Total issued shares	Shareholding immediately prior to Reorganisation	Principal business activities
1. Fameco (H.K.) (福豪(香港))	2 March 2006 (Hong Kong)	7 June 2007	1,000	99.9% to King Dragon International Investment Limited; 0.1% to Mr. Wong Yiu Hung	Operation of “ <i>The Banqueting House</i> (御苑皇宴)” restaurant in Kowloon Bay
2. Goal Yield (闕勝)	4 December 2012 (Hong Kong)	21 July 2017	1	100% to Lucky House Group (Management) Limited	Operation of “ <i>LHGrand</i> (叙福樓金閣)” restaurant in Tin Shui Wai
3. The Banqueting House (TST) (御苑皇宴(尖沙咀))	9 January 2008 (Hong Kong)	23 July 2008	12,000,000	100% to Lucky House Group (Management) Limited	Operation of “ <i>The Banqueting House</i> (御苑皇宴)” restaurant in East Tsim Sha Tsui
4. The China House (KF) (御苑(葵芳))	30 July 2014 (Hong Kong)	22 January 2015	1	100% to Lucky House Group (Management) Limited	Operation of “ <i>China Hall</i> (御苑)” restaurant in Kwai Fong
5. Tremendous Luck (多福居)	21 March 2005 (Hong Kong)	14 April 2011	1	100% to Lucky House Restaurant (Tin Shui Wai) Limited	Operation of “ <i>Pot Master</i> (煲仔王)” restaurant in Tin Shui Wai
6. Peace Cuisine (YT) (和平飯店(油塘))	14 December 2011 (Hong Kong)	14 October 2012	1	100% to Lucky House Group (Management) Limited	Operation of “ <i>Peace Cuisine</i> (和平飯店)” restaurant in Yau Tong

(each of the above a “**Chinese Catering Operating Company**” and a member of our Group)

HISTORY, DEVELOPMENT AND REORGANISATION

Operating subsidiaries engaged in Japanese restaurant operations in Hong Kong

The following table sets out details of our 25 operating subsidiaries which operated our Japanese restaurants (each a “Japanese Catering Operating Company” and a member of our Group) in Hong Kong as at the Latest Practicable Date:

Name of operating subsidiary	Date and place of incorporation	Date of commencement of business of subsidiary	Total issued shares	Shareholding immediately prior to Reorganisation	Principal business activities
1. Mou Mou Club (Causeway Bay) (牛瀨鍋(銅鑼灣))	17 February 2010 (Hong Kong)	9 June 2010	1	100% to Kabushikigaisha HK	Operation of “Mou Mou Club (牛瀨鍋)” restaurant in Causeway Bay
2. Mou Mou Club (Fanling) (牛瀨鍋(粉嶺))	22 October 2010 (Hong Kong)	23 December 2015	1	100% to Kabushikigaisha HK	Operation of “Mou Mou Club (牛瀨鍋)” restaurant in Fanling
3. Mou Mou Club (KB) (牛瀨鍋(九龍灣))	26 June 2014 (Hong Kong)	4 December 2014	1	100% to Kabushikigaisha HK	Operation of “Mou Mou Club (牛瀨鍋)” restaurant in Kowloon Bay
4. Mou Mou Club (LF) (牛瀨鍋(樂富))	27 August 2010 (Hong Kong)	12 February 2018	1	100% to Kabushikigaisha HK	Operation of “Mou Mou Club (牛瀨鍋)” restaurant in Ma On Shan
5. Mou Mou Club (Prince Edward) (牛瀨鍋(太子))	19 May 2016 (Hong Kong)	12 September 2016	300,000	100% to Kabushikigaisha HK	Operation of “Mou Mou Club (牛瀨鍋)” restaurant in Prince Edward
6. Mou Mou Club (TW) (牛瀨鍋(荃灣))	1 April 2010 (Hong Kong)	26 May 2010	1	100% to Kabushikigaisha HK	Operation of “Mou Mou Club (牛瀨鍋)” restaurant in Tsuen Wan
7. Mou Mou Club (SSW) (牛瀨鍋(小西灣))	26 June 2014 (Hong Kong)	23 December 2014	1	100% to Kabushikigaisha HK	Operation of “Mou Mou Club (牛瀨鍋)” restaurant in Siu Sai Wan

HISTORY, DEVELOPMENT AND REORGANISATION

Name of operating subsidiary	Date and place of incorporation	Date of commencement of business of subsidiary	Total issued shares	Shareholding immediately prior to Reorganisation	Principal business activities
8. Tamashii (WK) (魂(西九)) ⁽¹⁾	13 August 2013 (Hong Kong)	17 January 2014	1	100% to Kabushikigaisha HK	Operation of “ <i>Tamashii</i> (魂)” restaurant in West Kowloon
9. Wealthy (Tin Shui Wai) (富年(天水圍))	14 March 2017 (Hong Kong)	24 July 2017	1	100% to Kabushikigaisha HK	Operation of “ <i>Mou Mou Club</i> (牛瀾鍋)” in Tin Shui Wai

(each of the above a “**Mou Mou Club Operating Company**” and a member of our Group)

Note:

- (1) Due to the construction of Guangzhou-Shenzhen-Hong Kong Express Rail Link, the pedestrian or vehicle flow near our “*Tamashii* (魂)” restaurant significantly decreased. In view of reduced guest traffic at the restaurant, we closed “*Tamashii* (魂)” restaurant down on 24 July 2017.

Name of operating subsidiary	Date and place of incorporation	Date of commencement of business of subsidiary	Total issued shares	Shareholding immediately prior to Reorganisation	Principal business activities
10. Max Flow (East City) (溢高(東城))	20 October 2016 (Hong Kong)	1 July 2017	1	100% to Yakiniku HK	Operation of “ <i>Gyu-Kaku</i> (牛角)” restaurant in Tseung Kwan O
11. Mou Mou Club (HH) (牛瀾鍋(紅磡))	23 March 2011 (Hong Kong)	25 July 2011	1	100% to Kabushikigaisha HK	Operation of “ <i>Mou Mou Club</i> (牛瀾鍋)” and “ <i>Gyu-Kaku</i> (牛角)” restaurants in Hung Hom
12. Mou Mou Club (KF) (牛瀾鍋(葵芳))	19 February 2009 (Hong Kong)	24 November 2011	2	100% to Kabushikigaisha HK	Operation of “ <i>Mou Mou Club</i> (牛瀾鍋)” and “ <i>Gyu-Kaku</i> (牛角)” restaurants in Kwai Fong
13. Mou Mou Club (No 9) (牛瀾鍋(九號店))	1 April 2010 (Hong Kong)	19 October 2014	1	100% to Kabushikigaisha HK	Operation of “ <i>Mou Mou Club</i> (牛瀾鍋)” and “ <i>Gyu-Kaku</i> (牛角)” restaurants in Olympian City
14. Mou Mou Club (TST) (牛瀾鍋(尖沙咀))	30 August 2010 (Hong Kong)	26 January 2011	300,000	100% to Kabushikigaisha HK	Operation of “ <i>On-Yasai</i> (溫野菜)” and “ <i>Gyu-Kaku</i> (牛角)” restaurants in Harbour City

HISTORY, DEVELOPMENT AND REORGANISATION

Name of operating subsidiary	Date and place of incorporation	Date of commencement of business of subsidiary	Total issued shares	Shareholding immediately prior to Reorganisation	Principal business activities
15. Yakiniku (Aberdeen) (日本燒烤(香港仔))	17 June 2009 (Hong Kong)	6 June 2015	1	100% to Kabushikigaisha HK	Operation of “Gyu-Kaku (牛角)” restaurant in Aberdeen
16. Yakiniku (CB) (日本燒烤(銅鑼灣))	11 July 2011 (Hong Kong)	1 November 2011	1	100% to Yakiniku HK	Operation of “Gyu-Kaku (牛角)” restaurant in Causeway Bay
17. Yakiniku (KB) (日本燒烤(九龍灣))	3 September 2010 (Hong Kong)	29 November 2010	1	100% to Yakiniku HK	Operation of “Gyu-Kaku (牛角)” restaurant in Kowloon Bay
18. Yakiniku (MK) (日本燒烤(旺角))	2 September 2008 (Hong Kong)	7 August 2012	1	100% to Kabushikigaisha HK	Operation of “Gyu-Kaku (牛角)” restaurant in Mongkok
19. Yakiniku (Tai Po) (日本燒烤(大埔))	14 April 2015 (Hong Kong)	21 March 2016	1	100% to Yakiniku HK	Operation of “Gyu-Kaku (牛角)” restaurant in Tai Po
20. Yakiniku (TM) (日本燒烤(屯門))	18 October 2012 (Hong Kong)	1 August 2013	1	100% to Yakiniku HK	Operation of “Gyu-Kaku (牛角)” restaurant in Tuen Mun
21. Yakiniku (TW) (日本燒烤(荃灣))	1 April 2010 (Hong Kong)	22 December 2013	1	100% to Kabushikigaisha HK	Operation of “Gyu-Kaku (牛角)” restaurant in Tsuen Wan
22. Yakiniku (YL) (日本燒烤(元朗))	30 June 2014 (Hong Kong)	18 November 2014	1	100% to Yakiniku HK	Operation of “Gyu-Kaku (牛角)” restaurant in Yuen Long

(each of the above a “Yakiniku Operating Company” and a member of our Group)

HISTORY, DEVELOPMENT AND REORGANISATION

	Name of operating subsidiary	Date and place of incorporation	Date of commencement of business of subsidiary	Total issued shares	Shareholding immediately prior to Reorganisation	Principal business activities
23.	Shabushabu (Causeway Bay) (涮涮鍋(銅鑼灣))	10 December 2015 (Hong Kong)	18 April 2016	1	100% to Shabushabu HK	Operation of “On-Yasai (溫野菜)” restaurant in Causeway Bay
24.	Multi Success (Kowloon Tong) (乘興(九龍塘))	15 March 2017 (Hong Kong)	13 November 2017	1,000,000	100% to Shabushabu HK	Operation of “On-Yasai (溫野菜)” and “Gyu-Kaku (牛角)” restaurants in Kowloon Tong

(each of the above a “Shabushabu Operating Company” and a member of our Group)

	Name of operating subsidiary	Date and place of incorporation	Date of commencement of business of subsidiary	Total issued shares	Shareholding immediately prior to Reorganisation	Principal business activities
25.	Keen Wise (Mong Kok) (勤穎(旺角))	2 March 2017 (Hong Kong)	2 October 2017	1	100% to Nekketsu Ichiryu HK	Operation of “Nekketsu Ichiryu (熱血一流)” restaurant in Mongkok

(the above a “Nekketsu Ichiryu Operating Company” and a member of our Group)

Operating subsidiary engaged in Korean restaurant operations in Hong Kong

The following table sets out details of our one operating subsidiary which operated our Korean restaurant in Hong Kong as at the Latest Practicable Date:

	Name of operating subsidiary	Date and place of incorporation	Date of commencement of business of subsidiary	Total issued shares	Shareholding immediately prior to Reorganisation	Principal business activities
1.	First Benefit (Sha Tin) (首利(沙田))	22 September 2016 (Hong Kong)	16 May 2017	500,000	100% to Korean Catering HK	Operation of “Yoogane (柳氏家)” restaurant in Sha Tin

(the above a “Korean Catering Operating Company” and a member of our Group)

HISTORY, DEVELOPMENT AND REORGANISATION

Operating subsidiaries engaged in general management in Hong Kong

The following table sets out details of our six operating subsidiaries which formed the managerial arm of our Group in Hong Kong as at the Latest Practicable Date:

Name of operating subsidiary	Date and place of incorporation	Date of commencement of business of subsidiary	Total issued shares	Shareholding immediately prior to Reorganisation	Principal business activities
1. Hong Kong Food Culture (本土飲食文化)	30 July 2014 (Hong Kong)	30 July 2014	1	100% to Kabushikigaisha HK	Marketing research
2. Kabu (Development) (株式會社(發展))	16 February 2016 (Hong Kong)	16 February 2016	1	100% to Kabushikigaisha HK	Property holding
3. Kabu (HR) (株式會社(人力資源))	3 June 2010 (Hong Kong)	3 June 2010	1	100% to Kabushikigaisha HK	Human resources and management
4. Kabu (New Shop) (株式會社(新店))	11 August 2016 (Hong Kong)	11 August 2016	1	100% to Kabushikigaisha HK	Leasing management
5. LHG Catering (叙福樓餐飲)	23 January 2008 (Hong Kong)	23 January 2008	1	100% to Lucky House Group (Management) Limited	Catering services management
6. LHG Office (叙福樓辦事處)	29 October 1996 (Hong Kong)	29 October 1996	2	100% to Lucky House Restaurant Group Co. Ltd.	Office management

(each of the above a “**Management Operating Company**” and a member of our Group)

Operating subsidiary engaged in procurement in Hong Kong

The following table sets out details of our one operating subsidiary which formed the procurement arm of our Group in Hong Kong as at the Latest Practicable Date:

Name of operating subsidiary	Date and place of incorporation	Date of commencement of business of subsidiary	Total issued shares	Shareholding immediately prior to Reorganisation	Principal business activities
1. Triple Brilliant (三旺)	6 July 1993 (Hong Kong)	6 July 1993	10,000	60% to Lucky House Restaurant Group Co. Ltd.; 20% to Union Ford Properties Limited; 20% to Wise Voice Investments Limited	Procurement and logistics

(the above a “**Procurement Operating Company**” and a member of our Group)

HISTORY, DEVELOPMENT AND REORGANISATION

Operating subsidiary incorporated for future investment holding purpose

The following table sets out details of our six operating subsidiaries which was incorporated for future investment holding purpose of our Group in Hong Kong as at the Latest Practicable Date:

	Name of operating subsidiary	Date and place of incorporation	Date of commencement of business of subsidiary	Total issued shares	Shareholding immediately prior to Reorganisation	Principal business activities
1.	Kabu (KB) (株式 (九龍灣))	11 May 2017 (Hong Kong)	11 May 2017	1	100% to Kabushikigaisha HK	Future investment holding
2.	Heritage Capital (傳承)⁽¹⁾	15 July 2011 (Hong Kong)	2 January 2012	1	100% to Lucky House Group (Management) Limited	Future investment holding
3.	Max Grands (溢鈞)	11 January 2018 (Hong Kong)	11 January 2018	500,000	NA	Future investment holding
4.	Max Max (溢溢)	11 January 2018 (Hong Kong)	11 January 2018	1	NA	Future investment holding
5.	Multi Prospects (乘泰)	6 December 2017 (Hong Kong)	6 December 2017	500,000	NA	Future investment holding
6.	Multi Victories (乘凱)	17 January 2018 (Hong Kong)	17 January 2018	1	NA	Future investment holding

Note:

- (1) Due to the expiration of tenancy agreement, we closed “The Banqueting House” restaurant down in February 2018.

(each of the above a “**Future Investment Holding Company**” and a member of our Group)

We have adopted a complex Group structure with a number of subsidiaries due to the customary practice of the food and beverage industry in Hong Kong to establish a company for each restaurant. This allows for flexibility in the relevant licensing, compliance and leasing arrangements when our Group opens and closes restaurants during its ordinary course of business. In addition, Kabu (KB), Max Grands, Max Max, Multi Prospects and Multi Victories were incorporated on 11 May 2017, 11 January 2018, 11 January 2018, 6 December 2017 and 17 January 2018 which is wholly owned by Kabushikigaisha HK for the purpose of future investment holding. As The Banqueting House operated under Heritage Capital closed in February 2018, Heritage Capital became an operating subsidiary incorporated for future investment holding purpose. During the Track Record Period and up to the Latest Practicable Date, Kabu (KB), Max Grands, Max Max, Multi Prospects and Multi Victories have no operating business. As each of our operating subsidiaries runs only one or two restaurants, our Directors do not consider any single one of them material in terms of their individual contribution to our Group’s track record results.

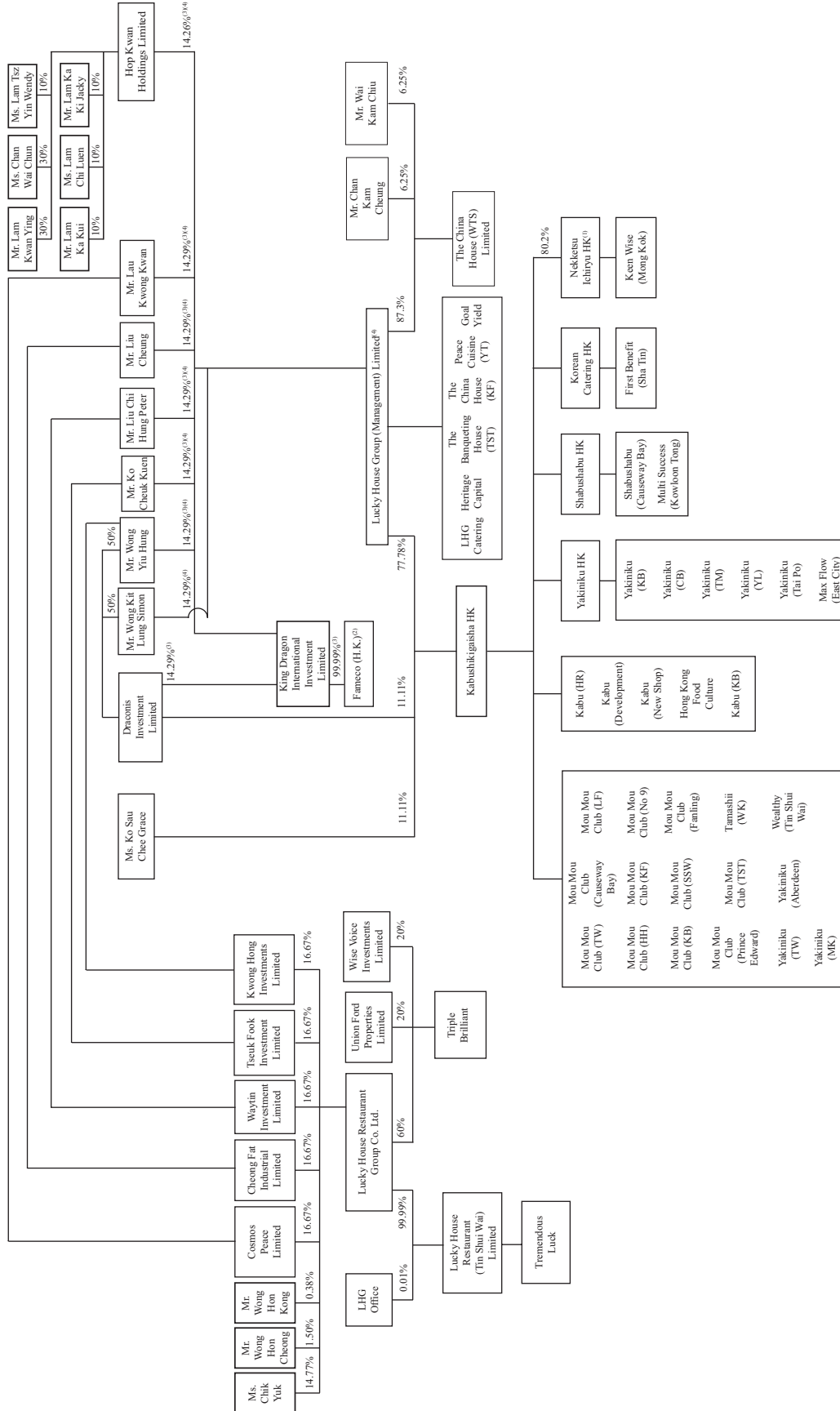
HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

In 9 June 2017, we commenced the Reorganisation in preparation for the Global Offering. We undertook a series of restructuring steps beginning in 9 June 2017 for the purpose of transferring assets and business to our Company and streamlining and rationalising our shareholding structure.

The following chart sets out our Group's corporate and shareholding structure immediately before the Reorganisation:

HISTORY, DEVELOPMENT AND REORGANISATION



HISTORY, DEVELOPMENT AND REORGANISATION

Notes:

- (1) Nekketsu Ichiryu HK was owned as to 80.2% by Kabushikigaisha HK, 9.9% by Hong Kong Luckystars Investment Limited and 9.9% by Max Legend Holdings Limited. Hong Kong Luckystars Investment Limited and Max Legend Holdings Limited are wholly-owned by individuals who are Independent Third Parties.
- (2) Fameco (H.K.) was owned as to 99.99% by King Dragon International Investment Limited and 0.01% by Mr. Wong Yiu Hung, a Controlling Shareholder of our Company.
- (3) King Dragon International Investment Limited was owned as to 14.29% by each of Draconis Investment Limited, Mr. Wong Yiu Hung, Mr. Ko Cheuk Kuen, Mr. Liu Chi Hung Peter, Mr. Liu Cheung and Mr. Lau Kwong Kwan, respectively and 14.26% by Hop Kwan Holdings Limited.
- (4) Lucky House Group (Management) Limited was owned as to 14.29% by each of Mr. Wong Kit Lung Simon, Mr. Wong Yiu Hung, Mr. Ko Cheuk Kuen, Mr. Liu Chi Hung Peter, Mr. Liu Cheung and Mr. Lau Kwong Kwan, respectively and 14.26% by Hop Kwan Holdings Limited.
- (5) All shareholding attribution is 100% unless otherwise specified.

Our Reorganisation involved the following steps:

Step 1: Incorporation of LHG Holdings and our Company

LHG Holdings was incorporated in the BVI as a BVI business company on 9 June 2017 and the maximum number of shares it is authorised to issue is 9,999,000 shares with a par value of US\$0.001 each.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 June 2017 with an initial authorised share capital of HK\$380,000 divided into 380,000 shares of par value HK\$1.00 each. One share was allotted, issued and credited as fully-paid to an initial subscriber. The one share was then transferred to LHG Holdings on 20 June 2017. Upon completion of the allotment and transfer, our Company became a direct wholly-owned subsidiary of LHG Holdings.

Step 2: Incorporation of our BVI Intermediate Holding Companies

Save for Kabushikigaisha BVI Co. which was incorporated on 12 June 2017 in the BVI, each of our BVI Intermediate Holding Companies was incorporated as a BVI business company on 9 June 2017 in the BVI. Each of our BVI Intermediate Holding Companies is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. In each BVI Intermediate Holding Company, one share was allotted, issued and credited as fully-paid to our Company on 20 June 2017. Immediately upon completion of the allotment, all of the BVI Intermediate Holding Companies became direct wholly-owned subsidiaries of our Company.

Step 3: Acquisition of the Mou Mou Club Operating Companies by Mou Mou BVI Co.

On 21 June 2017, the entire issued share capital in each of the Mou Mou Club Operating Companies was transferred by their respective shareholders to Mou Mou BVI Co.. The consideration of such transfer was settled with nominal value of the shares payable by LHG Holdings to the vendors pro rata to their respective interests in each such Mou Mou Club Operating Company. LHG Holdings paid consideration shares of 9,945, 9,990, 9,990, 9,999, 9,999, 9,999, 9,999, 9,999, and 9,999 with a par

HISTORY, DEVELOPMENT AND REORGANISATION

value of US\$0.001 each to the ultimate shareholders of Kabushikigaisha HK pro rata to their interests in Tamashii (WK), Mou Mou Club (Causeway Bay), Mou Mou Club (Fanling), Mou Mou Club (KB), Mou Mou Club (LF), Mou Mou Club (SSW), Mou Mou Club (TW), Mou Mou Club (Prince Edward) and Wealthy (Tin Shui Wai) based on their respective shareholdings, respectively. Upon completion of the transfers, all Mou Mou Club Operating Companies became direct wholly-owned subsidiaries of Mou Mou BVI Co..

Details of the shareholding information of the Mou Mou Club Operating Companies prior to our Reorganisation are set out in “— Shareholding and corporate structure — Operating subsidiaries engaged in Japanese restaurant operations in Hong Kong” in this section above.

Step 4: Acquisition of the Nekketsu Ichiryu HK by HOTPOT PNP BVI Co.

On 21 June 2017, 80.2% of the issued share capital in the Nekketsu Ichiryu HK was transferred by its shareholder Kabushikigaisha HK to HOTPOT PNP BVI Co.. The consideration of such transfer was settled with nominal value of the shares payable by LHG Holdings to the ultimate shareholders of Kabushikigaisha HK pro rata to their interests in Nekketsu Ichiryu HK. LHG Holdings paid 19,980 consideration shares with a par value of US\$0.001 each to the ultimate shareholders of Kabushikigaisha HK based on their respective shareholdings. Upon completion of the transfer, Nekketsu Ichiryu HK became a direct subsidiary of HOTPOT PNP BVI Co..

Details of the shareholding information of Nekketsu Ichiryu HK prior to our Reorganisation are set out in “— Shareholding and corporate structure — Hong Kong Intermediate Holding Companies” in this section above.

Step 5: Acquisition of the Management Operating Companies by LHG Management BVI Co.

On 21 June 2017, the entire issued share capital in each of the Management Operating Companies was transferred by their respective shareholders to LHG Management BVI Co.. Save for LHG Office, the consideration of such transfer was settled with nominal value of the shares payable by LHG Holdings to the vendors pro rata to their respective interests in each such Management Operating Company. In the transfer of LHG Office, the consideration of such transfer was settled with nominal value of the shares by LHG Holdings to Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter and Mr. Lau Kwong Kwan, who are the Group’s Controlling Shareholders, according to their respective indirect shareholdings in LHG Office and settled with cash in the amount of HK\$3,776.42 by LHG Management BVI Co. to the Minority Shareholders of Lucky House Restaurant Group Co. Ltd. based on their respective shareholdings in LHG Office and in the vendor subsidiaries. LHG Holdings paid consideration shares of 103,515 with a par value of US\$0.001 each to the ultimate shareholders of Lucky House Restaurant Group Co. Ltd. for LHG Office, consideration shares of 10,500 with a par value of US\$0.001 each to the ultimate shareholders of Lucky House Group (Management) Limited for LHG Catering and paid consideration shares of 9,000, 9,000, 9,000 and 9,000 with a par value of US\$0.001 each to the ultimate shareholders of Kabushikigaisha HK for Hong Kong Food Culture, Kabu (HR), Kabu (New Shop) and Kabu (Development) based on their respective shareholdings, respectively. Upon completion of the transfer, the Management Operating Companies became direct wholly-owned subsidiaries of LHG Management BVI Co..

HISTORY, DEVELOPMENT AND REORGANISATION

Details of the shareholding information of the Management Operating Companies prior to our Reorganisation are set out in “— Shareholding and corporate structure — Operating subsidiaries engaged in general management in Hong Kong” in this section above.

Step 6: Acquisition of Kabushikigaisha HK by Kabushikigaisha BVI Co.

On 21 June 2017, the entire issued share capital of A class ordinary shares and the entire issued share capital of ordinary shares in Kabushikigaisha HK were transferred by their respective shareholders to Kabushikigaisha BVI Co.. The consideration of such transfer was settled with nominal value of the shares payable by LHG Holdings to the vendors pro rata to their respective interests in Kabushikigaisha HK. LHG Holdings paid consideration shares of 404,955 and 45,000 with a par value of US\$0.001 each to the ultimate shareholders of Kabushikigaisha HK for the transfer of A class ordinary shares and ordinary shares based on their respective shareholdings, respectively. Upon completion of the transfer, Kabushikigaisha HK became a direct wholly-owned subsidiary of Kabushikigaisha BVI Co..

Details of the shareholding information of Kabushikigaisha HK prior to our Reorganisation are set out in “— Shareholding and corporate structure — Hong Kong Intermediate Holding Companies” in this section above.

Step 7: Acquisition of selected Yakiniku Operating Companies by Yakiniku HK

On 21 June 2017, the entire issued share capital in each of Yakiniku (Aberdeen), Yakiniku (MK), Yakiniku (TW), Mou Mou Club (KF), Mou Mou Club (No 9), Mou Mou Club (TST) and Mou Mou Club (HH) was transferred by their shareholder Kabushikigaisha HK to Yakiniku HK. The consideration of such transfers was settled with nominal value of the shares payable by LHG Holdings to the ultimate shareholders of Kabushikigaisha HK pro rata to their respective interests in each such Yakiniku Operating Company. LHG Holdings paid consideration shares of 1,008, 1,008, 1,008, 1,008, 1,008, 1,008 and 4,005 with a par value of US\$0.001 each to the ultimate shareholders of Kabushikigaisha HK for Yakiniku (Aberdeen), Yakiniku (MK), Yakiniku (TW), Mou Mou Club (KF), Mou Mou Club (No 9), Mou Mou Club (TST) and Mou Mou Club (HH) based on their respective shareholdings, respectively. Upon completion of the transfers, all Yakiniku Operating Companies became direct wholly-owned subsidiaries of Yakiniku HK.

Details of the shareholding information of the Yakiniku Operating Companies prior to our Reorganisation are set out in “— Shareholding and corporate structure — Operating subsidiaries engaged in Japanese restaurant operations in Hong Kong” in this section above.

Step 8: Acquisition of the Chinese Catering Operating Companies by LHG Chinese Catering BVI Co.

On 21 June 2017, the entire issued share capital in each of the Chinese Catering Operating Companies was transferred by their respective shareholders to LHG Chinese Catering BVI Co.. Save for Tremendous Luck, the consideration of such transfer was settled with nominal value of the shares payable by LHG Holdings to the vendors pro rata to their respective interests in each such Chinese Catering Operating Company. Save for Tremendous Luck, LHG Holdings paid consideration shares of 29,995, 29,995, 29,995, 29,995 and 29,995 with a par value of US\$0.001 each to the ultimate shareholders of Lucky House Group (Management) Limited for Heritage Capital, The Banqueting House (TST), Peace

HISTORY, DEVELOPMENT AND REORGANISATION

Cuisine (YT), The China House (KF) and Goal Yield and paid consideration shares of 29,995 with a par value of US\$0.001 each to ultimate shareholders of King Dragon International Investment Limited and Mr. Wong Yiu Hung for Fameco (H.K.) based on their respective shareholdings, respectively. In the case of Tremendous Luck, the consideration of such transfer was settled with cash in the amount of HK\$15,336,000 payable by LHG Chinese Catering BVI Co. to the ultimate shareholders of Lucky House Restaurant (Tin Shui Wai) Limited based on their respective shareholdings. Upon completion of the transfers, all Chinese Catering Operating Companies became direct wholly-owned subsidiaries of LHG Chinese Catering BVI Co..

Details of the shareholding information of the Chinese Catering Operating Companies prior to our Reorganisation are set out in “— Shareholding and corporate structure — Operating subsidiaries engaged in Chinese restaurant operations in Hong Kong” in this section above.

Step 9: Acquisition of Mou Mou BVI Co. by Kabushikigaisha HK

On 21 June 2017, the entire issued share capital in Mou Mou BVI Co. was transferred by our Company to Kabushikigaisha HK. The consideration of such transfer was settled with nominal value of the shares payable by LHG Holdings to our Company pro rata to its interest in Mou Mou BVI Co.. LHG Holdings paid 9 consideration shares with a par value of US\$0.001 each to our Company. Upon completion of the transfer, Mou Mou BVI Co. became a direct wholly-owned subsidiary of Kabushikigaisha HK.

Details of the shareholding information of Mou Mou BVI Co. are set out in “— Shareholding and corporate structure — BVI Intermediate Holding Companies” in this section above.

Step 10: Acquisition of HOTPOT PNP BVI Co. by Kabushikigaisha HK

On 21 June 2017, the entire issued share capital in HOTPOT PNP BVI Co. was transferred by our Company to Kabushikigaisha HK. The consideration of such transfer was settled with nominal value of the shares payable by LHG Holdings to our Company pro rata to our interests in HOTPOT PNP BVI Co.. LHG Holdings paid 9 consideration shares with a par value of US\$0.001 each to our Company. Upon completion of the transfer, HOTPOT PNP BVI Co. became a direct wholly-owned subsidiary of Kabushikigaisha HK.

Details of the shareholding information of HOTPOT PNP BVI Co. are set out in “— Shareholding and corporate structure — BVI Intermediate Holding Companies” in this section above.

Step 11: Acquisition of the Procurement Operating Company by LHG Procurement BVI Co.

On 21 June 2017, the entire issued share capital of Triple Brilliant, a Procurement Operating Company, was transferred by its shareholders to LHG Procurement BVI Co.. The consideration of such transfer was settled with cash in the amount of HK\$113,544,000 payable by LHG Procurement BVI Co. to the ultimate shareholders of Lucky House Restaurant Group Co. Ltd., Wise Voice Investments Limited and Union Ford Properties Limited based on their respective shareholdings. Upon completion of the transfer, the Procurement Operating Company became a direct wholly-owned subsidiary of LHG Procurement BVI Co..

HISTORY, DEVELOPMENT AND REORGANISATION

Details of the shareholding information of Triple Brilliant prior to our Reorganisation are set out in “— Shareholding and corporate structure — Operating subsidiary engaged in procurement in Hong Kong” in this section above.

899,910 shares, representing the total number of consideration shares transferred in the abovementioned steps, were allotted, issued and credited as fully-paid by LHG Holdings to Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan Holdings Limited, Ms. Ko Sau Chee Grace and Draconis Investment Limited on 20 June 2017, in proportion to their respective agreed shareholdings. Upon completion of the allotment and transfers, LHG Holdings was owned as to 11.99% by Mr. Wong Kit Lung Simon, 11.99% by Mr. Ko Cheuk Kuen, 11.99% by Mr. Wong Yiu Hung, 11.99% by Mr. Liu Cheung, 11.99% by Mr. Liu Chi Hung Peter, 11.99% by Mr. Lau Kwong Kwan, 11.99% by Hop Kwan Holdings Limited, 8.03% by Ms. Ko Sau Chee Grace and 8.03% by Draconis Investment Limited, respectively.

As confirmed by the Directors, each of the shares transfer made pursuant to the corresponding share transfer agreement in the Reorganisation was completed and settled in accordance the terms of the shares transfer agreements and no regulatory approval was required in respect of the share transfers in the Reorganisation.

Step 12: Acquisition of the Nekketsu Ichiryu HK interest by HOTPOT PNP BVI Co.

On 28 December 2017, 9.9% and 9.9% of the issued share capital in the Nekketsu Ichiryu HK were transferred from Hong Kong Luckystars Investment Limited and Max Legend Holdings Limited to HOTPOT PNP BVI Co., respectively. The consideration of such transfers were settled with cash in the amount of HK\$990,000 and HK\$990,000 payable by HOTPOT PNP BVI Co. respectively.

Step 13: Transfer of shares in Draconis Investment Limited and shares held by Mr. Wong Yiu Hung to Mr. Wong Kit Lung Simon

Considering Mr. Wong Kit Lung Simon as a suitable inheritor of the business of the Group, as part of the succession plan and family arrangement, on 28 February 2018, Mr. Wong Yiu Hung transferred his effective interest in LHG Holdings held through Draconis Investment Limited and by himself to Mr. Wong Kit Lung Simon by way of gift, namely 4.015% and 9% interest in LHG Holdings respectively. In the meantime, on 28 February 2018, Mr. Wong Kit Lung Simon transferred his 4.015% interest held through Draconis Investment Limited to himself.

Upon completion of such transfers, LHG Holdings was owned as to 29.03% by Mr. Wong Kit Lung Simon, 2.99% by Mr. Wong Yiu Hung, 11.99% by Mr. Ko Cheuk Kuen, 11.99% by Mr. Liu Cheung, 11.99% by Mr. Liu Chi Hung Peter, 11.99% by Mr. Lau Kwong Kwan, 11.99% by Hop Kwan Holdings Limited and 8.03% by Ms. Ko Sau Chee Grace, respectively.

Changes to our share capital

Our Company underwent a subdivision of shares on 22 August 2017 whereby each of the existing issued and unissued ordinary Shares of par value of HK\$1.00 each was subdivided into 10

HISTORY, DEVELOPMENT AND REORGANISATION

ordinary Shares of par value of HK\$0.10 each, and such subdivided Shares shall carry the same rights with each other, such that after the subdivision, the authorised share capital of the Company became HK\$380,000 divided into 3,800,000 Shares of par value of HK\$0.10 each, and the issued share capital of the Company became HK\$1.00 divided into 10 Shares of par value of HK\$0.10 each.

On 4 May 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 3,800,000 Shares of a par value of HK\$0.10 each to HK\$400,000,000 divided into 4,000,000,000 Shares of a par value of HK\$0.10 each through the creation of an additional 3,996,200,000 Shares.

Capitalisation issue

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors are authorised to capitalise an amount of HK\$59,999,999 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 599,999,990 Shares for allotment and issue to our Shareholder(s) on or before the Listing Date, on a pro rata basis.

No pre-IPO investment

There was no pre-IPO investor to our Group before and after our Reorganisation within the meaning of the Listing Rules.

Companies excluded from our Reorganisation

The China House (WTS) Limited was excluded from our Group as a result of our Reorganisation. The China House (WTS) Limited, a company incorporated on 15 November 2007 in Hong Kong, was held as to 87.5% by Lucky House Group (Management) Limited, 6.25% by Mr. Chan Kam Cheung and 6.25% by Mr. Wai Kam Chiu. It was the operating entity of our "The China House 御苑酒家" restaurant in Wong Tai Sin, Hong Kong, a restaurant which has ceased operation on November 2015 by virtue of the end of the tenancy. On 14 July 2017, The China House (WTS) Limited was dissolved by members' voluntary winding up. Mr. Chan Kam Cheung and Mr. Wai Kam Chiu became Independent Third Parties upon completion of the Reorganisation. The financial results of The China House (WTS) Limited up to the date of winding up have been included into our consolidated financial statements during the Track Record Period. See Note 1.3 to the Accountant's Report set out in Appendix I to this prospectus.

Lucky House Restaurant Group Co. Ltd. was excluded from our Group by virtue of the Reorganisation in order to rationalise the holding structure of our Group for the purpose of Listing. Lucky House Restaurant Group Co. Ltd. was incorporated on 6 January 1994 which was indirectly held by Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Chi Hung Peter, Mr. Liu Cheung, Mr. Lau Kwong Kwan, Ms. Chik Yuk, Mr. Wong Hon Cheong and Mr. Wong Hon Kong as to 16.67%, 16.67%, 16.67%, 16.67%, 14.77%, 1.50% and 0.38% respectively. Lucky House Restaurant Group Co. Ltd. was one of the predecessor holding companies for the purpose of investment holding of our Group. Ms. Chik Yuk, Mr. Wong Hon Cheong and Mr. Wong Hon Kong became Independent Third Parties upon completion of the Reorganisation.

HISTORY, DEVELOPMENT AND REORGANISATION

Lucky House Group (Management) Limited was excluded from our Group by virtue of the Reorganisation in order to rationalise the holding structure of our Group for the purpose of Listing. Lucky House Group (Management) Limited was incorporated on 5 July 2007 which was held by Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Chi Hung Peter, Mr. Liu Cheung, Mr. Lau Kwong Kwan, Mr. Wong Kit Lung Simon and Hop Kwan Holdings Limited as to 14.29%, 14.29%, 14.29%, 14.29%, 14.29%, 14.29% and 14.26% respectively. Lucky House Group (Management) Limited was one of the predecessor holding companies for the purpose of investment holding of our Group.

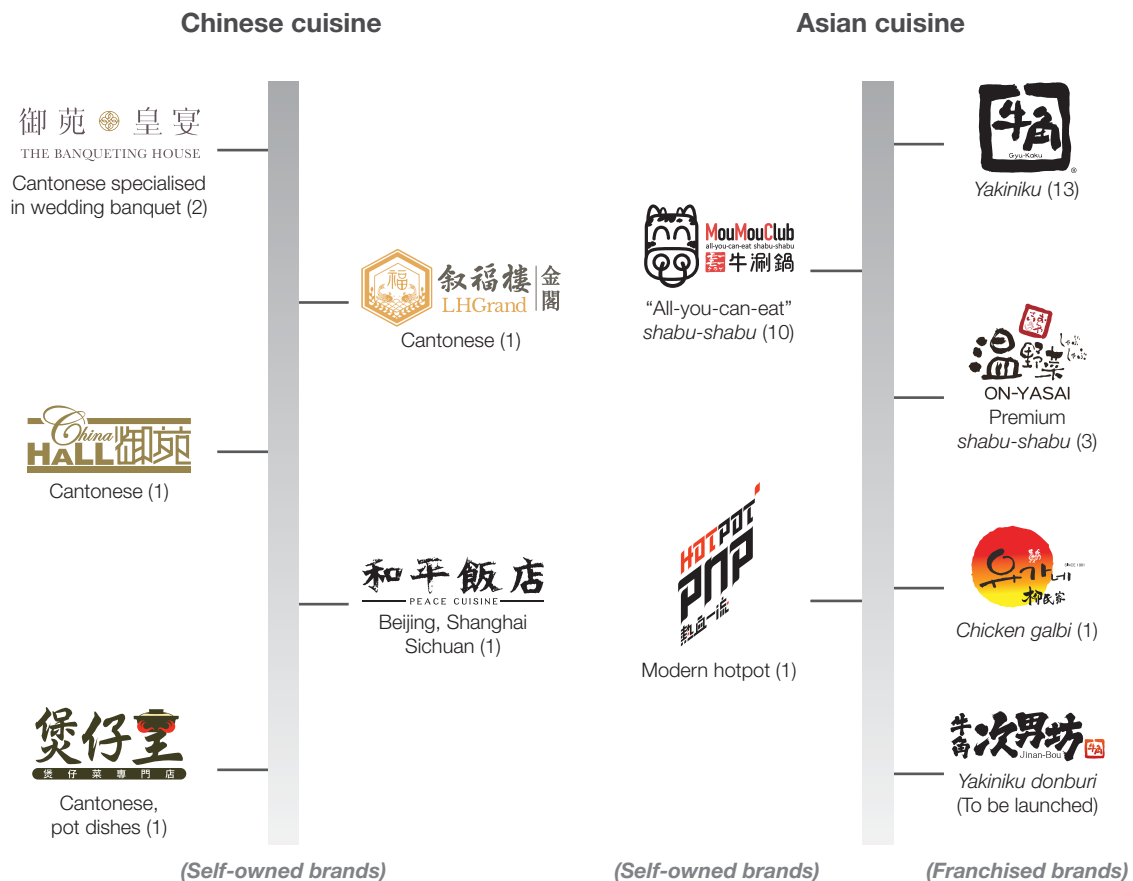
The Lucky House Restaurant (Tin Shui Wai) Limited was excluded from our Group as a result of our Reorganisation. The Lucky House Restaurant (Tin Shui Wai) Limited, a company incorporated on 14 September 1990 in Hong Kong, was held as to 99.99% by Lucky House Group (Management) Limited, 0.01% by LHG Office. It was the operating entity of our “Lucky House Seafood Restaurant 叙福樓海鮮酒家” restaurant in Tin Shui Wai, Hong Kong, a restaurant which has ceased operation on February 2017 by virtue of the end of tenancy. The financial results of The Lucky House Restaurant (Tin Shui Wai) Limited up to the date of winding up have been included into our consolidated financial statements during the Track Record Period. See Note 1.3 to the Accountant’s Report set out in Appendix I to this prospectus.

BUSINESS

OVERVIEW

We are a top full service multi-brand restaurant group with 34 restaurants in Hong Kong specialising in Chinese and Asian (in particular Japanese) cuisine. As at the Latest Practicable Date, we operated six Chinese restaurants and 28 Asian restaurants, which serve quality, value-for-money delicacies to diversified customer segments seeking a wide array of culinary experiences.

We operate a diverse and appealing portfolio of 10 brands and are developing one new brand, which are self-owned or franchised. The diagram below shows our brand portfolio, the number of restaurants and the cuisine served under each brand as at the Latest Practicable Date:



See “— Overview of our restaurant network and operations — Our brand and restaurant portfolio” in this section for details on the brands we have successfully built.

Since we opened our first Chinese restaurant in the 1980s, we have, through our over 30 years of heritage, strengthened our foothold in the full service restaurant market in Hong Kong and become a sizeable restaurant operator in the city. Growing at a CAGR of 3.9% from 2013 to 2017, the full service restaurant market in Hong Kong was sizeable at approximately HK\$44.6 billion in 2017, of which we had a market share of 1.8% as the fifth largest operator. Our strength lies in particular in Japanese cuisine, and we ranked second in that market in 2017, with a market share of 7.9%, drawing primarily from the popularity of our “Mou Mou Club (牛涮鍋)” and “Gyu-Kaku (牛角)” restaurants.

BUSINESS

We pride ourselves in the extensive market coverage of our brand portfolio, which allows us to tap into customer segments spanning across mid-to-high end market (mainly at the lower end of this market segment) to mass market with different culinary preferences. For Chinese cuisine, our “*The Banqueting House* (御苑皇宴)”, “*China Hall* (御苑)” and “*LHGrand* (叙福樓金閣)” restaurants generally have larger venues and focus on Cantonese dishes and Chinese banquet services, while our “*Pot Master* (煲仔王)” and “*Peace Cuisine* (和平飯店)” restaurants are specialists in pot dishes and Beijing, Shanghai and Sichuan cuisine, respectively. For Asian cuisine, we consider our “*Mou Mou Club* (牛涮鍋)” and “*Gyu-Kaku* (牛角)” brands as pioneers of Japanese dishes, *shabu-shabu* and *yakiniku*, in Hong Kong, taking advantage of the growing multi-cultural taste of the dining communities in recent years. Our Asian cuisine offering has been further strengthened by the addition of “*On-Yasai* (溫野菜)” (Japanese premium *shabu-shabu*), “*Yoogane* (柳氏家)” (Korean *chicken galbi*) and “*Hotpot PNP* (熱血一流)” (modern hotpot). We consider that we have a balanced profile of self-owned brands and franchised brands.

For FY2015, FY2016 and FY2017, our revenue was HK\$771.2 million, HK\$743.0 million and HK\$829.2 million, respectively, whereas our profit and total comprehensive income was HK\$46.7 million, HK\$40.6 million and HK\$24.0 million, respectively. The table below shows a breakdown of our revenue for the years indicated:

	FY2015		FY2016		FY2017	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Chinese restaurants						
— Self-owned brands	349,699	45.4	292,971	39.4	290,234	35.0
Asian restaurants⁽¹⁾						
— Self-owned brands	199,963	25.9	178,622	24.1	198,969	24.0
— Franchised brands	199,639	25.9	250,672	33.7	319,694	38.6
<i>Sub-total of Asian restaurants:</i>	<i>399,602</i>	<i>51.8</i>	<i>429,294</i>	<i>57.8</i>	<i>518,663</i>	<i>62.6</i>
Sale of food ingredients⁽²⁾	21,867	2.8	20,781	2.8	20,255	2.4
Total:	771,168	100.0	743,046	100.0	829,152	100.0

Notes:

- (1) Asian cuisine comprises Japanese and Korean cuisines.
- (2) As we source various food ingredients in bulk for our restaurants, we may, upon the request of individual customers or other restaurant operators and after accessing our stock availability and operation needs, supply certain excess food ingredients to them on a cost-plus basis.

Riding on our success to-date, we have plans to expand our restaurant network in Hong Kong and further enrich our brand portfolio. In July 2017, we obtained franchise rights of “*Gyu-Kaku Jinan-Bou* (牛角次男坊)”, a well-received sub-brand of “*Gyu-Kaku* (牛角)” since its establishment in Japan in March 2016 with restaurants set up in Japan and Taiwan, including the landmark of Taipei 101. We intend to open our first “*Gyu-Kaku Jinan-Bou* (牛角次男坊)” restaurant in Hong Kong in late 2018, specialising in authentic Japanese dish of *yakiniku donburi* (Japanese rice bowl topped with grilled meat) targeting the mass market. In February 2018, we entered into a licencing agreement with Rongda, an Independent Third Party, pursuant to which we have obtained exclusive sub-licensed rights to operate restaurants under the “*Gyu-Kaku* (牛角)” brand in the South China area (except that the sub-licensor can still operate restaurants in South China area under the said brand). See “— Our business strategies” in this section for details of our expansion plans.

BUSINESS

With our multi-brand strategy, efficient and specialised team of management, and leveraging on our improved capital and corporate resources and arisen corporate image after the Listing, we are committed to further strengthening our market position as a top full service, multi-brand restaurant group in Hong Kong.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths differentiate us from our competitors:

A portfolio of iconic brands giving us a strong foundation for business success

We attribute our success to a portfolio of iconic brands that enhance the market awareness of our restaurant network and customer loyalty, which in turn generate a stable and consistent guest traffic. We have a proven track record of developing popular self-owned brands and introducing franchised brands which are successful overseas in Hong Kong.

We have developed our self-owned brands as some of the icons of quality, value-for-money delicacies in Hong Kong. Our Chinese restaurants, which seek to offer innovative, top notch Chinese dishes, have received numerous accolades. Every year from 2009 to 2015, “*The Banqueting House* (御苑皇宴)” had been recognised as a “Quality Wedding Merchant” by ESD Life, and our Cantonese dishes have received “The Best of the Best Culinary Award” every year since 2011 in multiple categories such as dim sum, roasted pork and seafood, with the highlights being the Gold with Distinction Award (至高榮譽金獎) in Beef category and Lobster category in 2012, in Vegetables (Gourd) category in 2014 and in Crab category in 2016. In terms of Asian cuisine, *Mou Mou Club* (牛涮鍋) has been a popular brand of “all-you-can-eat” *shabu-shabu* since its launch in 2010 and contributed approximately 1.2 million customer visits for FY2017. In 2016, it was helmed with a “Hong Kong Star Brand Award” by the Hong Kong Small and Medium Enterprises Association.

We introduced a number of popular franchised brands to Hong Kong. Having envisioned the popularity of Japanese speciality dishes back in late 2000s, we introduced “*Gyu-Kaku* (牛角)”, a leading *yakiniku* restaurant chain with over 620 restaurants in Japan and more than 110 restaurants in other countries as at 31 December 2017. Since 2011, our “*Gyu-Kaku* (牛角)” brand has obtained numerous “Best Ever Dining Awards” from Weekend Weekly. In 2015, we introduced “*On-Yasai* (溫野菜)”, a leading brand providing *shabu-shabu* with an established network of over 370 restaurants in Japan and over 20 restaurants in other countries as at 31 December 2017. In 2017, we introduced “*Yoogane* (柳氏家)”, the largest *chicken galbi* restaurant chain with nearly 140 restaurants in Korea and nearly 15 restaurants in other countries as at 31 December 2017. We have also obtained franchise rights of “*Gyu-Kaku Jinan-Bou* (牛角次男坊)”, a well-received sub-brand of “*Gyu-Kaku* (牛角)” offering *yakiniku donburi*.

The popularity of our brand portfolio enabled us to achieve competitive market positions:

	<u>Rank</u>	<u>Market share</u>
Overall — Full service restaurant group in Hong Kong	5th	1.8%
Asian Cuisine — Full service restaurant group in Hong Kong	3rd	3.6%
Japanese Cuisine — Full service restaurant group in Hong Kong	2nd	7.9%

Note: The industry ranking and market share data are compiled by Frost & Sullivan based on revenue in 2017.

BUSINESS

Diversified and wide customer base through multi-brand strategy

Our multi-brand strategy allows us to target diversified customer segments with different spending powers and various culinary preferences.

Spending power. Our restaurant network has access to a wide array of customers with different spending power, ranging from mid-to-high end market (mainly at the lower end of this market segment) to mass market. In respect of our Asian cuisine restaurants, while “*Mou Mou Club* (牛涮鍋)”, “*Gyu-Kaku* (牛角)”, “*On-Yasai* (溫野菜)” and “*Yoogane* (柳氏家)” target mid-to-high end market, “*Hotpot PNP* (熱血一流)”, “*Sushi Dai* (壽司大)” (to be relaunched) and “*Gyu-Kaku Jinan-Bou* (牛角次男坊)” (with the first restaurant to be opened in late 2018) serve the mass market. Our Chinese restaurants also cater for mid-to-high end (under our “*The Banqueting House* (御苑皇宴)”, “*China Hall* (御苑)” and “*LHGrand* (叙福樓金閣)” brands) and mass market (under our “*Pot Master* (煲仔王)” and “*Peace Cuisine* (和平飯店)” brands). Our restaurants cover a range of average spending per customer (excluding wedding banquet services) from approximately HK\$60 to HK\$300, which account for a vast customer base in the Hong Kong full service restaurant market.

Culinary preferences. Our diverse cuisines offering caters for customers with different culinary preferences. Some of our restaurant brands specialise in Cantonese cuisine (“*China Hall* (御苑)” and “*LHGrand* (叙福樓金閣)”) and wedding banquet services (“*The Banqueting House* (御苑皇宴)”), and others offer specialty dishes such as *shabu-shabu* (“*Mou Mou Club* (牛涮鍋)” and “*On-Yasai* (溫野菜)”), *sushi* (“*Sushi Dai* (壽司大)”), *yakiniku* (“*Gyu-Kaku* (牛角)”), *chicken galbi* (“*Yoogane* (柳氏家)”), Beijing, Shanghai and Sichuan cuisine (“*Peace Cuisine* (和平飯店)”), pot dishes (“*Pot Master* (煲仔王)”) and modern hotpot (“*Hotpot PNP* (熱血一流)”). Our diverse cuisine offering allows us to adapt to the fast changing preferences of our customers and cover a wide consumer base, as elder diners generally prefer traditional Chinese food, while the younger generation is attracted to specialty cuisines, according to Frost & Sullivan.

To differentiate the images of our brands, we adopt different decoration, lighting, tableware and visual identities for our restaurants, providing refreshing dining experiences, especially for customers who visit different restaurants of our Group. Our multi-brand strategy provides us with a wide customer base, diversifies our commercial risks and enhances our market penetration.

Standardised and centralised management of restaurant operations giving us operational efficiency

We manage a sizeable operation of more than 30 restaurants with a standardised and centralised management to achieve economies of scale and operational efficiency.

Procurement. Our food ingredients are procured from our approved suppliers with centralised settlement of payments, which allows us to enjoy bulk purchase discounts and have better cash management, and ensure quality consistency of food ingredients.

Food processing and preparation. We operate a central processing and logistic centre in Yau Tong which (i) enables us to stock food ingredients with longer shelf lives in a controlled environment, giving us flexibility in response to food ingredients price fluctuation, and (ii) carries out ancillary food processing and preparation functions, which allows us to shorten the food preparation time and reduce storage space required at our restaurants.

BUSINESS

Restaurant premises. As a top full service restaurant group in Hong Kong, we maintain amicable and strategic relationship with landlords of major shopping malls and commercial complexes in key, densely populated “cluster” areas, providing us with attractive restaurant premises with high guest traffic. We maintain landlord and tenant relationship with more than five such landlords as at the Latest Practicable Date for not less than seven years. With our multi-brand portfolio, we may place restaurants under different brands in the same shopping mall or commercial complexes or place our restaurants in different shopping malls or commercial complexes owned by the same landlord, which strategically can increase our bargaining power.

Responsive and multi-faceted marketing campaigns enhancing our brand image and recognition

Our marketing team is enthusiastic, experienced and well-adapted to customer tastes. Particularly, with our Asian cuisine brands appealing to the younger generation, our marketing efforts are aligned with prevailing consumer trends to position our brands as trendy dining concepts.

To incentivise customers, we run loyalty programmes, “Tim D Card (添响卡)” (for our Chinese restaurants) and “Kabu Pass” (for our Asian restaurants), with a point accumulation scheme recognised across our restaurants, which encourage repeated customer. As at 31 December 2017, we had over 67,000 members under our loyalty programmes. We also partner with commercial banks to offer discounts and savings to certain credit cardholders.

To enhance customer experience, our smart phone application “Kabu App”, having accumulated over 135,000 downloads as at 31 December 2017, shortens the waiting time at our Asian cuisine restaurants with an electronic queuing system. It is integrated with our “Kabu Pass” loyalty programme which allows our customers to enjoy our promotion activities.

Focusing on Japanese cuisine, we often initiate cross-over campaigns by offering limited edition premium products with popular animation characters to be redeemed with certain spending thresholds to attract the younger generation. In 2016, we invited a popular cartoon figure from Kumamoto of Japan to serve and play with our customers at our “*On-Yasai* (温野菜)” opening and promoted our “*Mou Mou Club* (牛涮鍋)” brand by our self-developed cartoon characters which recommend our signature dishes with short comical contents posted on social media pages.

Our responsive marketing approach can be illustrated by an incident in May 2017 where two customers quarrelled over splitting their bills and our marketing team swiftly responded by addressing the incident on social media pages and launching a themed promotional set meal, “AA lover’s meal”, which offered discounts to customers who are willing to share their bills. It became territory-wide hot news which attracted an array of positive media reports and aroused the younger generation’s interests.

Our proactive and multi-faceted marketing strategies help develop our brands into well-recognised culinary icons. We consider that our marketing efforts are our true asset and set us apart from our competitors. See “— Our marketing and promotion” in this section for details.

BUSINESS

Positive corporate culture and goodwill with emphasis on social responsibilities and environmental protection

We are committed to giving back to the Hong Kong community. With our efforts on corporate social responsibilities and healthy work culture, we strengthen our corporate image as a restaurant group and an employer, which also benefit our management and operations.

We have been engaging in numerous charitable and social work activities to help the young and underprivileged. For example, (i) we have been supporting the “Future Stars (明日之星)” programme launched by the Commission on Poverty (扶貧委員會) since 2015, offering working opportunities and training to underprivileged youths to enhance their work experience and upward social mobility while at the same time attracting talented new blood to join the Group, and we made contributions to the “Upward Mobility Scholarship (上游獎學金)” for underprivileged students demonstrating resilience in adversity and maintaining a positive attitude towards life and learning; (ii) we cooperated with the Salvation Army to offer free tutorials to children in need, (iii) our Chinese restaurants distributed over 92,000 suspended meals from December 2013 to January 2016, and over 1,600 suspended rice dumplings during Dragon Boat Festival in 2017 under our charitable programmes in collaboration with other organisations; and (iv) we cooperated with Children’s Home to organise an event where children from Children’s Home could play bowling and enjoy a free meal at our “Gyu-Kaku (牛角)” restaurants.

We have adopted several environmentally-friendly initiatives, including incentive scheme to reduce consumption of public utilities, gradual introduction of LED lights to attain energy efficiency, and usage of energy-saving cooking equipment jointly developed with an energy supplier in Hong Kong. We also promote our environmental protection efforts to our customers. For example, we strive to reduce food wastage by giving gift coupons at our “Mou Mou Club (牛涮鍋)” restaurants to customers who finish their food order and inviting various non-governmental organisations such as “Food Angel (惜食堂)” and “Foodlink Foundation (膳心連)” to collect unconsumed food for people in need. Our wedding banquet services also offer ocean-friendly menus in response to the “no shark fin” policy of WWF-Hong Kong. Our social and environmental efforts have received wide recognition, as evidenced by the various environmental awards we received, including the Hong Kong Awards for Environmental Excellence (香港環境卓越大獎) in 2012 and 2016, and have provided us with goodwill.

We are also dedicated to creating an encouraging, healthy work culture. We have introduced a number of employee-friendly measures, including dining discounts for our staff and their family members, five-day paternity leave, free tutorials and study grants for our staff’s children, and subsidies for staff to attend interest classes. Our supportive work culture helps to motivate our loyal employees and attract new talents. We were awarded a number of employer-related awards, such as “2013/14 Family-Friendly Employers Award”, “2015/16 Family-Friendly Employers Awards” with “Special Mention Award”, “Partner Employer Award” from 2013 to 2017, and “Best Employer for Chinese Catering Industry” from 2010 to 2011.

See “— Corporate social responsibilities”, “— Our employees” and “— Environmental matters” in this section for details on our social, employee-friendly and environmental protection measures, and “— Our certifications, awards and recognitions — Awards” in this section for our employer-related awards.

BUSINESS

Experienced management team and effective management structure

We are managed by a team of experienced and professional personnel with sound knowledge of the Hong Kong catering industry. Mr. Wong Kit Lung Simon, JP, an executive Director, is our key leadership figure who has dedicated himself to our Group for more than 10 years. Mr. Wong Kit Lung Simon has been recognised as Hong Kong Ten Outstanding Young Person 2011 and is the President of Institution of Dining Art (稻苗學會) (one of the major chambers of commerce in the Hong Kong catering industry) and the chairman of the Hong Kong Japanese Food and Cuisine Association (香港日本食品及料理業協會), an association established by operators of Japanese restaurants and Japanese food importers in Hong Kong. Mr. Wong Kit Lung Simon has been appointed as one of the few non-Japanese as a Honorary KIKISAKE-SHI SAKA SHO (名譽唎酒師酒匠) in February 2017 for recognising his contribution in developing and promoting sake and Japanese culture. He is also the Convenor of Food Business and Related Services Task Force under the Business Facilitation Advisory Committee. Under his stewardship and management insights, we have extended our footprints to the growing Japanese and Asian cuisine market in addition to the Chinese cuisine market in Hong Kong and built up our sizeable operations of 34 restaurants. Ms. Grace Ko, our other executive Director, is also an experienced restaurateur with over 22 years of working and management experience in our Group. Under her leadership, we implemented a standardised, electronic procurement system and obtained ISO:9001 and ISO:22000 accreditations in that aspect.

Most members of our senior management are long serving, have solid industry experiences of over 20 years and have developed insightful management philosophy and extensive connections with key business partners. Our senior management works efficiently as a team to execute our business plans over the years. See “Directors and senior management” in this prospectus for details.

Further, we have developed an effective management structure with strong corporate governance and operational efficiency. Our Chinese cuisine brands and Asian cuisine brands are managed by two experienced teams specialised in the respective cuisine and customer segment to provide suitable culinary experience to the respective target customer segments.

We are also in the process of installing a business intelligence system (the “**BI System**”) across our restaurant network which affords our management team with electronic access to real time operational data of our restaurants, such as customer spending and number, procurement and marketing, which would allow our management to timely adjust our operations to optimal level.

We believe our experienced management teams and effective management structure and system give us a competitive edge in the operation and future expansion of our business.

BUSINESS

OUR BUSINESS STRATEGIES

We intend to continue solidifying our market position as a top multi-brand full service restaurant group in Hong Kong and enhancing market penetration into different customer segments. We also aim to extend our geographical reach to the PRC and other Asia Pacific countries riding on our commercial success in Hong Kong. Our business strategies to attain growth include the following:

Expanding our restaurant network and enhancing our market penetration in Hong Kong

We intend to continue expanding our restaurant network and enhancing our market penetration in Hong Kong. In pursuit of organic growth, we strive to strike a balance between self-owned brands and franchised brands, primarily focusing on our Asian cuisine offering, with a steady growth of our Chinese cuisine business in the coming years. We plan to open the following number of restaurants by FY2020:

- *"The Banqueting House (御苑皇宴)"* or other Cantonese cuisine brands: 1
- *"Peace Cuisine (和平飯店)"*: 3
- *"Mou Mou Club (牛瀾鍋)"*: 3
- *"Hotpot PNP (熱血一流)"*: 1
- *"Gyu-Kaku (牛角)"*: 7
- *"On-Yasai (溫野菜)"*: 5
- *"Yoogane (柳氏家)"*: 2
- *"Gyu-Kaku Jinan-Bou (牛角次男坊)"*: 5

See "— Our expansion plans, site selection and development" in this section for details. Our expansion plans in Hong Kong is aligned with the favourable macro-economy and full service restaurant market conditions in Hong Kong, which is forecasted by Frost & Sullivan to grow at a CAGR of 4.0% from 2017 to 2022 to reach HK\$54.3 billion. As we expand our market share with our new restaurants in this growing market, we believe we can further improve our performance.

Strengthening our multi-brand business model with new additions to our brand portfolio

We have a proven track record of developing popular self-owned brands and introducing successful overseas franchised brands in Hong Kong. By expanding our brand portfolio, we aim to further strengthen our customer base, market penetration and our multi-brand business model.

We develop and market our self-owned brands with consideration of prevailing market trends and customers' culinary preferences, taking advantage of the business acumen and market insights of our Directors and senior management, as well as our responsive and multi-faceted marketing capabilities. In September 2017, we have launched a new self-owned brand, *"Hotpot PNP (熱血一流)"*,

BUSINESS

which is an insightful, unique take on modern hotpot with soup base inspired by international cuisines, such as South East Asian, Japanese, Korean and western cuisines. We will continue to develop new self-owned brands from time to time.

Our franchised brands are carefully selected with our experiences and market intelligence within the Asian restaurant market. We generally obtain franchise for pioneer successful, chained-operated overseas brands offering authentic Asian specialty cuisines. We plan to launch another new franchised brand, “*Gyu-Kaku Jinan-Bou* (牛角次男坊)”, in late 2018, leveraging on the well-received *yakiniku* offerings of our “*Gyu-Kaku* (牛角)” restaurants.

Tapping into the PRC and other Asia Pacific countries

Riding on our success in Hong Kong and capitalising on our enhanced corporate image after the Listing, we intend to explore opportunities to expand into markets outside Hong Kong including the PRC, Singapore and Malaysia.

Our PRC and overseas expansion may be in the form of (i) opening restaurants under our self-owned or franchised brands, and/or (ii) franchising our self-owned brands to Independent Third Parties, depending on the availability, experiences, credibility, financial conditions and business track record of potential franchisees. We will explore with key stakeholders such as landlords, management personnel, market researchers and potential franchisees from time to time on overseas expansion opportunities. We will also conduct market research to understand the business, financial and legal aspects before expanding into overseas markets.

The PRC catering market presents formidable opportunities, as the sales values of the PRC catering market is forecasted by Frost & Sullivan to grow rapidly to reach RMB6,280.0 billion by 2022. In view of the potential of the PRC market, in February 2018, we entered into a licencing agreement with Rongda, an Independent Third Party, pursuant to which we have obtained exclusive sub-licenced rights to operate restaurants under the “*Gyu-Kaku* (牛角)” brand in the South China area (except that the sub-licensor can still operate restaurants in South China area under the said brand). For details, see “— Our franchised brands, franchising and licencing arrangements — Licencing arrangement” in this section. As we have not committed to opening any minimum number of restaurants or making any capital contribution under the licencing agreement, we plan to better equip ourselves before tapping into the PRC market. We will first set up a team to conduct market researches and feasibility studies on our expansion into the PRC. Subject to the results of such market researches and feasibility studies, we will then consider whether to proceed with our PRC expansion plan and the relevant timeframe. As at the Latest Practicable Date, we did not have concrete plan on the timing for opening any restaurant in the PRC.

As at the Latest Practicable Date, save for the above licencing arrangement, we had neither identified any suitable opportunity nor had we had any concrete plan or timeframe for overseas expansion.

BUSINESS

Enhancing operational efficiency and cost savings

To support our expansion plan, we aim to further improve our operational process to enhance efficiency and attain cost savings through the following:

- ***New Central Processing and Logistic Centre.*** Along with the expansion of our restaurant network, we intend to lease and set up a new central processing and logistic centre with a GFA of approximately 5,000 to 8,000 sq.ft. in 2019 with capacities for more food preparation and processing functions to cater for our expansion plans, enhance food processing and cutting, and provide additional storage space for food ingredients and products. As at the Latest Practicable Date, we had yet to identify any suitable central processing and logistic centre.
- ***Business Intelligence System.*** In addition to capturing more restaurant operation data, we plan to extend the coverage of our BI System to our procurement and budgeting, enabling our management to timely adjust our management and operational strategies. The BI System is expected to be fully implemented across our business functions by the end of 2019.
- ***Accounting System.*** We intend to upgrade our accounting systems to enhance our financial reporting functions to better equip ourselves to comply with our financial reporting obligations as a listed entity.
- ***Service and Despatch Efficiency.*** We plan to improve our customers' experiences, attain cost-savings and streamline our restaurant services by (i) using more electronic menus and ordering systems (currently used in some "Mou Mou Club (牛瀾鍋)" and "Gyu-Kaku (牛角)" restaurants), (ii) using high speed delivery system to deliver dishes and collect used dishes, and allowing customers to place orders with their mobile phones and make payments through various types of mobile payment and digital wallet service platforms immediately after placing orders (which can reduce the number of staff required) in our "Hotpot PNP (熱血一流)" restaurants, and (iii) implementing an energy usage monitor and control system across our restaurant network.

The expected capital expenditure for the new central processing and logistic centre, business intelligence system and accounting systems are approximately HK\$6.0 million, HK\$1.8 million and HK\$5.0 million respectively, which are expected to be incurred within the next two years and will be funded with internal resources. The capital expenditure for enhancing the service and despatch efficiency will be taken into account in the capital expenditure for each individual new restaurants.

We expect that the above strategies will further strengthen our position as one of the most well-managed and operated restaurant groups in Hong Kong. See "Future plans and use of proceeds" in this prospectus for details on the application of net proceeds from the Global Offering to implement and realise some of the above strategies. For others, they will be funded by our internal resources generated from our operations and organic growth.

BUSINESS

OVERVIEW OF OUR RESTAURANT NETWORK AND OPERATIONS

Our brand and restaurant portfolio

We adopt a multi-brand business model which is centre to our commercial success, with 10 brands in operation and one under development, which are either self-owned or franchised as described below:-

<i>Chinese cuisine</i>	<u>Cuisine</u>	<u>Number of restaurants as at the Latest Practicable Date</u>	<u>Approximate number of customer visits for</u> (i) FY 2015 (ii) FY 2016 (iii) FY 2017	<u>Brand highlights and particulars</u>
<i>Self-owned brands</i>				
 The Banqueting House 御苑 皇宴 THE BANQUETING HOUSE	Cantonese (specialised in wedding banquets)	2	(i) 766,600 (ii) 736,000 (iii) 701,300	<ul style="list-style-type: none"> • Target mid-to-high end market • Our top Chinese brand • Decorated with chandeliers and hotel-like ambience, with audio visual equipment and stages with laser lighting, providing suitable atmosphere for wedding banquets • First restaurant opened in June 2007
 China Hall 御苑	Cantonese	1	(i) 254,000 (ii) 324,300 (iii) 357,600	<ul style="list-style-type: none"> • Target mid-to-high end market • Emphasise quality and freshness with a wide range of fresh seafood and seasonal dishes • First restaurant opened in January 2015
 LHGrand 叙福楼 金閣 LHGrand	Cantonese (traditional dim sum and delicacies)	1	(i), (ii) Not applicable (opened in July 2017) (iii) 322,900	<ul style="list-style-type: none"> • Target mid-to-high end market • First restaurant opened in July 2017
 Pot Master 煲仔皇	Cantonese (specialised in pot dishes)	1	(i) 624,900 (ii) 701,900 (iii) 623,700	<ul style="list-style-type: none"> • Target mass market • A pot dishes specialist famous for chicken hotpot • First restaurant opened in April 2011
 Peace Cuisine 和平飯店 PEACE CUISINE	Shanghai, Beijing and Sichuan	1	(i) 163,300 (ii) 165,900 (iii) 147,600	<ul style="list-style-type: none"> • Target mass market • A regional Chinese cuisine specialist offering Beijing, Shanghai and Sichuan speciality dishes • Equipped with private dining rooms for business meetings and family gatherings • First restaurant opened in October 2012

Note: the “approximate number of customer visits” in the above table represents the number of customer visits of the restaurants in operation under the relevant brand during each of the relevant years.

BUSINESS

Below are some photos of our Chinese restaurants and the signature dishes:

御苑 皇宴
THE BANQUETING HOUSE



BUSINESS

China
HALL 御苑



叙福樓 | 金閣
LHGrand







和平飯店
PEACE CUISINE




煲仔室
煲仔菜專門店



BUSINESS

<u>Asian cuisine</u>	<u>Cuisine</u>	<u>Number of restaurants as at the Latest Practicable Date</u>	<u>Approximate number of customer visits for</u> (i) FY 2015 (ii) FY 2016 (iii) FY 2017	<u>Brand highlights and particulars</u>
<u>Self-owned brands</u>				
<p>Mou Mou Club</p> 	<p>"All-you-can-eat" Japanese <i>shabu-shabu</i></p>	10	(i) 1,153,600 (ii) 1,093,900 (iii) 1,158,300	<ul style="list-style-type: none"> • Target the lower end of the mid-to-high end market • Our top self-owned Asian cuisine brand • Offer "all-you-can-eat" <i>shabu-shabu</i> with Japanese Wagyu, Australia Wagyu and premium U.S. beef, and unlimited serving of Danish pork and buffet area with vegetables, fruits, udon, dessert • Marketed with our self-developed characters of Mou Mou Kun (the brand ambassador), Prince Dan Dan (Danish character, linking to the Danish origin of our pork), Ron, Nana and Dodo • First restaurant opened in February 2010
<p>Hotpot PNP</p> 	<p>Modern hotpot</p>	1	(i), (ii) Not applicable (opened in September 2017) (iii) 23,300	<ul style="list-style-type: none"> • Target mass market • Self-owned brand with a unique and modern take on hotpot • Offer international cuisine inspired soup base, such as ginseng chicken soup (Korean) and tom yum soup (Thai) • "PNP" means "pull no punches", with sports being the theme to take advantage of increasing consciousness of health and fitness • Installed with high speed delivery system delivering dishes to tables from kitchen
<u>Franchised brands</u>				
<p>Gyu-Kaku</p> 	<p>Japanese <i>yakiniku</i></p>	13	(i) 1,126,800 (ii) 1,213,000 (iii) 1,354,100	<ul style="list-style-type: none"> • Target mid-to-high end market • Our top franchised brand • A successful <i>yakiniku</i> chain of over 620 restaurants in Japan and more than 110 restaurants elsewhere as at 31 December 2017, with the brand motto being "Exceed Expectations (感動創造)". • Offer a large variety of beef from US and Japan including Premium Karubi, Saga A5 Wagyu Rib Eye Steak, Danish pork, Danish chicken, beef tongue, seafood and vegetables, seasoned with Japan-imported sauces • Grill at each table • First restaurant opened in November 2010
<p>On-Yasai</p> 	<p>Japanese premium <i>shabu-shabu</i></p>	3	(i) 4,500 (ii) 141,700 (iii) 168,400	<ul style="list-style-type: none"> • Target mid-to-high end market • Premium brand of <i>shabu-shabu</i> — an established brand with over 370 restaurants in Japan and over 20 restaurants elsewhere as at 31 December 2017 • First restaurant opened in December 2015

BUSINESS

<u>Asian cuisine</u>	<u>Cuisine</u>	<u>Number of restaurants as at the Latest Practicable Date</u>	<u>Approximate number of customer visits for</u> <u>(i) FY 2015</u> <u>(ii) FY 2016</u> <u>(iii) FY 2017</u>	<u>Brand highlights and particulars</u>
Yoogane 	Korean <i>chicken galbi</i>	1	(i), (ii) Not applicable (opened in May 2017) (iii) 104,800	<ul style="list-style-type: none"> • Target mid-to-high end market • Our first Korean cuisine brand — offer Korean <i>chicken galbi</i> with unique blend of sauces and seasoning and top notch fresh ingredients • An established brand of nearly 140 restaurants in Korea and nearly 15 elsewhere as at 31 December 2017 • First restaurant opened in May 2017

Note: the “approximate number of customer visits” in the above table represents the number of customer visits of the restaurants in operation under the relevant brand during each of the relevant years.

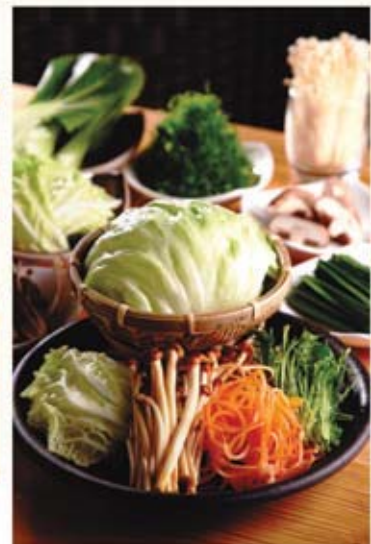
BUSINESS

Below are some photos of our Asian restaurants (including our new brand to be launched in late 2018) and the signature dishes:








ON-YASAI





BUSINESS

<u>To be relaunched/ launched</u>	<u>Cuisine</u>	<u>Number of restaurants as at the Latest Practicable Date</u>	<u>Brand highlights and particulars</u>
Self-owned brand			
Sushi Dai 	Japanese <i>sushi</i>	To be relaunched	<ul style="list-style-type: none"> • Target mass market. • A specialist in hand-rolled <i>sushi</i> offering <i>sashimi</i>, <i>yakitori</i>, <i>tempura</i> and other traditional Japanese dishes at affordable prices • First restaurant opened in April 2011 and the last one was closed in October 2017; to be relaunched when an appropriate restaurant site is located as and when the management considers appropriate
Franchised brand			
Gyu-Kaku Jinan-Bou 	Japanese <i>yakiniku donburi</i>	First outlet to be opened in late 2018	<ul style="list-style-type: none"> • Target mass market • A sub-brand of "<i>Gyu-Kaku</i> (牛角)", which was launched in March 2016, which has been well-received by the market with two restaurants in Japan and five in Taiwan. • Offer innovative dish of <i>yakiniku donburi</i>, leveraging on the popularity of "<i>Gyu-Kaku</i> (牛角)".

Each of our Chinese cuisine brands and Asian cuisine brands is managed by a specialised team, with experience and specialist knowledge in the cuisine and customer segments it serves, to provide suitable culinary experience to its targeted customers. Both management teams share the commitment to provide customers with the best value for money and strike a balance between serving quality, authentic delicacies and a customer friendly price tag. Each of our brands has a unique identity and its own decoration, menu design, lighting, tableware and staff uniform, providing a refreshing appeal to customers who visit different restaurants within our Group.

BUSINESS

The table below shows a breakdown of our revenue for the years indicated:

	FY2015		FY2016		FY2017	
	Revenue (HK\$'000)	Percentage (%)	Revenue (HK\$'000)	Percentage (%)	Revenue (HK\$'000)	Percentage (%)
Chinese restaurants						
<u>Self-owned brands</u>						
• <i>The Banqueting House</i>	179,453	23.3	167,215	22.5	157,022	18.9
• <i>China Hall</i>	42,721	5.5	50,331	6.7	48,528	5.9
• <i>Lucky House Seafood Restaurant</i>	64,938	8.4	11,234	1.5	—	—
• <i>Nanjing Dong Lu</i>	9,781	1.3	2,166	0.3	—	—
• <i>Peace Cuisine</i>	17,885	2.3	18,249	2.5	18,150	2.2
• <i>Pot Master</i>	34,921	4.5	43,776	5.9	39,922	4.8
• <i>LHGrand</i>	—	—	—	—	26,612	3.2
<i>Total of Chinese restaurants</i>	<u>349,699</u>	<u>45.3</u>	<u>292,971</u>	<u>39.4</u>	<u>290,234</u>	<u>35.0</u>
Asian restaurants						
<u>Self-owned brands</u>						
• <i>Mou Mou Club</i>	178,001	23.1	167,067	22.5	186,646	22.5
• <i>Sushi Dai</i>	9,004	1.2	11,555	1.6	8,469	1.0
• <i>Tamashii</i>	473	0.1	—	—	—	—
• <i>Lazat Laksa</i>	12,485	1.6	—	—	—	—
• <i>Hotpot PNP</i>	—	—	—	—	3,854	0.5
<i>Sub-total:</i>	<u>199,963</u>	<u>26.0</u>	<u>178,622</u>	<u>24.1</u>	<u>198,969</u>	<u>24.0</u>
<u>Franchised brands</u>						
• <i>Gyu-Kaku</i>	198,601	25.8	216,065	29.0	256,167	30.9
• <i>On-Yasai</i>	1,038	0.1	34,607	4.7	46,296	5.6
• <i>Yoogane</i>	—	—	—	—	17,231	2.1
<i>Sub-total:</i>	<u>199,639</u>	<u>25.9</u>	<u>250,672</u>	<u>33.7</u>	<u>319,694</u>	<u>38.6</u>
Total of Asian restaurants:	399,602	51.9	429,294	57.8	518,663	62.6
Sale of food ingredients	<u>21,867</u>	<u>2.8</u>	<u>20,781</u>	<u>2.8</u>	<u>20,255</u>	<u>2.4</u>
Total revenue:	<u><u>771,168</u></u>	<u><u>100.0</u></u>	<u><u>743,046</u></u>	<u><u>100.0</u></u>	<u><u>829,152</u></u>	<u><u>100.0</u></u>

Our revenue generated by Asian cuisine restaurants have increased from HK\$399.6 million in FY2015 to HK\$429.3 million in FY2016, and further to HK\$518.7 million in FY2017, which was mainly attributable to growing business of our franchised brands restaurants. Our revenue generated by our Chinese restaurants decreased from HK\$349.7 million in FY2015 to HK\$293.0 million in FY2016, and to HK\$290.2 million in FY2017. Such decreases were mainly attributable to (i) the closure of Lucky House Seafood Restaurant in February 2016 due to the expiry of the tenancy which was not renewed due to the renovation of the relevant shopping mall and (ii) the closure of Nanjing Dong Lu as we decided not to renew the relevant tenancy upon its expiration due to the unsatisfactory guest visits and revenue.

BUSINESS

Number of restaurants

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

	Chinese cuisine restaurants	Asian cuisine restaurants		Total
	Number of restaurants operated under our self-owned brands	Number of restaurants operated under our self-owned brands	Number of restaurants operated under franchised brands	
As at 1 January 2015	7	13	10	30
Commencement of operation during the year ⁽¹⁾	1	1	2	4
Closure of restaurants during the year ⁽²⁾	—	(3)	—	(3)
As at 31 December 2015	8	11	12	31
Commencement of operation during the year ⁽³⁾	—	1	2	3
Closure of restaurants during the year ⁽⁴⁾	(2)	—	—	(2)
As at 31 December 2016	6	12	14	32
Commencement of operation during the year ⁽⁵⁾	1	2	4	7
Closure of restaurants during the year ⁽⁶⁾	—	(4)	(1)	(5)
As at 31 December 2017	7	10	17	34
Commencement of operation during the period ⁽⁷⁾	—	1	—	1
Closure of restaurant during the period ⁽⁸⁾	(1)	—	—	(1)
As at the Latest Practicable Date	6	11	17	34

Notes:

- (1) During FY2015, restaurants under our self-owned brands, China Hall (Metroplaza, Kwai Fong) and Mou Mou Club (Regentville Shopping Centre, Fanling), commenced operation in January 2015 and December 2015, respectively. During the same financial year, restaurants under our franchised brands, Gyu-Kaku (ac, Aberdeen) and On-Yasai (Harbour City, Tsim Sha Tsui), commenced operation in June 2015 and December 2015, respectively.
- (2) During FY2015, restaurants under our self-owned brands, Mou Mou Club (Gala Place, Mong Kok), Mou Mou Club (Harbour City, Tsim Sha Tsui) and Lazat Laksa, ceased operation in May 2015, October 2015 and November 2015, respectively.
- (3) During FY2016, a restaurant under our self-owned brand, Mou Mou Club (MOKO, Mong Kok), commenced operation in September 2016 whereas restaurants under our franchised brands, Gyu-Kaku (Tai Po Mega Mall, Tai Po) and On-Yasai (Plaza 2000, Causeway Bay), commenced operation in March 2016 and April 2016, respectively.
- (4) During FY2016, restaurants under our self-owned brands, Lucky House Seafood Restaurant and Nanjing Dong Lu, ceased operation in February 2016 and March 2016, respectively.
- (5) During FY2017, restaurants under our self-owned brands, LHGrand and Mou Mou Club (T Town North, Tin Shui Wai), and a restaurant under our new self-owned brand, Hotpot PNP (The Forest, Mong Kok), commenced operation in July 2017 and September 2017, respectively. Further, restaurants under our franchised brands, including (i) Yoogane (New Town Plaza, Sha Tin); (ii) Gyu-Kaku (East Point City, Tseung Kwan O); and (iii) Gyu-Kaku and On-Yasai (Festival Walk, Kowloon Tong) commenced operations in May 2017, July 2017 and November 2017, respectively.
- (6) During FY2017, several restaurants under our self-owned brands ceased operations. These included (i) one restaurant under Tamashii (Coronation Circle, Jordan) ceased operation in July 2017; (ii) two restaurants under Mou Mou Club (Metroplaza, Kwai Fong; Lok Fu Place, Lok Fu) ceased operations in September 2017 and October 2017, respectively; and (iii) one restaurant under Sushi Dai (Lok Fu Place, Lok Fu) ceased operation in October 2017. Further, one restaurant under our franchised brand, Gyu-Kaku (Metroplaza, Kwai Fong), ceased operation in September 2017.

BUSINESS

- (7) Since 31 December 2017 and up to the Latest Practicable Date, a restaurant under our self-owned brand, Mou Mou Club (Ma On Shan Plaza, Ma On Shan), commenced operation in February 2018.
- (8) Since 31 December 2017 and up to the Latest Practicable Date, a restaurant under our self-owned brand, The Banqueting House (Kimberley 26, Tsim Sha Tsui), ceased operation in February 2018.

OUR RESTAURANT NETWORK AND LOCATIONS

All of our restaurants are strategically located in major shopping malls and commercial complexes in key, densely populated “cluster” residential and commercial areas in Hong Kong. We lease all of our restaurant premises. The following map shows the locations of our restaurants as at the Latest Practicable Date:



BUSINESS

The table below sets out details of our restaurants:

Brand	Location (Hong Kong)	Approximate GFA (sq.ft.)	Approximate number of seats as at the Latest Practicable Date	Breakeven period (months) ⁽¹⁾	Investment payback period (months) ⁽²⁾	
<i>The Banqueting House</i>	Empire Centre, Tsim Sha Tsui	22,388	547	17	41	
	MegaBox, Kowloon Bay	19,720	620	17	57	
<i>China Hall</i>	Metroplaza, Kwai Fong	11,812	344	14	N/A ⁽³⁾⁽⁴⁾	
<i>Peace Cuisine</i>	Domain, Yau Tong	3,897	172	2	23	
<i>Pot Master</i>	Tin Yan Estate Shopping Centre, Tin Shui Wai	8,643	330	3	5	
<i>LHGrand</i>	T Town North, Tin Shui Wai	13,314 ⁽⁵⁾	376	N/A ⁽⁶⁾	N/A ⁽³⁾⁽⁶⁾	
<i>Mou Mou Club</i>	T Town North, Tin Shui Wai	13,314 ⁽⁵⁾	168	3	N/A ⁽³⁾⁽⁷⁾	
	Olympian City 2, West Kowloon	5,453 ⁽⁸⁾	117	5	34	
	Wonderful Worlds of Whampoa, Hung Hom	5,772 ⁽⁹⁾	94	3	33	
	Island Resort Mall, Siu Sai Wan	5,141	114	3	N/A ⁽³⁾⁽¹⁰⁾	
	MOKO, Mong Kok	3,743	130	3	N/A ⁽³⁾⁽¹¹⁾	
	Regentville Shopping Centre, Fanling	3,668	80	2	N/A ⁽³⁾⁽¹²⁾	
	Amoy Plaza, Kowloon Bay	3,000	104	3	33	
	World Trade Centre, Causeway Bay	2,572	76	3	14	
	Tsuen Wan Plaza, Tsuen Wan	1,935	76	3	7 ⁽¹³⁾	
	Ma On Shan Plaza, Ma On Shan	3,202	114	N/A ⁽¹⁴⁾	N/A ⁽¹⁴⁾	
	<i>Gyu-Kaku</i>	King Wah Centre, Mong Kok	6,043	154	7	20
		Citywalk 2, Tsuen Wan	5,942	128	3	47
		Wonderful Worlds of Whampoa, Hung Hom	5,772 ⁽⁹⁾	92	3	33
		Windsor House, Causeway Bay	5,477 ⁽¹⁵⁾	100	2	13
Olympian City 2, West Kowloon		5,453 ⁽⁸⁾	92	5	34	
LCX, Ocean Terminal, Tsim Sha Tsui		3,650 ⁽¹⁶⁾	70	3	9	
ac, Aberdeen		2,862	60	3	N/A ⁽³⁾⁽¹⁷⁾	
Telford Plaza II, Kowloon Bay		2,600	118	3	11	
Yuen Long Plaza, Yuen Long		2,400	66	4	35	
V City, Tuen Mun		2,050	68	2	11	
<i>On-Yasai</i>	East Point City, Tseung Kwan O	1,782	58	3	N/A ⁽³⁾⁽¹⁸⁾	
	Tai Po Mega Mall, Tai Po	1,500	44	3	N/A ⁽³⁾⁽¹⁹⁾	
	Festival Walk, Kowloon Tong	6,493 ⁽²⁰⁾	80	N/A ⁽²¹⁾	N/A ⁽³⁾⁽²¹⁾	
	LCX, Ocean Terminal, Tsim Sha Tsui	3,650 ⁽¹⁶⁾	72	3	14	
	Plaza 2000, Causeway Bay	3,263	64	20	N/A ⁽³⁾⁽²²⁾	
	Festival Walk, Kowloon Tong	6,493 ⁽²⁰⁾	86	N/A ⁽²¹⁾	N/A ⁽³⁾⁽²¹⁾	
<i>Yoogane</i>	New Town Plaza Phase 1, Sha Tin	2,746	100	4	N/A ⁽³⁾⁽²³⁾	
<i>Hotpot PNP</i>	The Forest, Mong Kok	2,778	65	N/A ⁽²⁴⁾	N/A ⁽²⁴⁾	

Notes:

- (1) Breakeven period refers to the time period required for the restaurant to achieve breakeven point, i.e. the monthly revenue of the restaurant at least equals to the monthly expenses (including the operating costs, depreciation expenses

BUSINESS

- and other operating expenses) of that restaurant, for two consecutive months. Operating costs include cost of food and beverages, staff costs, rental expenses, and franchise fees and royalty fees (where applicable).
- (2) Investment payback period means the time it takes for the accumulated operating cashflow generated from the restaurant (inclusive of the relevant franchise fees and royalty fees (where applicable)) equates the initial costs of opening that restaurant which is calculated based on the financial information of the restaurants since the commencement of their business and up to 31 December 2017.
 - (3) As at 31 December 2017, these restaurants have not achieved the investment payback as these restaurants have not yet generated enough accumulated operating cash inflow to achieve the investment payback.
 - (4) The *China Hall* restaurant in Metroplaza, Kwai Fong has not achieved the investment payback because the guest traffic was affected by the renovation of Metroplaza during February 2017 to mid-November 2017.
 - (5) Since the *LHGrand* restaurant and the *Mou Mou Club* restaurant in T Town North, Tin Shui Wai share the same premises, the GFA is stated on an aggregate basis.
 - (6) The *LHGrand* restaurant in T Town North, Tin Shui Wai commenced business in July 2017. Therefore, it has not achieved breakeven and investment payback.
 - (7) The *Mou Mou Club* restaurant in T Town North, Tin Shui Wai commenced business in July 2017. Therefore, it has not achieved investment payback.
 - (8) Since the *Mou Mou Club* restaurant and the *Gyu-Kaku* restaurant in Olympian City 2 in Tai Kwok Tsui share the same premises, the GFA and investment payback period are stated on an aggregate basis.
 - (9) Since the *Mou Mou Club* restaurant and the *Gyu-Kaku* restaurant in Wonderful Worlds of Whampoa in Hung Hom share the same premises, the GFA and investment payback period are stated on an aggregate basis. The restaurants ceased operation in June 2017 temporarily for renovation and were re-opened in July 2017.
 - (10) The *Mou Mou Club* restaurant in Island Resort Mall, Siu Sai Wan has not achieved investment payback because the spending power of the customers in the relevant district is lower than expected.
 - (11) As the *Mou Mou Club* restaurant in MOKO, Mong Kok commenced business in September 2016, it has not achieved investment payback.
 - (12) The *Mou Mou Club* restaurant in Regentville Shopping Centre, Fanling has not achieved investment payback because the guest traffic and spending power are lower than expected.
 - (13) The quick investment payback was mainly attributable to the saving of renovation costs as we were able to utilise the facilities of the previous lessee.
 - (14) The *Mou Mou Club* restaurant in Ma On Shan Plaza, Ma On Shan commenced business in February 2018. Therefore, the measures of breakeven period and investment payback period are not applicable.
 - (15) The *Gyu-Kaku* restaurant in Windsor House, Causeway Bay ceased operation in mid-October 2017 temporarily for renovation and was re-opened in December 2017.
 - (16) Since the *Gyu-Kaku* restaurant and the *On-Yasai* restaurant in LCX, Ocean Terminal in Tsim Sha Tsui share the same premises, the GFA is stated on an aggregate basis.
 - (17) The *Gyu-Kaku* restaurant in ac, Aberdeen has not achieved investment payback because the guest traffic is lower than expected.
 - (18) The *Gyu-Kaku* restaurant in East Point City, Tseung Kwan O commenced business in July 2017. Therefore, it has not achieved investment payback.
 - (19) As the *Gyu-Kaku* restaurant in Tai Po Mega Mall, Tai Po commenced business in March 2016, it has not achieved investment payback.

BUSINESS

- (20) Since the *Gyu-Kaku* restaurant and the *On-Yasai* restaurant in Festival Walk, Kowloon Tong share the same premises, the GFA is stated on an aggregate basis.
- (21) The *Gyu-Kaku* restaurant and *On-Yasai* restaurant in Festival Walk, Kowloon Tong commenced their business in November 2017. Therefore, the measures of breakeven period and investment payback period are not applicable.
- (22) The *On-Yasai* restaurant in Plaza 2000, Causeway Bay took 20 months to achieve its breakeven and has not achieved the investment payback point because (i) the guest traffic is lower than expected with its location in a commercial building; and (ii) while customers mainly come in pairs, most of the tables in the restaurant are for four people, which results in lower seat turnover rate.
- (23) The *Yoogane* restaurant in New Town Plaza Phase 1, Sha Tin commenced its business in May 2017. Therefore, it has not achieved investment payback.
- (24) The Hotpot PNP restaurant in The Forest, Mong Kok commenced its business in September 2017. Therefore, it has not achieved breakeven and investment payback.

Closed Restaurants

During the Track Record Period and up to the Latest Practicable Date, we closed 11 restaurants for the reasons as specified below. Details of our closed restaurants are set out below:

Brand	Location (Hong Kong)	Cuisine served	Time of closure
<i>Sushi Dai</i>	Lok Fu Place, Lok Fu ⁽¹⁾⁽⁶⁾	Japanese	October 2017
<i>Lazat Laksa</i>	Wong Tai Sin Plaza, Wong Tai Sin ⁽²⁾	Singaporean	November 2015
<i>Lucky House Seafood Restaurant</i>	Chung Fu Plaza, Tin Shui Wai ⁽¹⁾	Cantonese	February 2016
<i>Nanjing Dong Lu</i>	Windsor House, Causeway Bay ⁽²⁾	Shanghai, Beijing and Sichuan	March 2016
<i>Tamashii</i>	Coronation Circle, Jordan ⁽³⁾	Japanese	July 2017
<i>Mou Mou Club</i>	Gala Place, Mong Kok ⁽⁴⁾	Japanese	May 2015
	LCX, Ocean Terminal, Harbour City, Tsim Sha Tsui ⁽⁵⁾	Japanese	October 2015
	Metroplaza, Kwai Fong ⁽¹⁾⁽⁷⁾	Japanese	September 2017
<i>Gyu-Kaku</i>	Lok Fu Place, Lok Fu ⁽¹⁾⁽⁶⁾	Japanese	October 2017
	Metroplaza, Kwai Fong ⁽¹⁾⁽⁷⁾	Japanese	September 2017
<i>The Banqueting House</i>	Kimberley 26, Tsim Sha Tsui ⁽¹⁾	Cantonese	February 2018

Notes:

- (1) Upon expiration of the relevant tenancy agreement, we did not reach an agreement with the relevant landlord to renew the tenancy. For *Lucky House Seafood Restaurant*, the reason for not reaching an agreement for renewal was because the whole shopping mall was to undergo a renovation.
- (2) We decided not to renew the relevant tenancy upon its expiration due to the unsatisfactory guest visits and revenue.
- (3) Due to the delay in the construction of Guangzhou - Shenzhen - Hong Kong Express Rail Link, the pedestrian or vehicle flow near our "*Tamashii*" restaurant was less than expected, resulting in unsatisfactory guest traffic. We therefore closed down "*Tamashii*" restaurant in July 2017.
- (4) The landlord planned to renovate the shopping mall and exercised its right under the tenancy agreement to terminate the tenancy before its expiration by giving a six-month notice of termination in writing.
- (5) Upon obtaining the franchise right of "*On-Yasai* (溫野菜)" brand from REINS in 2015, we replaced the original "*Mou Mou Club* (牛涮鍋)" restaurant at LCX, Ocean Terminal, Tsim Sha Tsui with our first "*On-Yasai* (溫野菜)" restaurant which offers premium *shabu-shabu* menu with expected higher average spending per customer than "*Mou Mou Club* (牛涮鍋)" at a location with secured guest traffic, aiming for successful launch of our then new franchised brand.

BUSINESS

- (6) The *Mou Mou Club* restaurant and the *Sushi Dai* restaurant in Lok Fu Place in Lok Fu shared the same premises before their closure. We are in the course of identifying suitable alternative premises for opening restaurants under these brands.
- (7) The *Mou Mou Club* restaurant and the *Gyu-Kaku* restaurant in Metroplaza in Kwai Fong shared the same premises before their closure. We are in the course of identifying suitable alternative premises for opening restaurants under these brands.

Our restaurant operating data

The table below shows certain key operational information of our restaurants for each of the periods indicated:

	FY2015					FY2016					FY2017				
	Average spending per customer	Average daily revenue	Seat turnover rate	Gross profit margin	Operating margin	Average spending per customer	Average daily revenue	Seat turnover rate	Gross profit margin	Operating margin	Average spending per customer	Average daily revenue	Seat turnover rate	Gross profit margin	Operating margin
	(Note 1) (HK\$)	(Note 2) (HK\$'000)	(Note 3) (times)	(Note 4) (%)	(Note 5) (%)	(Note 1) (HK\$)	(Note 2) (HK\$'000)	(Note 3) (times)	(Note 4) (%)	(Note 5) (%)	(Note 1) (HK\$)	(Note 2) (HK\$'000)	(Note 3) (times)	(Note 4) (%)	(Note 5) (%)
	(approx.)	(approx.)	(approx.)	(approx.)	(approx.)	(approx.)	(approx.)	(approx.)	(approx.)	(approx.)	(approx.)	(approx.)	(approx.)	(approx.)	(approx.)
Chinese cuisine — Self-owned brands															
<i>The Banqueting House</i>	234	164	1.78	78.8	36.7	226	151	1.66	79.4	32.8	224	144	1.59	77.9	29.6
● MegaBox, Kowloon Bay	203	175	1.39	78.9	36.4	185	156	1.36	80.3	31.8	187	152	1.31	78.5	29.2
● 26 Kimberley Road, Tsim Sha Tsui	194	99	2.63	78.9	28.8	191	87	2.33	78.8	22.3	186	80	2.22	77.9	18.0
● Empire Centre, Tsim Sha Tsui	300	217	1.32	78.6	40.5	297	211	1.30	78.9	37.9	294	199	1.24	77.6	34.6
<i>China Hall</i> ⁽⁶⁾	168	124	2.15	76.8	24.7	154	137	2.58	76.2	27.9	136	133	2.85	75.7	24.1
<i>Lucky House Seafood Restaurant</i> ⁽⁷⁾	68	178	4.21	74.4	27.0	81	189	3.74	76.4	1.4	—	—	—	—	—
<i>Nanjing Dong Lu</i> ⁽⁸⁾	132	27	2.31	84.4	23.0	133	24	2.05	84.1	1.3	—	—	—	—	—
<i>Peace Cuisine</i>	110	49	2.60	83.6	37.8	109	50	2.64	82.8	36.9	123	50	2.35	85.1	37.6
<i>Pot Master</i>	56	96	5.19	75.1	34.6	62	119	5.81	76.5	34.8	64	110	5.18	76.2	28.6
<i>LHGrand</i> ⁽⁹⁾	—	—	—	—	—	—	—	—	—	—	83	163	5.24	73.1	9.7
Asian cuisine — Self-owned brands															
<i>Mou Mou Club</i>	138	45	3.49	66.6	31.0	146	43	3.63	67.4	31.3	156	50	3.42	66.2	31.7
● World Trade Centre, Causeway Bay ⁽¹⁰⁾	154	53	3.67	66.5	32.3	150	50	3.48	67.6	31.9	160	52	3.26	66.0	32.5
● Olympian City 2, West Kowloon	161	58	4.72	66.5	33.7	159	56	4.65	67.5	22.3	170	64	4.93	64.5	31.7
● Harbour City, Tsim Sha Tsui ⁽¹¹⁾	150	60	3.40	65.4	32.5	148	62	3.58	66.0	34.2	159	62	3.33	65.1	31.0
● Metropolis, Kwai Fong ⁽¹²⁾	167	60	4.75	66.4	29.5	—	—	—	—	—	—	—	—	—	—
● Metropolis, Kwai Fong ⁽¹²⁾	153	54	4.11	66.4	28.5	151	56	4.27	68.3	32.1	155	53	4.00	68.7	34.4
● Gala Place, Mong Kok ⁽¹³⁾	165	68	3.38	70.3	34.3	—	—	—	—	—	—	—	—	—	—
● MOKO, Mong Kok ⁽¹⁴⁾	—	—	—	—	—	158	66	3.20	68.0	22.0	162	71	3.37	65.4	33.5
● Lok Fu Place, Lok Fu ⁽¹⁵⁾	135	39	2.75	65.8	33.9	141	41	2.75	69.0	35.7	151	38	2.35	69.2	33.1
● Amoy Plaza, Kowloon Bay	145	52	3.43	63.5	30.5	141	52	3.54	66.4	33.1	155	53	3.29	66.0	32.2
● Regentville Shopping Centre, Fanling ⁽¹⁶⁾	174	46	3.35	68.0	5.1	158	34	2.66	66.5	30.9	160	32	2.48	66.0	30.2
● Wonderful Worlds of Whampoa, Hung Hom	156	45	3.09	69.1	36.9	154	45	3.21	70.8	38.7	161	52	3.52	66.9	33.2
● Tsuen Wan Plaza, Tsuen Wan	156	58	4.80	66.9	30.8	154	54	4.47	67.9	29.4	157	49	4.04	64.4	32.0
● Island Resort Mall, Siu Sai Wan	154	45	2.56	66.4	34.8	148	42	2.49	66.6	34.8	153	42	2.40	64.7	31.9
● T Town North, Tin Shui Wai ⁽¹⁷⁾	—	—	—	—	—	—	—	—	—	—	170	63	2.22	69.8	36.5

BUSINESS

	FY2015					FY2016					FY2017				
	Average spending per customer (HK\$) (Note 1) (approx.)	Average daily revenue (HK\$'000) (Note 2) (approx.)	Seat turnover rate (times) (Note 3) (approx.)	Gross profit margin (%) (Note 4) (approx.)	Operating margin (%) (Note 5) (approx.)	Average spending per customer (HK\$) (Note 1) (approx.)	Average daily revenue (HK\$'000) (Note 2) (approx.)	Seat turnover rate (times) (Note 3) (approx.)	Gross profit margin (%) (Note 4) (approx.)	Operating margin (%) (Note 5) (approx.)	Average spending per customer (HK\$) (Note 1) (approx.)	Average daily revenue (HK\$'000) (Note 2) (approx.)	Seat turnover rate (times) (Note 3) (approx.)	Gross profit margin (%) (Note 4) (approx.)	Operating margin (%) (Note 5) (approx.)
<i>Sushi Dai</i> ⁽¹⁸⁾	103	25	4.13	65.3	26.6	106	31	5.08	64.0	25.4	106	30	4.89	64.0	23.6
<i>Tamashiji</i> ⁽¹⁹⁾	189	1	0.19	48.1	-49.5	—	—	—	—	—	—	—	—	—	—
<i>Lazat Laksa</i> ⁽²⁰⁾	62	40	4.21	70.2	20.1	—	—	—	—	—	—	—	—	—	—
<i>Hotpot PNP</i> ⁽²¹⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Asian cuisine — Franchised brands															
<i>Gyu-Kaku</i>	176	52	3.40	75.9	30.2	182	51	3.45	74.4	29.5	195	59	3.81	75.2	33.9
● Yuen Long Plaza, Yuen Long	176	52	3.37	75.9	30.6	175	51	3.50	75.3	30.3	187	58	3.88	75.3	35.0
● Tai Po Mega Mall, Tai Po ⁽²²⁾	169	40	3.61	76.0	35.5	171	35	3.09	74.8	32.8	174	37	3.24	76.4	33.0
● Olympian City 2, West Kowloon	157	39	2.72	74.4	25.8	168	39	5.30	75.4	29.9	178	36	4.59	77.0	34.9
● Harbour City, Tsim Sha Tsui ⁽²³⁾	198	75	5.42	76.9	26.9	209	81	5.55	77.3	34.6	216	85	5.59	79.0	45.6
● V City, Tuen Mun	186	54	4.30	77.1	34.0	171	52	4.48	76.5	32.0	173	55	4.65	77.4	37.8
● Telford Plaza II, Kowloon Bay ⁽²⁴⁾	177	67	3.19	76.4	29.2	172	67	3.28	77.1	25.7	177	69	3.30	78.0	36.8
● Metroplaza, Kwai Fong ⁽²⁵⁾	159	47	3.67	75.0	24.8	155	48	3.85	75.1	26.4	158	47	3.71	76.7	29.6
● King Wah Centre, Mong Kok	191	62	2.10	75.1	34.5	198	69	2.26	71.7	32.1	219	90	2.67	69.2	34.2
● Windsor House, Causeway Bay ⁽²⁶⁾	184	67	3.62	76.2	33.3	184	67	3.61	76.3	33.2	187	71	3.80	77.6	38.1
● Wonderful Worlds of Whampoa, Hung Hom	168	34	2.17	75.4	31.2	174	37	2.24	75.5	31.6	181	45	2.62	76.7	32.2
● Citywalk 2, Tsuen Wan	166	49	2.29	76.0	32.0	163	48	2.29	75.9	29.6	177	56	2.45	76.7	32.7
● ac, Aberdeen ⁽²⁷⁾	153	37	4.02	75.5	26.4	152	30	3.30	74.5	27.8	182	42	3.81	71.4	32.7
● East Point City, Tseung Kwan O ⁽²⁸⁾	—	—	—	—	—	—	—	—	—	—	170	52	5.32	77.6	34.1
● Festival Walk, Kowloon Tong ⁽²⁹⁾	—	—	—	—	—	—	—	—	—	—	192	78	5.06	76.3	5.3
<i>On-Yasai</i>	229	61	3.69	66.7	-51.7	240	55	3.13	68.3	24.2	272	59	3.22	75.7	30.8
● Harbour City, Tsim Sha Tsui ⁽³⁰⁾	229	61	3.69	66.7	-51.7	236	67	3.94	68.4	28.8	263	73	3.88	77.8	36.8
● Plaza 2000, Causeway Bay ⁽³¹⁾	—	—	—	—	—	253	38	2.33	68.1	12.5	292	43	2.28	71.6	26.5
● Festival Walk, Kowloon Tong ⁽³²⁾	—	—	—	—	—	—	—	—	—	—	265	80	3.51	77.9	7.5
<i>Yoogare</i> ⁽³³⁾	—	—	—	—	—	—	—	—	—	—	163	75	4.62	73.0	26.2

Notes:

- (1) Average spending per customer is calculated by dividing the total revenue of the relevant restaurant(s) not including sales of membership by the total approximate number of customer visits.
- (2) Average daily revenue is calculated by dividing the revenue of the relevant restaurant(s) not including sales of membership by the total approximate number of operation days.
- (3) Seat turnover rate is calculated by dividing the approximate number of customer visits per operation day by the number of seatings of the relevant restaurant(s).
- (4) Gross profit margin is calculated by dividing the gross profit for the year by revenue of the year. Gross profit is calculated by deducting the cost of food and beverages from the revenue attributable to the relevant restaurant(s) respectively.
- (5) Operating margin is calculated by dividing the operating profit for the year by revenue of the year. Operating profit is calculated by deducting the operating costs (namely cost of food and beverages, staff costs, rental expenses, and franchise fees and royalty fees (where applicable)) from the revenue of each restaurant.

BUSINESS

- (6) China Hall commenced operation in January 2015.
- (7) Lucky House Seafood Restaurant ceased operation in February 2016.
- (8) Nanjing Dong Lu ceased operation in March 2016.
- (9) LHGrand commenced operation in July 2017.
- (10) Mou Mou Club (World Trade Centre, Causeway Bay) was temporarily closed for renovation in October 2016 and re-opened in December 2016.
- (11) Mou Mou Club (Harbour City, Tsim Sha Tsui) ceased operation in October 2015.
- (12) Mou Mou Club (Metroplaza, Kwai Fong) ceased operation in September 2017.
- (13) Mou Mou Club (Gala Place, Mong Kok) ceased operation in May 2015.
- (14) Mou Mou Club (MOKO, Mong Kok) commenced operation in September 2016
- (15) Mou Mou Club (Lok Fu Place, Lok Fu) ceased operation in October 2017.
- (16) Mou Mou Club (Regentville Shopping Centre, Fanling) commenced operation in December 2015.
- (17) Mou Mou Club (T Town North, Tin Shui Wai) commenced operation in July 2017.
- (18) Sushi Dai ceased operation in October 2017. We are identifying suitable alternative premises for opening restaurants under the brand of "Sushi Dai".
- (19) Due to the delay in the construction of Guangzhou - Shenzhen - Hong Kong Express Rail Link, the pedestrian or vehicle flow near our "Tamashii" restaurant was less than expected, resulting in unsatisfactory guest traffic and negative operating margin in FY2015. "Tamashii" restaurant therefore ceased operation in July 2017.
- (20) Lazat Laksa ceased operation in November 2015.
- (21) Hotpot PNP commenced operation in September 2017.
- (22) Gyu-Kaku (Tai Po Mega Mall, Tai Po) commenced operation in March 2016.
- (23) Gyu-Kaku (Harbour City, Tsim Sha Tsui) was temporarily closed for renovation in October 2015 and re-opened in December 2015.
- (24) Gyu-Kaku (Telford Plaza II, Kowloon Bay) was temporarily closed for renovation in September 2016 and re-opened in December 2016.
- (25) Gyu-Kaku (Metroplaza, Kwai Fong) ceased operation in September 2017.
- (26) Gyu-Kaku (Windsor House, Causeway Bay) was temporarily closed in mid-October 2017 and re-opened in December 2017.
- (27) Gyu-Kaku (ac, Aberdeen) commenced operation in June 2015.
- (28) Gyu-Kaku (East Point City, Tseung Kwan O) commenced operation in July 2017.
- (29) Gyu-Kaku (Festival Walk, Kowloon Tong) commenced operation in November 2017.
- (30) On-Yasai (Harbour City, Tsim Sha Tsui) commenced operation in December 2015. Therefore, it recorded negative operating margin in FY2015.
- (31) On-Yasai (Plaza 2000, Causeway Bay) commenced operation in April 2016.

BUSINESS

- (32) On-Yasai (Festival Walk, Kowloon Tong) commenced operation in November 2017.
- (33) Yoogane commenced operation in May 2017.

OUR FRANCHISED BRANDS, FRANCHISING AND LICENCING ARRANGEMENTS

Franchising arrangements

As at the Latest Practicable Date, we had entered into four franchising agreements for the exclusive rights to operate restaurants under “Gyu-Kaku (牛角)” (the “**Gyu-Kaku Franchising Agreement**”), “On-Yasai (温野菜)” (the “**On-Yasai Franchising Agreement**”), “Gyu-Kaku Jinan-Bou (牛角次男坊)” (the “**Gyu-Kaku Jinan-Bou Franchising Agreement**”) and “Yoogane” (柳氏家) (the “**Yoogane Franchising Agreement**”) in Hong Kong and/or Macau with two Independent Third Parties, REINS and BAFG. The franchising agreements contain the following salient terms:

BUSINESS

	<u>(1) Gyu-Kaku, (2) On-Yasai and (3) Gyu-Kaku Jinan-Bou Franchising Agreements</u>	<u>Yoogane Franchising Agreement</u>
Date	(1) 16 September 2010, (supplementary agreements: 1 July 2013 and 17 June 2016) (2) 9 March 2015 (3) 25 July 2017	27 April 2015
Franchisor	REINS	BAFG
Franchisee	(1) Yakiniku HK (2) Shabushabu HK (3) Yakiniku HK	Korean Catering HK
Relevant territory	(1) Hong Kong and Macau (2) Hong Kong (3) Hong Kong and Macau	Hong Kong
Term	(1) 10 years from the date of agreement of 16 September 2010, extended to an expiry date falling on not less than 10 years from the Latest Practicable Date. (2)&(3) 10 years from the date of agreement.	10 years from the date of the opening of the first Relevant Restaurant in Hong Kong.
Franchised rights	Exclusive rights (including the exclusive rights to use the relevant trademarks) to open and manage Relevant Restaurants in the relevant territory.	Exclusive rights (including the exclusive rights to use the Relevant Restaurants trademarks) to open and manage in Hong Kong.
Minimum number of restaurants to be opened	(1) Must open a total of 10 restaurants by September 2020 (according to the agreement dated 16 September 2010), and manage a total of 15 restaurants by the expiry of the supplementary agreement dated 17 June 2016 (according to the agreement dated 17 June 2016). (2) Must open a total of five restaurants within 10 years from the date of agreement. (3) Must open a total of three restaurants within 36 months from the date of agreement. Parties shall agree on the number of restaurants to be opened thereafter.	Must open at least two restaurants within three years and five restaurants within 10 years from the date of the opening of the first Relevant Restaurant in Hong Kong.
Failure to open minimum number of restaurants	(1)&(2) The relevant franchisor may terminate the agreement by written notice. (3) The relevant franchisor may deprive the relevant franchisee of its exclusive right to open and manage the Relevant Restaurants in the relevant territories.	The franchisor may terminate the agreement by written notice to the franchisee.
Franchise and other fees payable by franchisee	One-off franchise fees (not applicable to (3)), fixed opening fees for the opening of each Relevant Restaurant and royalty fees equivalent to a certain fixed percentage of the gross quarterly sales of each Relevant Restaurant.	One-off franchise fee, opening fees equivalent to a certain fixed percentage of the fees paid by sub-franchisees for sub-franchising the franchised rights for the opening of each Relevant Restaurant, and royalty fees equivalent to a certain fixed percentage of the gross monthly sales derived from all Relevant Restaurants in Hong Kong.

BUSINESS

	(1) Gyu-Kaku, (2) On-Yasai and (3) Gyu-Kaku Jinan-Bou Franchising Agreements	<u>Yoogane Franchising Agreement</u>
Operational roles and/or obligations of franchisee	<ul style="list-style-type: none"> Operating, managing and promoting Relevant Restaurants within the relevant territory; and Reporting and submitting information about the operation of Relevant Restaurants under the relevant brand to the franchisor, including, among others, daily information on the sales, number of customers and labour costs. 	<ul style="list-style-type: none"> Operating and managing Relevant Restaurants in accordance with the franchisor's internal manual and procedures in Hong Kong; and Providing the franchisor with the financial information of all Relevant Restaurants in Hong Kong.
Roles and obligations of franchisor	<ul style="list-style-type: none"> Providing the relevant franchisee with training in respect of the opening and operation of Relevant Restaurants; and Preparing documents such as manuals, menus, recipes and other materials which shall be the basis of the operation of Relevant Restaurants in the relevant territory and assisting the relevant franchisee to prepare at its own responsibility such documents where necessary. 	<ul style="list-style-type: none"> Providing the franchisee with information necessary for the opening and operation of Relevant Restaurants and assisting the franchisee with the management of Relevant Restaurants; and Conducting evaluation and providing guidance and training on the opening, operation and management of Relevant Restaurants in Hong Kong.
Guarantee	Kabushikigaisha HK and Lucky House Group (Management) Limited, the guarantors, guarantee the relevant franchisee's performance of its obligations under the relevant agreement on a joint and several basis, subject to a limit on their maximum aggregate liability.	Not Applicable
Non-competition	The relevant franchisee, guarantors and any sub-franchisees shall not during the term of the relevant agreement and for a specified period of time after termination carry out restaurant business offering the cuisine served by the relevant franchised brand, except for <i>Mou Mou Club</i> (牛瀾鍋) being allowed to offer <i>shabu-shabu</i> under the On-Yasai Franchising Agreement.	The franchisee shall not directly or indirectly operate other business which is identical or similar to business under the brand of "Yoogane (柳氏家)" without the franchisor's prior approval during the term of the agreement.
Termination of agreement	The franchisor may terminate by written notice in circumstances such as a breach of the agreement. The relevant franchisee may voluntarily terminate the agreement by written notice and payment of a fixed penalty.	Either of the franchisor or franchisee may terminate the agreement by written notice if the other party defaults or fails to fulfil any of the material terms or obligations under the agreement.

Note: "Relevant Restaurant" means a restaurant operated or to be operated by us under the respective relevant franchised brands.

Our executive Directors are responsible for supervising compliance with the franchising agreements. To the best knowledge of the Directors, there is no material breach of the franchising agreements during the Track Record Period rendering the franchising agreements invalid or voidable. In respect of the requirements on the minimum number of restaurants to be opened, as at the Latest Practicable Date: (i) we have fulfilled the requirement in the Gyu-Kaku Franchising Agreement; and (ii) we were on schedule to meet the requirements in the On-Yasai Franchising Agreement and the Yoogane Franchising Agreement, and expect to open more restaurants under these two brands to fulfil the relevant requirements.

For FY2015, FY2016 and FY2017, the total fees incurred under the above franchising agreements were HK\$6.3 million, HK\$7.9 million and HK\$10.2 million.

BUSINESS

Licencing arrangement

In February 2018, we entered into a licencing agreement with an Independent Third Party, Rongda, for the exclusive sub-licenced rights to open and operate restaurants under the “Gyu-Kaku (牛角)” brand in South China area. The licencing agreement contains the following salient terms:

Date	6 February 2018
Sub-licensor	Rongda, a licensee of REINS for the rights to open and manage restaurants under the “Gyu-Kaku (牛角)” brand in the PRC, which is an Independent Third Party.
Sub-licensee	Kabushikigaisha HK
Relevant territory	South China area, including Henan province, Hunan province, Hubei province, Guangxi province, Guangdong province and Hainan province in the PRC.
Term	Nine years from the date of agreement.
Licenced rights	Exclusive sub-licenced rights (including the exclusive sub-licenced rights to use the relevant trademarks) to open and manage Relevant Restaurants in the relevant territory (except that the sub-licensor can still operate restaurants in the relevant territory under the licenced brand). The sub-licenced rights shall not be further sub-licenced by the licensee.
Minimum number of restaurants to be opened	No requirement on the minimum number of Relevant Restaurants to be opened.
Licence and other fees payable by the sub-licensee	Fixed opening fees for the opening of each Relevant Restaurant and sub-licence fees equivalent to a certain fixed percentage of the gross sales of the Relevant Restaurants opened and managed by the sub-licensee.
Roles and obligations of the sub-licensee	<ul style="list-style-type: none">• Operating, managing and promoting Relevant Restaurants within the relevant territory; and• Reporting and submitting information about the operation of Relevant Restaurants to the sub-licensor, including, among others, daily information on the sales, number of customers and costs.
Roles and obligations of the sub-licensor	<ul style="list-style-type: none">• Providing the sub-licensee with training and information necessary for the opening and operation of Relevant Restaurants; and

BUSINESS

- Conducting inspection and evaluation of the Relevant Restaurants opened and managed by the sub-licensee from time to time.

Guarantee

The sub-licensee shall pay one-off guarantee (without interest) to the sub-licensor to guarantee its performance of its obligations under the agreement.

Non-competition

- The sub-licensee shall not during the term of the relevant agreement and for a specified period of time after termination open or manage Relevant Restaurants, whether under its own name or through any entities or third parties. This restriction shall not limit the rights of the sub-licensee and/or other group companies of the sub-licensee to open and manage Relevant Restaurants in accordance with any agreement entered into by the said parties with REINS.

Termination of agreement

The sub-licensor may terminate by written notice in circumstances such as a breach of the agreement or a delay in payments by the sub-licensee. The sub-licensee may terminate by written notice and payment of penalty.

Note: "Relevant Restaurant" means a restaurant operated or to be operated by us under the "Gyu-Kaku (牛角)" brand.

OUR EXPANSION PLANS, SITE SELECTION AND DEVELOPMENT

We opened four, three and seven restaurants for FY2015, FY2016 and FY2017, respectively. Going forward, we intend to open new restaurants under our existing brands and expand our brand portfolio by developing new self-owned brands or obtaining franchised rights of well-recognised brands specialising in authentic speciality cuisines mainly in Hong Kong to enhance our local market penetration.

We have conducted feasibility studies in relation to our expansion plan, which take into consideration of (i) geographical and marketing factors including suitability of the restaurant site, estimated number of customers, target customer segments and their spending power, and competition in the surrounding area; (ii) financial factors including estimated revenue, cost of food and beverage, staff costs, rental and other expenses, investment costs and capital expenditure, breakeven and investment payback periods and the impact on the overall cashflow of our Group, (iii) other operational matters including our staffing requirements of the restaurant and suitability in obtaining relevant licences.

BUSINESS

Expansion plan in Hong Kong

Through gradual opening of new restaurants under our existing brands in Hong Kong as set out below, we aim to expand our restaurant network and seek market share growth.

	FY2018	FY2019	FY2020	Total
<u>Self-owned brands</u>				
<i>"The Banqueting House (御苑皇宴)" or other Cantonese cuisine brands</i>	–	–	1	1
<i>"Peace Cuisine (和平飯店)"</i>	1	1	1	3
<i>"Mou Mou Club (牛瀾鍋)"</i>	1	1	1	3
<i>"Hotpot PNP (熱血一流)"</i>	–	–	1	1
<u>Franchised brands</u>				
<i>"Gyu-Kaku (牛角)"</i>	3	2	2	7
<i>"On-Yasai (溫野菜)"</i>	2	2	1	5
<i>"Yoogane (柳氏家)"</i>	–	1	1	2
<i>"Gyu-Kaku Jinan-Bou (牛角次男坊)"</i>	1	2	2	5
Total:	8	9	10	27

Although the full service restaurant market in Hong Kong is only expected to grow at a CAGR of 4.0% from 2017 to 2022 and we only operate 34 restaurants as at the Latest Practicable Date, our Directors believe we would be able to outperform our competitors by leveraging on our competitive strengths set out in "— Our competitive strengths" in this section to increase our market share. The brands selected, number of restaurants to be opened, the locations of existing and new restaurants, cannibalisation effects and various other factors are carefully considered when our management develop the expansion plan. Factors considered include the following:

- according to the Frost & Sullivan Report, Asian cuisine, which accounted for 32.1% in 2017 in terms of revenue, has experienced the fastest growth among other segments, and the market is expected to grow at a CAGR of 5.0% from 2017 to 2022. In particular, Japanese cuisine accounted for the largest share of the Asian cuisine market of 14.0% and is expected to grow at a CAGR of 7.1% from 2017 to 2022. We hence focus our expansion plan on Japanese cuisine restaurants;
- according to the Frost & Sullivan Report, Chinese cuisine, which accounted for the majority of full service restaurant market in terms of revenue with stable market share during 2013 to 2017, is expected to grow at a CAGR of 3.6% from 2017 to 2022 and is expected to account for 56.8% of the market share by 2022.

Despite the drop in its segment profit margin during the Track Record Period, the Company still plans to expand the Chinese cuisine restaurants business segment because of the following reasons:

- 1) Chinese cuisine, as a segment of the full service restaurant market in Hong Kong, is by far the largest segment in the full service restaurant market with stable market share in terms of revenue, both in the past and in the future. Hence, Chinese cuisine is still one of the strategically important markets for a top full service multi-brand restaurant group specialising in Chinese and Asian (in particular Japanese) cuisine such as our Group;

BUSINESS

- 2) our Chinese cuisine business expansion involves the opening of a restaurant under “*The Banqueting House (御苑皇宴)*” brand (or other Cantonese cuisine brands) and three restaurants under the “*Peace Cuisine (和平飯店)*” brand, by 2020. “*The Banqueting House (御苑皇宴)*” brand has been our major Chinese cuisine brand. “*The Banqueting House (御苑皇宴)*” brand had substantial contribution to our Chinese cuisine business and a relatively stable gross and operating margins during the Track Record Period except for FY2017, where it was affected due to the comparatively longer slack season for wedding banquets in the lunar calendar in 2017 than that in 2016, thus resulting in fewer wedding banquets which generally have higher margins. Our management expects that our wedding banquet business will resume normal going forward. On the other hand, restaurants operated under the “*Peace Cuisine (和平飯店)*” brand had the highest gross and operating margins among our Chinese cuisine restaurants during the Track Record Period. Therefore, our Chinese cuisine business expansion plan focuses on opening restaurants under the aforementioned brands which we believe will generate profitable and sustainable return to our Group and are strategically significant to our business; and
- 3) our business expansion plan has been carefully considered based on our management’s experience and capability. Our Chinese cuisine business expansion only forms a relatively small part of the overall business expansion. Out of the total 27 restaurants that we will open by FY2020, only four are Chinese cuisine restaurants, with the remaining all being Asian cuisine restaurants. The capital expenditure for opening the Chinese cuisine restaurants is HK\$38.0 million while that for opening the Asian cuisine restaurants is HK\$135.4 million. Therefore, Chinese cuisine restaurants only account for 14.8% of the total number of restaurants which we expect to open by 2020, and approximately 20% of the net proceeds from the Global Offering will be used for opening the Chinese cuisine restaurants. Our Chinese cuisine business expansion plan has therefore been carefully formulated and we consider such plan to be prudent.

Hence, as a top full service multi-brand restaurant group operating a diverse portfolio, we would continue to selectively expand our Chinese cuisine restaurants segment to keep up and improve our business performance as well as to cater the different culinary preferences of our customers and to maintain a wide customer base.

- we focus on selecting brands of restaurants which generally generate higher operating profit with more stable operating and financial performance during the Track Record Period;
- we focus on expanding new restaurants in smaller scale which have shorter breakeven period and investment payback period with lower estimated capital expenditure. Hence, we only plan to open one restaurant under “*The Banqueting House (御苑皇宴)*” or other Cantonese cuisine brands which are larger in scale as compared to our other restaurants;

BUSINESS

and the one we plan to open would also be smaller as compared to our existing Cantonese restaurants;

- we target to open three restaurants under the “Peace Cuisine (和平飯店)” brand by FY2020 which has the highest operating margin among all our Chinese cuisine restaurant brands in the Track Record Period. Given we only had one “Peace Cuisine (和平飯店)” restaurant as at the Latest Practicable Date and it is in smaller scale than other Cantonese restaurants, we consider it beneficial to establish the restaurant network in other districts;
- we plan to open three “Mou Mou Club (牛瀾鍋)” restaurants by FY2020 as it is our major self-owned Asian cuisine brand, highest customer traffic among our self-owned brands and generating stable revenue during the Track Record Period;
- we plan to open seven “Gyu-Kaku (牛角)” restaurants by FY2020 as it is the most popular brand in our Group which has stable operating and financial performance;
- we plan to open five “On-Yasai (溫野菜)” restaurants by FY2020 as its financial performance has become more stable with our increased experience in operating the restaurants under this brand;
- “Yoogane (柳氏家)” is our new Korean brand as of the Latest Practicable Date which does not have presence in most districts. As it is still a comparatively new brand in Hong Kong and time and resources are required for brand-building, we plan to open only two “Yoogane (柳氏家)” restaurants in three years time in order to attain a stable and gradual brand development;
- “Hotpot PNP (熱血一流)” is a new brand which had only one restaurant as of the Latest Practicable Date and time and resources are required for brand building. Further, “Hotpot PNP (熱血一流)” is a brand through which we embody our aspirations of automated restaurant services. While high speed delivery system is currently applied in our existing “Hotpot PNP (熱血一流)” restaurant for delivering dishes, we target to further promote the use of technology in our future “Hotpot PNP (熱血一流)” restaurants to enhance our customers’ dining experience, streamline our restaurant services and reduce the number of staff required, and attain costs saving, such as extending the use of high speed delivery system to collect used dishes, and allowing customers to place orders with their mobile phones and make payments through various types of mobile payment and digital wallet service platforms immediately after placing orders. We plan to devote time and resources in achieving technological advancement and automated restaurant services in our first “Hotpot PNP (熱血一流)” restaurant before we duplicate the operation management in other restaurants under the same brand. As such, we plan to open only one “Hotpot PNP (熱血一流)” restaurant in three years time;
- “Gyu-Kaku Jinan-Bou (牛角次男坊)” is a new brand which does not have presence in Hong Kong, and “Gyu-Kaku Jinan-Bou (牛角次男坊)” is of smaller scale with expected seating capacity of 40 to 60 (about half of other existing Asian cuisine restaurants) with lower

BUSINESS

estimated capital expenditure and operating costs; we plan to open five “*Gyu-Kaku Jinan-Bou* (牛角次男坊)” restaurants in three years time; and

- to avoid cannibalisation, we generally do not open the same brand restaurants in areas in proximity. Area refers to the living and commercial areas divided among the 18 districts in Hong Kong as designated by the Home Affairs Department, with reference to, among others, the population density, the estimated guest traffic, accessibility and the intensity of market competition within the same area. For example, we divide Yau Tsim Mong district into eight areas including Mong Kok, Prince Edward, Jordan and Austin. We generally do not open the same brand restaurants in the same area and the distance between the same brand restaurants shall generally be no less than approximately 0.5 km, and we only allow restaurants under our different brands which target different customer segments to be opened in the same area.

We set out below the brand, the location, the expected time of the commencement of operation, the expected seating capacity, the estimated average spending per customer, the estimated average planned capital expenditure, the estimated monthly operating costs, the estimated breakeven period and the estimated investment payback period of our new restaurants under our expansion plan:

Self-owned brands

<u>Brand</u>	<u>District</u>	<u>Expected time of commencement of operation</u>	<u>Expected seating capacity for each restaurant (approx.)</u>	<u>Estimated average spending per customer (approx.) (HK\$)</u>	<u>Estimated average planned capital expenditure for each restaurant (HK\$ million)</u>	<u>Estimated monthly operating costs for each restaurant (HK\$ million)</u>	<u>Estimated breakeven period for each restaurant (months)</u>	<u>Estimated investment payback period for each restaurant (months)</u>
“ <i>The Banqueting House</i> (御苑皇宴)” or other Cantonese cuisine brands	Eastern New Territories	1 st quarter 2020	360	170 - 210	16.0	5.3 - 6.0	17	65
“ <i>Peace Cuisine</i> (和平飯店)”	Western New Territories (Islands)	4 th quarter 2018	120 -180	110 - 140	6.0 - 8.0	0.8 - 1.4	4 - 8	35 - 40
	Western New Territories (Tuen Mun District)	3 rd quarter 2019						
	Western New Territories (Tsuen Wan District)	1 st quarter 2020						
“ <i>Mou Mou Club</i> (牛涮鍋)”	Western Kowloon	4 th quarter 2018	100	140 - 180	6.0 - 6.8	1.1 - 1.5	4 - 8	23 - 34
	Eastern Kowloon (Wong Tai Sin District, Lok Fu)	1 st quarter 2019						
	Eastern Kowloon (Wong Tai Sin District, Diamond Hill)	2 nd quarter 2020						
“ <i>Hotpot PNP</i> (熱血一流)”	Eastern New Territories	2 nd quarter 2020	115	160 - 190	6.0	1.6 - 1.8	5	34

BUSINESS

Franchised brands

Brand	District	Expected time of commencement of operation	Expected seating capacity for each restaurant (approx.)	Estimated average spending per customer (approx.) (HK\$)	Estimated average planned capital expenditure for each restaurant (HK\$ million)	Estimated monthly operating costs for each restaurant (HK\$ million)	Estimated breakeven period for each restaurant (months)	Estimated investment payback period for each restaurant (months)	
"Gyu-Kaku (牛角)"	Western Kowloon (Yau Tsim Mong District, Mong Kok)	2 nd quarter 2018	94 - 170	170 - 200	6.0 - 12.2	1.4 - 2.9	4 - 5	19 - 30	
	Western New Territories (Tuen Mun District)	2 nd quarter 2018							
	Western Kowloon (Yau Tsim Mong District, Nam Cheong)	4 th quarter 2018							
	Hong Kong Island (Eastern District)	2 nd quarter 2019							
	Hong Kong Island (Wan Chai District)	4 th quarter 2019							
	Western New Territories (Kwai Tsing District)	2 nd quarter 2020							
	Eastern New Territories	4 th quarter 2020							
	"On-Yasai (溫野菜)"	Hong Kong Island (Eastern District, Tai Koo Shing)	3 rd quarter 2018	80 - 100	260 - 320	5.4 - 6.0	1.6 - 2.7	4	15 - 24
		Hong Kong Island (Eastern District, North Point)	3 rd quarter 2018						
Hong Kong Island (Central and Western District, Central)		2 nd quarter 2019							
Eastern New Territories		4 th quarter 2019							
Hong Kong Island (Central and Western District, Admiralty)		2 nd quarter 2020							
"Yoogane (柳氏家)"		Eastern Kowloon (Wong Tai Sin District)	1 st quarter 2019	100	150 - 180	6.0 - 6.2	1.7 - 2.1	4 - 5	22 - 34
	Eastern New Territories	2 nd quarter 2020							
"Gyu-Kaku Jinan-Bou (牛角次男坊)"	Hong Kong Islands (Wan Chai District)	4 th quarter 2018	50 - 60	90 - 110	3.0	0.9 - 1.2	4	10 - 20	
	Western New Territories (Tuen Mun District)	3 rd quarter 2019							
	Eastern New Territories	4 th quarter 2019							
	Western New Territories (Islands)	2 nd quarter 2020							
	Western New Territories (Kwai Tsing District)	4 th quarter 2020							

BUSINESS

Notes:

- (1) For the purpose of the above tables, the estimated monthly operating costs (namely estimated food and beverage costs, staff costs, rental expenses, and franchise fees and royalty fees (where applicable)).
- (2) The estimated breakeven period refers to the time period required for the restaurant to achieve breakeven point, i.e. the monthly revenue of the restaurant at least equals to the estimated monthly expenses (including the operating costs, depreciation expenses and other operating expenses) of that restaurant, for two consecutive months.
- (3) The estimated investment payback period means the time it is expected to take for the accumulated operating cashflow generated from the restaurant to equate the initial costs of opening that restaurant (inclusive of the relevant franchise fees and royalty fees (where applicable)) which is calculated with reference to the same brand restaurants in similar scale during the Track Record Period and the expected average spending per customer and target seat turnover rates.
- (4) The estimated breakeven period and estimated investment payback period for the above expansion plan is estimated with reference to the investment payback period, average spending per customer and seat turnover rates of those restaurants under the same brand during the Track Record Period, population, guest traffic and the spending power of the area that our Group targets to open the relevant restaurant, the estimated monthly expenses and the inflation factor, or if it is a new brand, we mainly refer to those operating data of restaurants in similar scale offering similar cuisine and the factors stated above. The estimated breakeven periods and estimated investment payback periods set out in the above tables may vary and are dependent on various factors including, among others, (i) market conditions; (ii) exact locations and sizes of the new restaurants; and (iii) expenses and effectiveness of our marketing strategies.
- (5) It is expected that the initial lease term of the new restaurants will cover the expected breakeven and investment payback periods.

The total planned capital expenditure for our expansion which is mainly composed of renovation construction costs is expected to be HK\$58.7 million, HK\$51.0 million and HK\$69.9 million, respectively, for FY2018, FY2019 and FY2020, which will be funded by the net proceeds from the Global Offering and our internal resources. As at the Latest Practicable Date, we had incurred and committed to incur approximately HK\$5.8 million for our expansion plan in Hong Kong. Other than the planned capital expenditure, we also need cashflow for our rental deposit payments for our newly entered tenancies. The aggregate expected rental deposit payments for FY2018, FY2019 and FY2020 amount to HK\$11.5 million, HK\$14.7 million and HK\$22.9 million, respectively which will all be funded with our internal resources.

It is expected that the licences and permits required to establish and operate the new restaurants are similar to those needed for the existing restaurants and our Directors do not expect that there is any legal impediment for us to obtain them.

Expansion plan outside Hong Kong

We will also explore opportunities to tap into the PRC or other Asia Pacific countries through (i) opening restaurants under our self-owned or franchised brands, and /or (ii) franchising our self-owned brands to Independent Third Parties (such as franchising our Mou Mou Club brand to Independent Third Parties in Asia Pacific countries) depending on the availability, experiences, credibility, financial conditions and business track record of potential franchisees. As at the Latest Practicable Date, save and except for the licencing agreement entered into with Rongda, an Independent Third Party (a licensor of “Gyu-Kaku (牛角)” brand in the PRC) in February 2018 in respect of the exclusive sub-licenced rights to operate restaurants under the “Gyu-Kaku (牛角)” brand in the South China area, we

BUSINESS

are still in the course of identifying suitable opportunity for overseas expansion with no concrete plan or timeframe. See “— Our franchised brands, franchising and licencing arrangements — Licencing arrangement” in this section for details of the said licencing agreement.

Variability, Capital Expenditure and Benefits

We plan to open new restaurants on a rolling basis. Considering our cash flows, our Directors believe that we will have sufficient funds for our current expansion plan for FY2018. We expect the average time for our new restaurants to achieve a breakeven and investment payback to be similar to those during the Track Record Period. See “— Our restaurant network and locations — Our restaurant operating data” in this section for details. The actual timing, number, brand and geographical location of new restaurant opening will vary depending on, among other things, competitive landscape, customers’ culinary preferences and macro-economic factors, the actual timing of handing over leased premises to us by our landlords, and are subject to uncertainties which may result in adjustments to our expansion plans. Our Directors believe that successful execution of our expansion plan will benefit us by (i) broadening our customer base and increasing market penetration; (ii) increasing our sales and brands recognition; and (iii) increasing cost efficiency by strengthening our bargaining power with our suppliers and potential landlords, and further enhancing our economies of scale.

Site Selection Process

We consider that a restaurant’s location is crucial to its success. Most of our existing restaurants are strategically located in densely populated residential and commercial areas. We carefully identify potential new sites by considering, among others, (i) customers’ demand, spending power and demographics; (ii) accessibility of its location; (iii) competition with restaurants in the area; and (iv) the relevant lease terms and regulatory or other restrictions on the premises. We conduct site visits to assess the relevant factors above, and normally set up restaurants under different brands in the same geographical area to attract different customer segments and minimise the dilution of guest traffic among our own restaurants.

New Restaurant Opening Process

Our restaurant opening process from site selection to restaurant opening generally requires six months and primarily consists of (i) approval of restaurant sites by any one executive Director, lease negotiations and approval by any one executive Director; (ii) renovation (generally taking 45 to 60 days) by our engineering team together with an external contractor in accordance with our planned design which is approved by any one executive Director; and (iii) obtaining of all required licences and permits, relocation of management and other staff to a new site, training of new staff and other pre-operating preparations.

Measures to manage new restaurants

Our new restaurants will adopt the same management structure and quality control policy as our existing restaurants. See “— Our restaurant operations and management — Management and operation system” and “— Quality control” below for details.

BUSINESS

OUR RESTAURANT OPERATIONS AND MANAGEMENT

We have implemented standardised restaurant operations and management procedures, which provide us with economies of scale and control our operational costs.

Management and operation system

Our restaurants are managed and operated by two dedicated and specialised teams focusing respectively on Chinese cuisines and Asian cuisines, which possess specialist knowledge in the relevant cuisine and customer segments. Our management structure is designed to promote efficiency in supervising, directing and supporting our restaurant operations, as follows:

- **Head office management:** Our head office is responsible for the overall management and supervision of our restaurants, financial planning and analysis, strategic initiatives, marketing and brand building, human resources, and supervision of the following departments:
 - *Operations department:* specialised teams to manage our Chinese and Asian restaurants.
 - *Procurement department:* supervises and controls the costs of our procurement.
 - *Quality and safety department:* oversees our food quality and safety.
 - *Accounting department:* oversees our accounting system, finance and accounting-related matters.
 - *Marketing department:* specialised teams to initiate and implement marketing strategies for our Chinese cuisine and Asian cuisine restaurants, and handle customers relations matters.
 - *Human resources department:* supervises our human resources administration and management.
- **District management:** Restaurants under our Asian cuisine brands are sub-divided into administrative districts, each managed by a district manager, to facilitate management.
- **Restaurant-level management:** Restaurant-level management teams, each headed by the restaurant-level manager, ensure efficient restaurant operations and monitor sales targets set by our head office.

Banquet Reservation Agreement

Our “*The Banqueting House* (御苑皇宴)”, “*China Hall* (御苑)” and “*LHGrand* (叙福樓金閣)” restaurants generally enter into banquet reservation agreements with our banquet customers, setting out terms such as number of tables, payment terms and cancellation conditions. We typically require non-refundable reservation deposits for reservation for a banquet venue, and require payment of an administration fee of a certain percentage of the total banquet costs for change of banquet venue or date, and an agreed minimum charge if the actual table number is fewer than that originally agreed.

BUSINESS

Licencing

We are required to obtain certain licences in relation to our restaurant operations in Hong Kong. See “Regulatory overview” in this prospectus for details. Save as disclosed in “— Legal proceedings and compliance” in this section, as advised by our Legal Counsel, we have obtained all relevant licences and permits that are material to our operations in Hong Kong. The following table sets forth the remaining validity period of the licences for our operating restaurants as at the Latest Practicable Date:

<u>Types of licence</u>	<u>Remaining validity period</u>	
	<u>Within one year (number)</u>	<u>More than one year (number)</u>
Restaurant licence	27 ⁽¹⁾	4
Food factory licence	1 ⁽²⁾	–
Restricted food permits	29 ⁽³⁾	2
Liquor licence	18	13
Water pollution control licence	–	28

Notes:

- (1) As at the Latest Practicable Date, each of the operating restaurants had obtained one restaurant licence, except for (i) “The Banqueting House (御苑皇宴)” at MegaBox, Kowloon Bay having obtained two restaurant licences, and (ii) four pairs of restaurants sharing premises having obtained only one licence for each shared premise. See “— Properties — Leased properties” in this section for details of restaurants sharing premises.
- (2) Our central processing and logistic centre in Yau Tong has obtained a food factory licence.
- (3) Restricted food permits give permission to restaurants to sell restricted food articles (such as *sashimi*, *sushi* and *siu mei*) in their relevant premises.

Our administration department keeps track of the expiry dates of relevant licences and timely applies for renewal. Our restaurants will only commence operations after obtaining or renewing the relevant licences and/or permits.

OUR NEW MENU DEVELOPMENT

We target a wide range of customers, including family and business clientele, from the mass market to mid-to-high end market. We update our menus in response to the changing taste of customers culinary and nutrition trends, seasonal factors and feedback from our customers. We continuously refine the signature dishes in our restaurants and offer new or seasonal menus in some of our restaurants. Our menu and dish development processes generally include menu or dish proposal, testing, approval by management (and franchisor, where necessary), preparation of new menus, and review upon its launch.

OUR PRICING STRATEGIES

Pricing

In determining our prices, we generally take into account (i) preparation, processing and other costs of the restaurants and target profit margins; (ii) location of the specific restaurant (only applicable

BUSINESS

to our Chinese cuisine restaurants); (iii) market position of the brand; (iv) services provided; (v) anticipated market trends and target customers' spending habits; and (vi) prices set by competitors.

Our restaurants under the same brand are required to use a standard menu adopting similar pricing. We review our menus and pricing regularly. Some of our restaurants also introduce seasonal menus and offer special menus for certain festivals such as Christmas, New Year and Valentine's Day. We currently charge customers a service fee of 10%.

Our prices were relatively stable during the Track Record Period. See "Financial information — Key factors affecting our results of operations and financial condition — Guest traffic and average check per guest" for an overview of our estimated average check per guest for comparable restaurants during the Track Record Period. Our Directors expect that our pricing will remain relatively stable, subject to any material changes in our costs.

Seasonality

Our Chinese restaurants typically achieve higher sales from November to February due to festivals such as Lunar New Year and Winter Solstice, more banquets being held near year-ends, and experience lower restaurant activity in April and July of the lunar-calendar, which are low seasons for banquets according to Chinese tradition. Our Asian restaurants are relatively less susceptible to seasonality, but typically achieve higher sales during festivals such as Christmas and New Year.

Settlement and Cash Management

We generally accept payment by cash and credit cards including through Apple Pay and Android Pay which may vary across different restaurants. A substantial majority of our customers settle payments by cash or credit cards.

To ensure the accuracy of invoice and cash records, at each restaurant, we (i) have installed computerised point-of-sale (POS) systems recording the ordering and invoicing; (ii) have established a cash handling procedure which includes segregation of duties and reconciliation between the cash receipts as recorded in our POS systems against the cash kept on a daily basis; (iii) have designated trained staff members to access and operate the POS system; and (iv) carry out cash count after each session of services in a day. We believe the above measures help effectively deter errors and mitigate relevant risks.

To prevent misappropriation and loss of cash, we implement a cash management policy for our restaurants: (i) cash received from customers pending deposit to banks and service tips are kept in separate safes; (ii) the restaurant manager banks in cash either at the banks on a weekday or through automatic teller machine every day, after counting the amount of cash and reconciling them with the sales record; (iii) the cashier officer is responsible for cash management; (iv) spare cash kept for sporadic procurement of supplies or payment of part-time workers is kept in the safe. The cashier officer will conduct cash count to make sure that any shortfall can be reconciled with records of purchases; and (v) insurance has been maintained in respect of cash kept as well as cash in transit to the banks delivered by the restaurant manager.

BUSINESS

During the Track Record Period, we did not experience any misappropriation of cash by our employees which had a material adverse impact on our business and results of operations save for the incident disclosed below.

In late October 2016, a restaurant manager misappropriated cash from two of our Asian cuisine restaurants by intentionally withholding revenue proceeds of the relevant restaurants for approximately two weeks, deviating from our internal cash management policy to bank in the proceeds every day. In aggregate, the misappropriated cash amounted to approximately HK\$320,000. Upon discovery, the restaurant manager resigned and such case was reported to the police, and had fully repaid the whole sum of misappropriated cash to us in December 2016. Hence, on top of the internal control and cash management procedures as reflected in our current cash management practice described in the preceding paragraph, our chief financial officer and finance manager were designated to monitor the bank in progress of each restaurant on a daily basis. We did not encounter any cash misappropriation incidents thereafter and up to the Latest Practicable Date.

OUR CUSTOMERS

Our customer base is large and diverse, with spending power ranging from mid-to-high end market customers (mainly at the lower end of this market segment) to mass market customers of the general public. As such, our Directors consider that it is not practicable to identify our top five customers for the Track Record Period. None of our customers accounted for 5% or more of our total revenue throughout the Track Record Period. During the Track Record Period, we did not enter into any long-term contracts with our customers. Our Directors confirmed that we had no material dispute with our customers during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, since a majority of our customers settled their bills by cash or credit cards, our trade receivables mainly represented receivables from credit card issuers.

Customer services

We adopt various measures to enhance our customer services, including the following:

- (i) providing orientation and on-going on-the-job trainings for our restaurant service staff. See “— Our employees — Employee training” in this section for details;
- (ii) closely monitoring news and comments on social media on us to timely address any issues;
- (iii) engaging an independent consulting company to conduct spot-checks of our restaurants. See “— Quality control — Restaurant quality control” in this section for details; and
- (iv) installing closed-circuit televisions in each restaurant to ensure quality of our services and to better address any special incidents.

Customer feedbacks

We are subject to occasional complaints about our food and services made by our customers on the spot, through hotlines and emails to us, the Consumer Council or the FEHD. We welcome

BUSINESS

suggestions and comments through social media. On-the-spot complaints are generally handled by our restaurant managers. Complaints through hotlines and emails would be forwarded to our designated officers for follow-ups in writing. For complaints forwarded to us by the Consumer Council, we would investigate the relevant incidents and respond to the relevant customer and/or the Consumer Council as appropriate. FEHD may visit our restaurants to take food samples in response to complaints relating to food quality or hygiene related matters, which we would fully cooperate with.

During the Track Record Period, we received or has been a subject to a total of 3, 27 and 56 complaints (i) directly from customers (ii) through the Consumer Council and (iii) through the FEHD, respectively. These complaints were mainly on our services, queuing and seat arrangements, loyalty membership arrangements, food or hygiene, and environment of our restaurants.

We set out below the details of the complaints received through the Consumer Council during the Track Record Period and our relevant measures to minimise the relevant complaints:

<u>Date of complaint</u>	<u>Details of complaint</u>	<u>Measures to minimise the relevant complaints</u>
2 December 2015	The complainants requested for return of the deposits paid for banquet reservation. We did not entertain such request in view of the lack of justifiable grounds for cancelling the reservation.	<ul style="list-style-type: none">• We prepare tailored banquet reservation agreement for and explained the terms to each of our customers, which sets out, among others, our scope of service and the circumstances for deposit return and banquet cancellation, in order to minimise the room for potential disputes.
7 December 2016	The complainant requested for discounts as a “Kabu Pass” member in one of our Asian cuisine restaurants, but she was unable to either tender her membership card or to log into the “Kabu App” to verify her membership. The complainant complained about not being allowed any members discounts.	<ul style="list-style-type: none">• We provide the terms and conditions of “Kabu Pass” to our customers when we recruit members, in order to ensure that they understand the benefits as a “Kabu Pass” member while the conditions in which they can enjoy such benefits.

The Consumer Council relayed the above complaints to us for our reference and no investigation was taken out. We have responded to the Consumer Council to explain the relevant circumstances. Although we cannot assure there would be no further complaints, we adopt the above measures aiming to minimise the relevant complaints and improve our services from time to time.

During the Track Record Period, there has been no irregularity identified by the FEHD and the results of the food exhibit testings have been satisfactory upon the follow-up actions taken by the FEHD, except for the identification of presence of foreign substance in food in two restaurants in April and July 2016 where the FEHD issued two warning letters to us.

BUSINESS

Details of the complaints received through the FEHD where warning letters were issued and our relevant internal control measures to prevent recurrence are set out below:

<u>Date of complaint</u>	<u>Details of complaint</u>	<u>Follow-up actions taken out by FEHD</u>	<u>Internal control measures</u>
8 April 2016	Presence of foreign substances in food	<ul style="list-style-type: none"> • No food exhibit was taken for testing. • Approval was granted to drop the complaint due to insufficient evidence in support of the complaint. • A warning letter was issued by the FEHD. 	<ul style="list-style-type: none"> • We have implemented and strictly adhered to our food quality control measures as set out in the subsection headed “Quality control” in this section to ensure food safety.
22 July 2016	Presence of foreign substances in food	<ul style="list-style-type: none"> • Food exhibit was sent to the Government Laboratory for testing, which showed that the foreign substances were two pieces of whitish and irregular-shaped ceramic fragments. • A warning letter was issued by the FEHD. 	<ul style="list-style-type: none"> • We have enhanced the cleaning and staff training at the two subject restaurants.

In December 2017, complaints were received by the FEHD and our Group in respect of a suspected food poisoning incident in one of our restaurants. Food exhibits were sent to the Government Laboratory for testing which did not reveal unsatisfactory results and no warning letter has been received as at the Latest Practicable Date. In response to the Incident, we have enhanced (i) our hygiene audit checklist and (ii) cleaning and staff training at the relevant restaurant.

As at the Latest Practicable Date, no demerit point has been registered by the FEHD under its demerit points system against the relevant restaurants and there was no other investigation regarding the food hygiene by any government authorities save for those specified above.

No penalty has been imposed for the relevant incidents. To the best knowledge of our Directors, we are not aware of any material incidence of complaint requesting for compensation that could have a material adverse effect on our business, results of operations or financial condition during the Track Record Period and up to the Latest Practicable Date.

OUR MARKETING AND PROMOTION

We marketed our brands in different ways to enhance their brand awareness and image, attract customers and promote our new restaurants.

Promotional Campaigns on Media

We have set up website and/or Facebook page for each brand, which provides information such as brand philosophies, locations, menus, photos, signature dishes and promotional campaigns. We

BUSINESS

update them about our new restaurants, new dishes, promotional campaigns and discounts. Our websites and Facebook pages are popular; as at 31 December 2017, the Facebook pages of “*Mou Mou Club* (牛瀾鍋)” and “*Gyu-Kaku* (牛角)” have accumulated more than 15,000 fans and 27,000 fans, respectively.

For our Asian cuisine brands “*Mou Mou Club* (牛瀾鍋)”, “*Gyu-Kaku* (牛角)”, “*On-Yasai* (溫野菜)”, “*Yoogane* (柳氏家)” and “*Hotpot PNP* (熱血一流)”, we have set up a smartphone application, namely “*Kabu App*”, which provides latest information on these restaurants. It also provides an electronic queuing system “*i-Queue system*”, through which customers can obtain queuing ticket for these restaurants. “*Kabu App*” also contains a QR code system, through which members can enjoy benefits including discounts, point collections, point redemption and digital coupons without having to show a physical membership card. As at 31 December 2017, *Kabu App* has been downloaded for over 135,000 times.

We regularly invite some “key opinion leaders” in Hong Kong to tasting sessions at our restaurants who provide written commentaries on various media sources, and we also place advertisements on magazines, buses, in MTR stations and shopping malls.

Loyalty Programmes

In order to retain and attract customers, we have established loyalty programmes for our Chinese and Asian cuisine brands. The loyalty programme of our Chinese restaurants, “*Tim D Card* (添响卡)”, admits new members with a specific amount of joining fees. Membership is not subject to renewal. Our “*Kabu Pass*” loyalty programme, designated for our Asian restaurants, admits members with a specific amount of joining fees, subject to annual renewal. Members having accumulated certain levels of spending during the membership year will be promoted as “*Silver*” and “*Gold*” members, who would respectively receive a discount of 10% and 15% at our Asian restaurants. The point accumulation scheme of both programmes is recognised across our restaurants. “*Tim D Card* (添响卡)” points can be redeemed for bill settlement or for dishes or gifts, whereas “*Kabu Pass*” points can be used for dishes and gifts redemption. As at 31 December 2017, we had over 67,000 members under our loyalty programmes.

Credit card collaboration

We have established strong business relationships with various credit card companies to gain access to their membership networks with discounts promotions, which are directed at a targeted group of potential customers in a cost-effective manner.

Creation of our cartoon characters

We have created cartoon characters with different personalities as ambassadors to promote our “Mou Mou Club (牛涮鍋)” restaurants, which appeal to the young generation, as shown below:



Premium products or gifts

To encourage repeated visits by our customers (in particular young customers), we often offer limited edition products printed with popular cross-over animation characters and our self-developed cartoon characters to customers with a specific spending threshold. For example, our “Mou Mou Club (牛涮鍋)” restaurants provided umbrellas, selfie sticks and Jenga printed with our cartoon characters. We also provide gifts and complimentary services to wedding banquet customers of our “The Banqueting House (御苑皇宴)” restaurants, including candy bar, photo booth, balloons, notary, make-up and photo-taking services.

Cooking competitions

We encourage our chefs to develop new dishes and participate in cooking competitions to develop their cooking skills and as a marketing strategy. For example, our Chinese cuisine restaurants have received various accolades from “The Best of the Best Culinary Award (美食之最大賞)” every year since 2011. See “— Our certifications, awards and recognitions” in this section for details.

BUSINESS

Special promotional events

We organise special promotional events from time to time. For example, for the opening of our first “*Yoogane* (柳氏家)” restaurant in May 2017, we set up a food truck and engaged a team of young people to give out branded free drinks, paper fans and tattoo stickers. We also invited a popular cartoon figure from Kumamoto of Japan to participate in the opening celebration of, and to serve and play with our customers at our “*On-Yasai* (温野菜)” restaurant in Tsim Sha Tsui.

OUR SUPPLIES AND FOOD INGREDIENTS

Our ability to provide quality delicacies and services depends on our ability to procure quality food ingredients. We have adopted procedures in accordance with ISO:9001 and ISO:22000 and maintain a centralised procurement management system to ensure our food ingredients are up to our standards. During the Track Record Period, our suppliers primarily included suppliers of food ingredients and beverages. During the Track Record Period and up to the Latest Practicable Date, we had not entered into any long-term contract with our suppliers, except for two beverage and drink suppliers, who are both Independent Third Parties, one for supply of assortment of post-mixed and packaged beverages at certain pre-agreed discount rates (subject to further discounts to be credited to our account if our relevant purchase volume exceeds certain thresholds on a quarterly basis) and one for supply of beers at a pre-agreed discounted price to our restaurants operated under the Kabushikigaisha HK. Both agreements are with a term of two years which will expire on 30 September 2018 and 30 April 2019 respectively. We however have been able to maintain long-term and stable relationship with our major suppliers.

During the Track Record Period, we did not experience any supply interruption with material adverse impact on our operations. To prevent any bribery or kickback activities with our suppliers, we have implemented certain policies, such as sourcing from our approved suppliers, segregating our procurement and production functions, settling procurement costs by our head office and setting out our policy on prevention of bribery and corruption in our employee handbook. To the best knowledge of our Directors, we had not encountered any incident that any of our Directors or employees was involved in any bribery or kickback arrangement with our suppliers during the Track Record Period.

Supplier Selection and Management

We maintain a list of approved suppliers comprising more than 300 suppliers as at 31 December 2017, and have an average of about 10 years of business relationships with our top five suppliers during the Track Record Period. We select approved suppliers by considering criteria such as (i) its capacity, reputation and track record; (ii) type and quality of its supplies; (iii) pricing; (iv) supply terms, such as payment, delivery schedule and discount; and (v) its own certifications and capability to provide certifications on the qualities of its supplies. Our procurement department reviews our list of approved suppliers and evaluates their performance annually, and also keeps identifying new potential suppliers based on the above factors. If the supplies of the potential new suppliers satisfy our quality requirements on a trial basis, we will include the supplier in our approved supplier list. We maintain at least three approved suppliers for each type of supplies where possible.

BUSINESS

Top five suppliers

For FY2015, FY2016 and FY2017, our purchases from our largest supplier accounted for 7.0%, 8.0% and 10.6%, respectively, of our total material costs, and our purchases from our five largest suppliers accounted for 28.5%, 32.6% and 39.5%, respectively, of our total purchases. None of our Directors, their respective close associates or any Shareholder who owns more than 5% of the issued share capital of our Company has any interest in any of our five largest suppliers during the Track Record Period, each of whom is an Independent Third Party. The following table sets out information on our five largest suppliers for the period indicated:

<u>Supplier</u>	<u>Principal business</u>	<u>Food ingredients/ supplies</u>	<u>Purchases from the supplier</u> <i>HK\$'000</i>	<u>% of our total purchases</u>
FY2015				
Supplier A	A Hong Kong company importing and distributing chilled and frozen food in Hong Kong and Southern China Region	Meat	15,030	7.0
Supplier B	A Hong Kong company importing and distributing frozen meats, poultry products, seafood, processed foods, dairy products and beverages	Meat	13,416	6.3
Supplier C	A subsidiary of a Hong Kong listed company supplying vegetables and fruits	Vegetables	11,651	5.4
Supplier D	A Hong Kong company importing and wholesaling frozen food and dairy products	Meat	11,050	5.2
Supplier E	A Hong Kong company importing and wholesaling food ingredients from Japan	Food and beverages and sauce	9,848	4.6
Total			60,995	28.5
FY 2016				
Supplier B	See above	Meat	16,874	8.0
Supplier D	See above	Meat	15,841	7.5
Supplier E	See above	Food and beverages and sauce	13,523	6.4
Supplier A	See above	Meat	12,200	5.8
Supplier C	See above	Vegetables	<u>10,426</u>	<u>4.9</u>
Total			68,864	32.6
FY 2017				
Supplier B	See above	Meat	25,943	10.6
Supplier D	See above	Meat	25,237	10.3
Supplier E	See above	Food and beverages and sauce	16,936	6.9
Supplier A	See above	Meat	16,833	6.9
Supplier F	A Hong Kong company specialising in wholesaling seafood	Lobsters, abalone, clam, crab, geoduck	11,648	4.8
Total			96,597	39.5

BUSINESS

Procurement procedures

We adopt a centralised procurement policy. Our procurement department is responsible for selecting approved suppliers, negotiating for prices, fixing payment terms, placing orders, and arranging for payments and delivery. Each restaurant submits its orders for supplies to our procurement department, which arranges for delivery either from our central processing and logistic centre or our suppliers to the restaurant. To ensure flexibility and efficiency, we allow our restaurants to directly place orders for some supplies, such as fresh meat, fish and vegetables, with our approved suppliers at our agreed prices. Settlement of payables is centralised and verified by our procurement department. Centralised procurement from approved suppliers and settlement allows us to achieve consistency of quality, freshness and safety of supplies, enjoy bulk purchase discounts and attain cost-savings in logistics.

Payment and credit terms

During the Track Record Period, our suppliers generally offered us a credit term of 30 to 60 days, and we generally settled payments by cheque or bank transfer in Hong Kong dollars.

Inventory Management

A substantial portion of food ingredients and beverages are delivered to and stored at our central processing and logistic centre in Yau Tong, which was set up in 1995 with a view to (i) reducing our exposure to price fluctuations and ensuring a stable supply of food ingredients and beverages; (ii) maintaining quality consistency; (iii) reducing inventory management expenses by consolidating the inventory storage, monitoring and logistics functions; and (iv) improving the space efficiency and reducing rental expenses of each restaurant. It also carries out certain food preparation processes, such as frozen meat cutting, food ingredient marinating and soup base preparations, which shorten the food preparation time at each restaurant.

As at the Latest Practicable Date, our central processing and logistic centre in Yau Tong has an aggregate GFA of approximately 33,000 sq.ft., about 80% out of which is for storage and the remaining for food processing. The majority of the food preparation area is assigned for meat cutting and soup base preparation. The table below sets out the utilisation rates of these two processes:

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
<i>Meat cutting</i>			
Capacity	96,000	96,000	96,000
<i>(kg in approximate to the nearest thousand) (Note 1)</i>			
Output of meat cutting	52,000	45,000	72,000
<i>(kg in approximate to the nearest thousand)</i>			
Utilisation rate (%) (Note 2)	54.2	46.9	75.0
<i>Soup base preparation</i>			
Capacity (kg)	71,000	71,000	71,000
<i>(kg in approximate to the nearest thousand) (Note 1)</i>			
Output of soup base preparation	7,000	38,000	49,000
<i>(kg in approximate to the nearest thousand)</i>			
Utilisation rate (%) (Note 3)	9.9	53.5	69.0

BUSINESS

Notes:

- (1) Calculated on the basis that our meat cutting process and soup base preparation are in operation at 8 hours per day and 287 days per year.
- (2) The decrease in the utilisation rate of meat cutting operation from FY2015 to FY2016 was mainly because we ceased to offer one of the types of meat and the decrease of number of customer visits in our Mou Mou Club restaurants offering “all-you-can-eat” shabu-shabu which generally require higher demand for meat. The increase in the relevant utilisation rate from FY2016 to FY2017 was mainly due to the increase of number of customer visits of Mou Mou Club and Gyu-Kaku restaurants, and the opening of new On-Yasai and Hotpot PNP restaurants during the periods.
- (3) We used to prepare soup base in our restaurants and in October 2015, in order to increase our operation efficiency, we commenced to consolidate the soup base preparation work in our food processing and logistic centre. Hence, the utilisation rate for soup base preparation in FY2015 was low. The increase in the relevant utilisation rate from FY2016 to FY2017 was mainly due to the increase of number of customer visits of Mou Mou Club restaurants, and the opening of new On-Yasai and Hotpot PNP restaurants, which need soup base for our dish offerings.

To support our expansion plan, we expect we would be in need of further space for both storage and food processing in the long run, and we hence plan to lease and set up a new central processing and logistic centre with GFA of approximately 5,000 to 8,000 sq.ft. in 2019 by using internal resources. As at the Latest Practicable Date, we had yet to identify any suitable central processing and logistic centre.

The shelf life of different food ingredients varies. For example, our Directors assess that fresh seafood, frozen meat and canned food have shelf lives ranging generally from one day to one week, one to six months, and one to two years, respectively. We keep record of the delivery and expiry dates of each batch of food ingredients, conduct monthly inventory count and monitor the quality and expiry dates of inventory in a daily basis to prevent obsolescent stock. We also formulate internal guidelines on temperatures for storing various food ingredients. During the Track Record Period, our food inventory was generally utilised within their shelf lives. Our restaurants also monitor their own inventory to reduce wastage and storage costs, with the relevant kitchen-in-charge or stock-keeper assessing the utilisation of supplies and monitoring the quality and expiry date of inventory on a daily basis. We generally maintain one day of ingredient inventory at each restaurant.

QUALITY CONTROL

We have established a quality control system to ensure food quality and safety, covering our entire operation process. Our quality and safety department is responsible for, among others, (i) handling and addressing food quality and safety issues; (ii) formulating and reviewing food safety policies and guidelines; (iii) managing our central processing and logistic centre to ensure compliance with ISO:9001 and ISO:22000 standards; and (iv) providing food safety trainings to employees. Mr. Siu Wing Kuen, our head of operations (Chinese cuisine food production), and Mr. Yuen Ka Chun, our deputy general manager (food system, Asian cuisine), are responsible for ensuring food safety and hygiene of our Chinese cuisine and Asian cuisine restaurants, respectively. For details of the industry experience of Mr. Siu and Mr. Yuen, see “Directors and senior management — Senior management” in this prospectus.

Supply Chain Quality Control

We maintain a list of approved suppliers. For details, see “— Our supplies and food ingredients — Supplier selection and management” in this section. In addition, to ensure the quality of our supplier, we carry out annual on-site inspections of our major suppliers and request them to provide documents for verifying the sources of supplies, such as certificates of origin. Before accepting deliveries of supplies, we conduct quality inspection in accordance with our standards for different ingredients. If there is any discrepancy, we will return them to suppliers and request redelivery, failing which we will take further actions as appropriate.

Storage Quality Control

See “— Our supplies and food ingredients — Inventory management” in this section for details.

Logistics Quality Control

We deliver food ingredients with our own trucks from our central processing and logistic centre to our restaurants at least once a day to ensure freshness. We have formulated requirements on the hygiene and temperature of the refrigerated trucks. At our restaurants, food ingredients are stored in appropriate conditions.

Restaurant Quality Control

We have established operating procedures and standards to regulate our food preparation processes to ensure food safety and quality consistency, including the following aspects:

- ***Food safety and hygiene.*** Our designated personnel monitors compliance with our restaurant hygiene standards. Our restaurant staff are provided with manuals on food handling, hygiene, food safety and quality control.
- ***Tests and cleaning conducted in restaurants.*** For our restaurants, we have engaged an independent laboratory to (i) conduct monthly virus and bacteria tests on our food ingredients, equipment and utensils and restaurant staff, (ii) issue a monthly report for each restaurant, and (iii) conduct follow-up review to ensure that issues (if any identified) have been rectified. For restaurants offering fresh seafood, we have engaged an Independent Third Party testing company to conduct tests on water quality. Cleaning is generally conducted in our restaurants once a day and in our restaurant kitchens twice a day.
- ***Hygiene audit of restaurants.*** Our quality and safety department conducts monthly hygiene audit in our restaurants, which covers, among others, storage of food ingredients, cleanliness of restaurants, usage of equipment and personal hygiene of staff. If the results are unsatisfactory, the relevant restaurant is required to carry out rectification measures.
- ***Recipes and cooking methods.*** We have formulated standard recipes and cooking procedures for our dishes. The head chef of each restaurant would provide guidance to other chefs on preparing dishes.

BUSINESS

- *Training, monitoring and evaluation.* We (i) provide training programmes to our restaurant staff from time to time, (ii) conduct spot-checks of our restaurants with respect to their ambience, service, food quality and management and (iii) hold evaluation meetings on food and service quality.
- *Secret customer programme.* We have engaged an independent consulting company to send secret customers to evaluate our restaurants' ambience, service, food quality and management.

INFORMATION TECHNOLOGY

All of our restaurants have a computerised point-of-sale system (the “POS System”) to collect operational and financial data, such as sales revenue, guest traffic and average spending per guest. We have commenced implementation of business intelligence system (the “BI System”) gradually in 2018 across our business functions, which will capture and analyse operational, procurement and marketing data and afford our management real-time access to such data via portable devices, further enhancing our efficiency, and enabling our management to closely monitor our performance and to timely adjust our strategies. Such system is expected to be fully implemented by the end of 2019.

We have installed (i) a face recognition system to incentivise on-time staff attendance; and (ii) closed-circuit televisions in each restaurant to ensure our service quality. To enhance customers' experience, our “Kabu App” smartphone application comes with an electronic queuing system and stores our members' data electronically with marketing functionalities. See “— Our marketing and promotion — Promotional campaigns on media” in this section for details.

COMPETITION

According to Frost & Sullivan, the full service restaurant market in Hong Kong is relatively competitive and fragmented. The total revenue was approximately HK\$44.6 billion for 2017, with the top 10 full service restaurant operators accounted for approximately 33.2%, and we had a market share of 1.8% as the fifth largest operator. Our strength lies in particular in Japanese cuisine, which we ranked second in 2017 with a market share of 7.9%, drawing primarily from the popularity of our “Mou Mou Club (牛瀾鍋)” and “Gyu-Kaku (牛角)” restaurants. According to Frost & Sullivan Report, the entry barriers for this market include substantial initial capital investment; recruitment and retention of chefs; and difficulty in locating suitable premises. For details, see “Industry overview” in this prospectus. We believe we are well-positioned in this market, with the strengths set out in “— Our competitive strengths” in this section.

BUSINESS

OUR EMPLOYEES

We had 1,096, 935 and 1,052 employees (including full-time employees and part-time employees) as at 31 December 2015, 2016 and 2017, respectively. The table below shows the number of our employees by business functions as at the Latest Practicable Date:

Directors, senior management and heads of various departments	22
Accounting and finance	14
Operations, quality and safety	39
Procurement	9
Logistics	21
Marketing	12
Human resources and administration and information technology	22
Leasing and engineering	8
Head chefs	48
Restaurant staff	526
Kitchen staff	<u>267</u>
Total	<u>988</u>

We hire part-time employees from time to time to supplement our regular workforce who usually work at a specific restaurant on either a fixed or ad hoc schedule.

We are committed in promoting the welfare of our employees and maintaining harmonious relationship within our Group, with measures and benefits including: (i) dining discounts for staff and their family members; (ii) subsidies on interest classes; (iii) study grants for employees' children; (iv) five days of paternity leave for male employees; and (v) employee's birthday gifts. We have received accolades, such as "Happy Company" received from 2014 to 2017, "2013/14 Family-Friendly Employers Award", "2015/16 Family-Friendly Employers Awards" with "Special Mention Award", "Partner Employer Award" from 2013 to 2017, and "Best Employer for Chinese Catering Industry" from 2010 to 2011. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material conflicts with our employees, disruption to our operations due to labour disputes or strikes and there was no trade union set up for our employees.

Recruitment

We attract talents by offering competitive wages and benefits, rewards for performance, internal promotion opportunities and ongoing trainings and we have adopted various initiatives for recruitment of employees including referral bonus programme, monthly recruitment day at our restaurants; and promoting our employment opportunities with non-governmental organisations such as the YWCA and on online forums or smartphone application.

Employee Training

Our human resources department designs and arranges for orientation and on-going development trainings for our staff across different business functions. In particular, we provide all new front-line restaurant staff with (i) orientation training on our values, working safety and service

BUSINESS

quality; and (ii) on-the-job training on our operation processes and development trainings on work safety. We also provide them with subsidies for attending overseas trainings for team building or special business purposes.

Work Safety

We commit to providing a safe working environment to our employees. Our internal safety policies and procedures, applied across our restaurant network and central food processing and logistic centre, are well-communicated to our staff. We incentivise our employees to attend to work safety by offering a monthly bonus to staff members of each injury-free restaurant. We have work injury reporting procedures and undertake appropriate follow up actions. For FY2015, FY2016 and FY2017, we did not encounter any material workplace injuries with a record of 49, 26 and 45 incidents reported to our insurer and the Commissioner of Labour in Hong Kong pursuant to the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), respectively. The aggregate compensation paid in respect of these incidents amounted to approximately HK\$620,000, HK\$120,000 and HK\$390,000, respectively, for FY2015, FY2016 and FY2017.

The workplace injuries were mainly caused by accidental factors, such as cutting by machineries or equipment, hot liquid scalding, muscle spraining or straining due to incorrect posture, slipping and falling on slippery floor, and hitting on some objects in the restaurant premises.

To prevent the recurrence of similar workplace injuries, apart from the aforementioned measures, we have strengthened our internal control measures as follows:

- *Staff training:* From time to time, we provide trainings to our employees to raise their awareness and equip them with knowledge of work safety.
- *Supervision by our restaurant managers:* Our restaurant managers are responsible for supervising the strict adherence to our internal safety policies and procedures in each of the restaurants. Any issues identified are requested to be escalated to the management and be rectified immediately.
- *Proper reporting and documentation of workplace injuries:* All of the workplace injuries shall be reported to our quality and safety manager immediately upon occurrence. Our administration personnel shall then keep a proper record of details of the workplace injuries, such as date, time and causes of accidents, injuries and relevant follow-up actions.

OUR CERTIFICATIONS, AWARDS AND RECOGNITIONS

Our achievements are evidenced by the following certifications and awards we received:

Certifications

<u>Certifications</u>	<u>Current version</u>	<u>Awarding organisation</u>	<u>Year first obtained</u>	<u>Expiry date of current certificate</u>
ISO9001	ISO 9001:2008	Accredited Certification International Limited	2007	15 September 2018
ISO22000	ISO 22000:2005	Accredited Certification International Limited	2014	11 January 2020
HACCP	N/A	Accredited Certification International Limited	2014	11 January 2020

BUSINESS

Awards

Awards	Issuer of Awards	Further particulars	Year(s)
<i>LH Group</i>			
Caring Company	The Hong Kong Council of Social Service	—	2013 - 2017
Family-Friendly Employers Awards	Family Council	With Special Mention Award for 2015-2016	2013 - 2016
Happiness-at-Work Promotional Scheme — Happy Company	Hong Kong Productivity Council	—	2014 – 2017
Partner Employer Award	The Hong Kong General Chamber of Small and Medium Business	—	2013 – 2017
<i>The Banqueting House</i>			
U Favourite Food Awards	U Magazine	U Favourite Banquet Venue	2013 – 2017
Green LUCK Award	Green Monday	Venue Partnership Bronze Award	2017
Best of the Best Culinary Award	The Hong Kong Tourism Board	Gold with Distinction Award in Crab Division	2016
		Silver Award in Dim Sum (Rice Rolls) Division	2016
		Gold with Distinction Award in Vegetables (Gourd) Division	2014
		Gold Award in Dim Sum (Shao Mai & Buns with Molten Filling) Division	2014
		Silver Award in Chinese Classics (Rice Noodles, Noodles or Rice) Division	2011, 2014
		Gold Award in Roasted Pork Division	2013
		Gold with Distinction Award in Beef Division	2012
		Gold with Distinction Award in Lobster Division	2012
		Gold with Distinction Award in Tofu Division	2012
		Silver Award in Reinvented Classic Division	2012
Best-Ever Dining Awards	Weekend Weekly	Best Restaurant – Gold Award	2015 – 2016
Food Wise Eateries	Food Wise Hong Kong	Gold Class	2015
Quality Wedding Merchant Scheme	Wedding.ESD Life	—	2009 – 2015
Hong Kong Top Service Brand Awards	Hong Kong Brand Development Council & The Chinese Manufacturers' Association of Hong Kong	Hong Kong Top Service Brand	2014
HSBC Living Business Awards	The Hong Kong and Shanghai Banking Corporation Limited	Green Achievement Award — Silver Award	2014

BUSINESS

Awards	Issuer of Awards	Further particulars	Year(s)
Hong Kong Awards for Environmental Excellence	Environmental Campaign Committee	Gold	2012, 2016
China Hotel Industry Golden Horse Awards	The Organising Committee of China Hotel Industry	Best Employer for Chinese Catering Industry	2010-2011
<i>China Hall</i>			
U Favourite Food Awards	U Magazine	U Favourite Banquet Venue	2015 – 2017
Best of the Best Culinary Award	The Hong Kong Tourism Board	Silver Award in Egg Division	2016
		Silver Award in Pork Division	2016
		Silver Award in Minced Meat Dishes Division	2015
Quality Wedding Merchant Scheme	Wedding.ESD Life	—	2016
<i>Lucky House Seafood Restaurant</i>			
Best of the Best Culinary Award	The Hong Kong Tourism Board	Gold with Distinction Award in Seafood (Prawn) Division	2014
<i>Gyu-Kaku</i>			
U Favourite Food Awards	U Magazine	Best Japanese Restaurant	2013 – 2017
		Best Other Japanese Restaurant	2012
		Best New Restaurant	2011
Best Ever Dining Awards	Weekend Weekly	Best Japanese Restaurant	2011, 2013 – 2016
		Best New Restaurant	2011
<i>Mou Mou Club</i>			
U Favourite Food Awards	U Magazine	Best Japanese Restaurant Best Other Japanese Restaurant Best New Restaurant	2013 – 2017 2012 2011
Hong Kong Star Brand Award	Hong Kong Small & Medium Enterprises Association	—	2016
Best Ever Dining Awards	Weekend Weekly	Best Hot Pot Restaurant	2010, 2013 – 2016
Hong Kong Awards for Environmental Excellence	Environmental Campaign Committee	Restaurants (Bronze Award)	2015
		Restaurants (Certificate of Merit)	2014
Hong Kong Top Service Brand Awards	Hong Kong Brand Development Council	—	2015
U Green Awards	U Magazine	Outstanding Green Campaign Award	2015
Hong Kong Emerging Service Brand Awards	The Chinese Manufacturers' Association of Hong Kong; Hong Kong Brand Development Council	—	2014

OUR INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we had registered certain trademarks in Hong Kong for the operations of all self-owned branded restaurants. We had also registered or applied for the registration of certain trademarks in the PRC and Macau in contemplation of possible overseas expansion. See

BUSINESS

“Appendix IV — Statutory and general information — B. Information about our business — 2. Intellectual property rights of our Group” for details. We have been licenced to use the trademarks for the franchised brands to operate restaurants in Hong Kong.

As at the Latest Practicable Date, we are not aware of any infringement (i) by our Group of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by us. During the Track Record Period and up to the Latest Practicable Date, there had not been any pending or threatened material claims made against us, nor had there been any material claims made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

PROPERTIES

We occupy certain properties in Hong Kong, which are used as our restaurants, central food processing and logistic centre, warehouses and offices.

Owned Properties

As of the Latest Practicable Date, we owned the following properties:

- (i) (a) Workshop Unit E, 3/F & Flat Roof, (b) Workshop Unit F, 3/F, (c) Unit A, Workshop Part 2, G/F of Wah Fai Industrial Building, No. 4 Sze Shan Street, Kowloon with a GFA of approximately 14,000 sq.ft., which are being used as our central processing and logistic centre and office; and
- (ii) Flat H, 36/F, Block 5, Villa Esplanada, No. 8 Nga Ying Chau Street, Tsing Yi, New Territories with a GFA of approximately 1,000 sq.ft., which is being used as employee’s dormitory.

None of our self-owned properties is held for property activities as defined under Rule 5.01(2) of the Listing Rules.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of 31 December 2017, (i) the carrying amount of our property interests held for property activities is less than 1% of our total assets; and (ii) the carrying amount of our property interest held for non-property activities is less than 15%.

Leased Properties

As at the Latest Practicable Date, all of our restaurants were located on leased properties. Our property rentals and related expenses amounted to HK\$130.2 million, HK\$130.6 million and HK\$152.5 million for FY2015, FY2016 and FY2017, respectively. Our management would generally

BUSINESS

liaise with our landlord to include an option to renewal option in our lease agreement(s) to ensure the cost-effectiveness of the capital expenditure on renovation and refurbishment. Whether such an option is included would depend on the conclusion of the negotiation of the parties which are subject to, among others, the market condition and bargaining power of the parties. Whether we exercise the renewal option would be further subject to various factors including the performance of the relevant restaurant, whether the location is as good as the management expects, the capital expenditure incurred and expected to be incurred for relocation. Leases for our restaurants typically have a term of three to six years with some of them containing an option for us to renew for periods ranging from one to three years subject to the terms and conditions. During the Track Record Period, we had not experienced any significant difficulties in renewing our leases in a timely manner. As at the Latest Practicable Date, we leased 38 properties in Hong Kong, 34 of which were or will be used as restaurant sites and the others were used as our head office and warehouse. The following table sets out a summary of these leased properties, all used as our restaurants, except as indicated in the notes below:

<u>Location (in Hong Kong)</u>	<u>Brand / Subsidiary</u>	<u>Rental⁽¹⁾</u>	<u>Expiry Date</u>
1/F, Empire Centre, 68 Mody Road, Tsim Sha Tsui	<i>The Banqueting House</i>	Fixed or contingent ⁽²⁾	30 April 2019
Shop 2 and 3, 13/F, MegaBox, Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay	<i>The Banqueting House</i>	Fixed or contingent ⁽²⁾	31 March 2019
Shop 601-610, 6/F, Metroplaza, 223 Hing Fong Road, Kwai Fong	<i>China Hall</i>	Fixed or contingent ⁽²⁾	20 November 2020
Shop 237, 2/F, Domain, 38 Ko Chiu Road, Yau Tong	<i>Peace Cuisine</i>	Fixed or contingent ⁽²⁾	19 August 2018
Shop 108, Tin Yan Shopping Centre, Tin Shui Wai	<i>Pot Master</i>	Fixed	14 March 2020
Shop N105, N106, N107, N108 and N109, T Town North, 33 Tin Wah Road, Tin Shui Wai ⁽³⁾	<i>LHGrand and Mou Mou Club</i>	Fixed or contingent ⁽²⁾	31 March 2023
Shop G131-136, G/F, Amoy Plaza, Amoy Garden Phase 1, 77 Ngau Tau Kok Road, Kowloon Bay	<i>Mou Mou Club</i>	Fixed or contingent ⁽²⁾	2 October 2020
Shop 8B and 10, UG/F, Island Resort Mall, 28 Siu Sai Wan Road, Siu Sai Wan	<i>Mou Mou Club</i>	Fixed or contingent ⁽²⁾	31 October 2019
Shop 315, 3/F, Tsuen Wan Plaza, 4-30 Tai Pa Street, Tsuen Wan	<i>Mou Mou Club</i>	Fixed or contingent ⁽²⁾	31 July 2021
Shop 309-310, Podium 3, World Trade Centre, 280 Gloucester Road, Causeway Bay	<i>Mou Mou Club</i>	Fixed or contingent ⁽²⁾	2 May 2019 [#]
Shop 2, 3, 5C, 6A & 6B, G/F, Regentville Shopping Centre, 8 Wo Mun Street, Luen Wo Hui, Fanling	<i>Mou Mou Club</i>	Fixed or contingent ⁽²⁾	15 November 2020
Shop 423, 4/F, MOKO, 193 Prince Edward Road West, Mong Kok	<i>Mou Mou Club</i>	Fixed or contingent ⁽²⁾	15 June 2019 [#]
Shop G1, G2-2A, Deli Place (Site 4), Wonderful Worlds of Whampoa, Hung Hom ⁽⁴⁾	<i>Mou Mou Club and Gyu-Kaku</i>	Fixed or contingent ⁽²⁾	31 May 2020 [#]

BUSINESS

<u>Location (in Hong Kong)</u>	<u>Brand / Subsidiary</u>	<u>Rental⁽¹⁾</u>	<u>Expiry Date</u>
Shop 128A, 1/F, Olympian City 2, 18 Hoi Ting Road, West Kowloon ⁽⁵⁾	<i>Mou Mou Club and Gyu-Kaku</i>	Fixed or contingent ⁽²⁾	15 August 2019
Shop 364A, Level 3, Ma On Shan Plaza, Ma On Shan	<i>Mou Mou Club</i>	Fixed or contingent ⁽²⁾	26 December 2021 [#]
Unit LG1-29, LG/F, Festival Walk, Kowloon Tong ⁽⁶⁾	<i>On-Yasai and Gyu-Kaku</i>	Fixed or contingent ⁽²⁾	24 August 2022
Shop 37A-37B, 3/F, LCX, Ocean Terminal, Harbour City, Tsim Sha Tsui	<i>On-Yasai and Gyu-Kaku</i>	Fixed or contingent ⁽²⁾	18 November 2019
Shop G02 and G03, Ground Floor, Coronation Circle, 1 Yau Cheung Road, Yau Ma Tei	<i>Tamashii</i>	Fixed or contingent ⁽²⁾	1 September 2018 ⁽⁷⁾
Shop 45, 1/F, Site 4, Aberdeen Centre, 4 Nam Ning Street, Aberdeen	<i>Gyu-Kaku</i>	Fixed or contingent ⁽²⁾	7 April 2021
Shop 112-115, 1/F, Windsor House, 311 Gloucester Road, Causeway Bay	<i>Gyu-Kaku</i>	Fixed or contingent ⁽²⁾	11 September 2020 [#]
Shop 425, 4/F Telford Plaza II, 33 Wai Yip Street, Kowloon Bay	<i>Gyu-Kaku</i>	Fixed or contingent ⁽²⁾	31 October 2019 [#]
6/F, King Wah Centre, 628 Nathan Road, Mong Kok	<i>Gyu-Kaku</i>	Fixed	10 June 2024
Shop G69, G/F, Citywalk 2, 18 Yeung Uk Road, Tsuen Wan	<i>Gyu-Kaku</i>	Fixed or contingent ⁽²⁾	31 October 2018
Shop L1-18, 1/F, V City, 83 Tuen Mun Heung Sze Wui Road, Tuen Mun	<i>Gyu-Kaku</i>	Fixed or contingent ⁽²⁾	31 July 2019
Shop 322-323, 3/F, Yuen Long Plaza, 249-251 Castle Peak Road, Yuen Long	<i>Gyu-Kaku</i>	Fixed or contingent ⁽²⁾	10 September 2020
Shop 521-526, 1/F, Zone C, Tai Po Mega Mall, Tai Po	<i>Gyu-Kaku</i>	Fixed or contingent ⁽²⁾	5 January 2019 [#]
Shop 183, 1/F, East Point City, 8 Chung Wa Road, Tseung Kwan O	<i>Gyu-Kaku</i>	Fixed or contingent ⁽²⁾	10 May 2020 [#]
Shop 209-213, 2/F, Grand Plaza, 625 & 639 Nathan Road, Mong Kok ⁽⁹⁾	<i>Gyu-Kaku</i>	Fixed or contingent ⁽²⁾	15 April 2023
Shop L2-26, Level Two, Commercial Accommodation of Cullinan West, No. 28 Sham Mong Road, South West Kowloon ⁽⁸⁾	<i>Gyu-Kaku</i>	Fixed or contingent ⁽²⁾	To be determined ⁽⁸⁾
02/F 2173-2182, Floor 02, Tuen Mun Town Plaza (I), 1 Tuen Shing Street, Tuen Mun ⁽⁹⁾	<i>Gyu-Kaku</i>	Fixed or contingent ⁽²⁾	2 April 2023
4/F, Plaza 2000, 2 and 4 Russell Street, 6, 7, 8, 9 Canal Road East, Causeway Bay	<i>On-Yasai</i>	Fixed or contingent ⁽²⁾	28 February 2019 [#]
Shop 309, 3/F, Cityplaza, Taikoo Shing ⁽¹⁰⁾	<i>On-Yasai</i>	Fixed or contingent ⁽²⁾	13 May 2023
Shop 709, 7/F, New Town Plaza, 18 Sha Tin Centre Street, Sha Tin	<i>Yoogane</i>	Fixed or contingent ⁽²⁾	29 February 2020 [#]

BUSINESS

<u>Location (in Hong Kong)</u>	<u>Brand / Subsidiary</u>	<u>Rental⁽¹⁾</u>	<u>Expiry Date</u>
Shop G12, G/F, The Forest, 17 Nelson Street, Mong Kok	<i>Hotpot PNP</i>	Fixed or contingent ⁽²⁾	11 July 2020 [#]
Room 2202, 22/F, Tower 1, MegaBox, Enterprise Square 5, 38 Wong Chiu Road, Kowloon Bay ⁽¹¹⁾	LHG Catering Limited	Fixed	1 January 2022
Room 2203-2207, 22/F, Tower 1, MegaBox, Enterprise Square 5, 38 Wang Chiu Road, Kowloon Bay ⁽¹¹⁾	LHG Catering Limited	Fixed	1 January 2022
Unit A12, 4 th Floor, Block A, Yau Tong Industrial City, 17 Ko Fai Road, Yau Tong ⁽¹²⁾	LHG Catering Limited	Fixed	15 September 2019
Workshop Unit B, 3/F & Flat Roof B, Wah Fai Industrial Building, No. 4 Sze Shan Street, Kowloon ⁽¹²⁾	Triple Brilliant Development Limited	Fixed	30 September 2019

[#] These leased properties contain options for us to renew the relevant leases for periods ranging from one to three years subject to the terms and conditions.

Notes:

- (1) As at the Latest Practicable Date, the average monthly rent of our restaurants per gross floor area (calculated based on the size of the premises as shown in the relevant general restaurant licences) was approximately HK\$52.5 per square feet.
- (2) Monthly fixed rent and/or rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds a specific amount.
- (3) The *LHGrand* restaurant and *Mou Mou Club* restaurant in T Town North, Tin Shui Wai share the same premises.
- (4) The *Mou Mou Club* restaurant and *Gyu-Kaku* restaurant in Wonderful Worlds of Whampoa, Hung Hom share the same premises.
- (5) The *Mou Mou Club* restaurant and *Gyu-Kaku* restaurant in Olympian City 2, West Kowloon share the same premises.
- (6) The *On-Yasai* and *Gyu-Kaku* restaurants in Festival Walk, Kowloon Tong share the same premises.
- (7) The “*Tamashii*” restaurant in Coronation Circle, 1 Yau Cheung Road was closed down in July 2017. As no turnover rent is payable, we only pay a fixed rent of \$1.00 monthly in consideration for leasing such premises.
- (8) The *Gyu-Kaku* restaurant in Commercial Accommodation of Cullinan West, South West Kowloon is expected to be opened by late 2018, subject to obtaining the occupation permit and handing over of the restaurant premises by the landlord to us. According to the Offer to Lease executed by our Group and the relevant landlord, the term of the lease should be three years commencing from the date to be specified in a written notice to be given by the landlord to our Group.
- (9) The *Gyu-Kaku* restaurants in Grand Plaza, Mong Kok and Tuen Mun Town Plaza (I), Tuen Mun are expected to be opened by the 2nd quarter of 2018.
- (10) The *On-Yasai* restaurant in Cityplaza, Taikoo Shing is expected to be opened by the 3rd quarter of 2018.
- (11) Used as offices.
- (12) Used as warehouse.

BUSINESS

We intend to lease and set up a new food processing and logistic centre grossing a GFA of approximately 5,000 to 8,000 sq.ft.. For details, see “— Our business strategies — Enhancing operational efficiency and cost savings” in this section.

INSURANCE

We maintain insurance for each of our restaurant premises and office premises, which covers (i) public liability insurance, (ii) property insurance for loss and damage of assets at our business premises, (iii) insurance for any interruption of our business as a result of loss of or damage to our business properties, equipment and inventory, (iv) insurance for employee’s compensation, and (v) cash in transit insurance for loss of money in transit or kept on restaurant premises. Our Directors are of the view that our insurance coverage is customary and adequate for the size and type of our business and is in line with the standard industry practise in Hong Kong. Our insurance expenses for FY2015, FY2016 and FY2017 amounted to approximately HK\$2.4 million, HK\$1.9 million and HK\$1.8 million, respectively. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group had not made or been subject to any material claims.

CORPORATE SOCIAL RESPONSIBILITIES

We value our corporate image as a socially responsible company and consider our corporate values beyond profit making. In this connection, we are committed in engaging in numerous voluntary works and social service activities as well as cooperating with non-governmental organisations (“NGOs”) to help the young and the underprivileged.

Highlights of our social responsibility initiatives include:

- Supporting “Future Stars (明日之星)” programme launched by the Commission on Poverty (扶貧委員會) since 2015, offering working opportunities and training to less privileged youths, and contributing to the “Upward Mobility Scholarship (上游獎學金)” for less privileged students demonstrating resilience in adversity and maintaining a positive attitude towards life and learning
- Launching suspended meal coupon scheme in collaboration with other organisations from December 2013 to January 2016 at our restaurant in Tin Shui Wai and distributing over 92,000 suspended meals to the underprivileged up to 31 January 2016
- Distributing over 1600 suspended rice dumplings through Hong Kong Church Network for the Poor (教會關懷貧窮網絡) and Suicide Prevention Services (生命熱線) to those in need during Dragon Boat Festival in 2017
- Cooperating with Salvation Army (救世軍) to offer free tutorials to children in need
- Cooperating with Children’s Home in an event where children from Children’s House could play bowling and enjoy free meal at our “Gyu-Kaku (牛角)” restaurants

BUSINESS

ENVIRONMENTAL MATTERS

We are committed to environmental protection and conservation and we have been undertaking various initiatives in this respect, including:

- Cooperating with “World Green Organisation (世界綠色組織)” and “Greeners Action (綠領行動)”, our “Mou Mou Club (牛瀾鍋)” restaurants give coupons to customers if they finish all the food they order, and for each redemption of the coupon, we donate a certain amount to the relevant organisation to support environmental conservation
- Collaborating with various NGOs such as “Food Angel (惜食堂)” and “Foodlink Foundation (膳心連)” to collect the unconsumed food
- Engaging a certified Independent Third Party to collect used oil from our restaurants to reduce kitchen waste
- Our “The Banqueting House (御苑皇宴)” restaurants introducing ocean-friendly menus with sustainable seafood and without shark fins in May 2010 in response to the “No Shark Fin” policy of WWF-Hong Kong
- Participating in the “Green LUCK Banquet (無綠不歡飲宴聯盟)” programme organised by Green Monday, under which our “The Banqueting House (御苑皇宴)” restaurants introduced a vegetarian banquet menu and a “No Shark Fin” menu, respectively
- Our “The Banqueting House (御苑皇宴)” restaurants cooperating with Table for Two (同營膳) to introduce a six-course menu for wedding banquets in order to reduce food waste
- Cooperating with an energy supplier to develop cooking equipment with higher efficiency since 2010 and using such equipment including “Super Gas Food Steamer (高效能煤氣蒸爐)” and “High Efficient Gas Steam Cabinet (高效能煤氣蒸櫃)” which can reduce the use of electricity for about 20%
- Gradually installing LED light in our restaurants since 2010 to improve electrical efficiency with longer lifespan
- Setting up incentive scheme to encourage our staff of our Chinese cuisine restaurants to save water, electricity and town gas

While business promotion is not the reason for our undertaking of environmental protection initiatives, we believe our commitment in environmental protection has enhanced our corporate image, attracted environmentally-friendly customers and increased support from our different stakeholders and our employees which our Directors believe form the foundation for our long-term business growth.

Our business is subject to certain laws and regulations in relation to environmental protection in Hong Kong. See “Regulatory overview” in this prospectus for further details. For FY2015, FY2016 and FY2017, we incurred HK\$0.8 million, HK\$0.9 million and HK\$0.9 million, respectively, as cost of

BUSINESS

compliance with respect to environmental laws and regulations, including application for water pollution control licences for our restaurants and cleaning of equipment installed in some of our restaurants for preventing emission of air pollutants. We estimate that our annual costs of compliance going forward will increase in view of the expected increase in our number of restaurants.

LEGAL PROCEEDINGS AND COMPLIANCE

We had been subject to a number of claims and prosecutions during the Track Record Period, including safety and licencing related violations. There may also be minor claims for personal injuries, employees' compensation, employment disputes, customer complaints, contracts disputes with our suppliers or service providers from time to time which our Directors consider not uncommon in the catering industry. We had not been involved in any unsettled litigation, proceedings, or claims during the Track Record Period and up to the Latest Practicable Date, the outcome of which we believed might materially and adversely affect our business, operations or financial position.

Set forth below is a summary of several non-compliance incidents which resulted in prosecution against us during the Track Record Period and up to the Latest Practicable Date, as well as rectification actions and preventive measures that we have taken in respect of such matters. Such non-compliance incidents have not resulted in any material effect on our business, operational or financial position.

<u>Particulars of non-compliance</u>	<u>Reasons for the non-compliance</u>	<u>Legal consequences and maximum potential liabilities</u>	<u>Rectification actions taken and status</u>	<u>Internal control measures</u>
<p>1. General restaurant licence</p> <p>During the Track Record Period, the following companies of our Group commenced operation when the provisional restaurant licence had expired but the general restaurant licence has yet to be obtained from FEHD, which resulted in the non-compliance with the Food Business Regulations (Chapter 132X of the Laws of Hong Kong) ("FBR") and prosecution against us:</p> <ul style="list-style-type: none"> • Mou Mou Club (Fanling) Limited (provisional restaurant licence expired on 5 July 2016) • Yakiniku (Aberdeen) Limited (provisional restaurant licence expired on 1 March 2016) 	<p>During the Track Record Period, as a general practise of the beverage and restaurant industry, Mou Mou Club (Fanling) Limited and Yakiniku (Aberdeen) Limited have relied on external consultants to assist in advising on and applying for, among others, restaurant licences issued by FEHD. During the course of the application for the general restaurant licences, FEHD has informed us, due to inadvertent error, the structural layout plan which is part of the application materials as prepared and submitted by the external consultants would need to be further amended before the application could be proceeded, which has complicated and prolonged the application process.</p> <p>Furthermore, there was procedural delay in the application of the restaurant licence on part of the relevant authorities as the original officer who was responsible for our applications has</p>	<p>Under section 35 of the FBR, the maximum penalty is a fine of HK\$50,000, imprisonment for 6 months and HK\$900 per day for continued default.</p>	<p>The breach resulted in four summons where the relevant subsidiaries were convicted and fined for an aggregate amount of HK\$65,690. All the fines have been settled.</p> <p>A general restaurant licence was obtained by each of Mou Mou Club (Fanling) Limited by Yakiniku (Aberdeen) Limited on 28 December 2016 and 28 November 2016 respectively.</p> <p>Our Legal Counsel is of the view that given that the fine is paid and the breach has been dealt with, there will be no further liability and other legal consequence.</p>	<p>We have established and implemented policies and procedures to monitor licences application and renewal. Our Administration Manager maintains a master licence checklist. Our Administrative Manager will supervise the obtaining and renewal of all required licences and permits by monitoring the pending expiration dates of the relevant licences and permits and coordinating the timely preparation and submission of relevant licences applications.</p>

BUSINESS

<u>Particulars of non-compliance</u>	<u>Reasons for the non-compliance</u>	<u>Legal consequences and maximum potential liabilities</u>	<u>Rectification actions taken and status</u>	<u>Internal control measures</u>
	<p>tendered resignation during the course of application. Also, the external consultant failed to reply to the comments on application papers raised by the relevant authorities in a timely and consolidated manner. As a result of the above, the application for general licence has not been granted until the expiration date of provisional restaurant licence.</p> <p>The relevant restaurants continued to operate after the expiry of the provisional licence as the restaurant manager did not notify the senior management of the delay of the external consultant in obtaining the general licence as the restaurant managers believed external consultant could timely rectify the issue.</p>			
<p>2. Fire incidents</p> <p>During the Track Record Period, certain companies of our Group did not maintain good condition and free from obstruction spaces which afford a means of escape from the workplace in case of fire:</p> <ul style="list-style-type: none"> • Fameco (H.K.) Limited • Tremendous Luck Restaurant Limited • Mou Mou Club (No 9) Limited <p>As a result, the above companies did not comply with the Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations (Chapter 59V of the Laws of Hong Kong).</p>	<p>Exit</p> <p>Notwithstanding we have implemented explicit requirement on our restaurant manager to examine the condition and spaces for escape from the workplace in case of fire, the examination procedures have not been completely followed, and the frequency of checking requirement was not fully satisfied. The employees have inadvertently omitted to fully comply with the applicable laws and regulations.</p>	<p>Under regulation 14(5) of the Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations the maximum penalty for each offence is a fine of HK\$200,000 and to imprisonment for 6 months.</p>	<p>The obstructed spaces have been cleared by our staff at the relevant restaurants. The breach resulted in six summons where the relevant subsidiaries were convicted and fined for an aggregate amount of HK\$76,000. All the fines have been settled.</p> <p>Our Legal Counsel is of the view that given that the fine is paid and the breach has been dealt with, there will be no further liability and other legal consequence.</p>	<p>Notices have been posted in the restaurants to warn the staff not to place objects which may obstruct the fire exists.</p> <p>Fluorescent stickers were used to indicate the fire exits which should not be obstructed.</p> <p>Restaurant managers are designated to check the clearance of the fire exists from time to time and are required to fill in restaurant inspection form which is crossed checked by district manager or other designated staff.</p>

BUSINESS

INTERNAL CONTROLS AND RISK MANAGEMENT

Our Directors are responsible for formulating and overseeing the on-going implementation of our internal control measures and effectiveness of our risk management system and quality management system, which are designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

For general internal control and corporate governance measures,

- our audit committee, which consists of three independent non-executive Directors, Ms. Hung Lo Shan Lusan, Mr. Hung Wai Man and Mr. Sin Yat Kin, will assist our Board by providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board. See “Directors and senior management” for their biographies;
- we have appointed China Everbright Capital Limited as our compliance adviser with effect from the date of Listing to advise us on ongoing compliance with the Listing Rules issues and other applicable securities laws and regulations in Hong Kong;
- our Directors and senior management have received trainings from our legal advisers as to Hong Kong laws on the continuing obligations of a listed company in Hong Kong and on directors’ responsibilities and liabilities, and will obtain relevant training or updates and attend regular seminars after the Listing; and
- we would engage external legal counsel to advise us on particular issues as necessary from time to time.

In preparation for the Listing, the Group has engaged an independent third party professional internal control consultant (the “**Internal Control Consultant**”) to perform a review over all selected areas of our internal controls in June 2017 on entity-level controls and business process level controls, including sales, accounts receivable and collection, procurement, accounts payable and payment, inventory management, including logistics, human resources and payroll, fixed assets, cash and treasury management, insurance, financial reporting and disclosure controls, tax, intellectual property and general controls of information technology (the “**Internal Control Review**”).

In light of the past non-compliance incidents that occurred during the Track Record Period and up to the Latest Practicable Date, our Group has taken remedial actions and enhanced internal control measures to prevent recurrence of the non-compliance incidents. The Internal Control Consultant has performed review of (i) the internal control measures addressing non-compliance matters as stated in the subsection headed “Business — Legal proceedings and compliance”; (ii) the internal control measures addressing customers’ complaints made to the FEHD as stated in the subsection headed “Business — Our customers — Customer feedbacks”; and (iii) the internal control measures in respect of work safety as stated in the subsection headed “Business — Our employees — Work safety”, and raised no further recommendations. The Internal Control Review was conducted based on information provided by the Company and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

BUSINESS

Our Directors are of the view, and the Sole Sponsor concurs that, the abovementioned non-compliance incidents, including the failure to obtain general restaurant licences upon expiry of the provisional restaurant licences of two of our restaurants and the fire exit incidents, would not affect the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules, having taking into account that (i) the non-compliances were unintentional and there was no indication that our Directors and senior management had a wilful tendency to operate the business in a non-compliant manner, (ii) the non-compliance incidents did not involve any intentional misconduct, fraud, dishonesty or corruption on the part of our Directors; and (iii) the remedial actions having taken by our Directors and us.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan Holdings Limited and Ms. Ko Sau Chee Grace will own approximately 29.03%, 11.99%, 2.99%, 11.99%, 11.99%, 11.99% and 8.03% respectively of the issued share capital of LHG Holdings Limited which in turn holds 75% of the issued share capital of the Company, immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme. Hop Kwan Holdings Limited is an investment holding company.

Acting in concert arrangement

Notwithstanding the fact that none of the Controlling Shareholders individually has held a controlling interest in the Company nor have they explicitly formalised or documented their acting in concert arrangement prior to the Reorganisation, the Controlling Shareholders have been and will continue to be, acting in concert. The acting in concert arrangement has been evidenced by the factual circumstances that reflect the mutual trust and bonding as a collective group understanding encapsulating the following features:

(i) *High degree of integration and interconnections among the operating subsidiaries*

The Controlling Shareholders have met on a regular basis to discuss the strategy and key decisions including but not limited to the incorporation of Kabushikigaisha Limited and introduction of franchising brands Gyu-Kaku, On-Yasai and Yoogane, the introduction of self-owned brand Mou Mou Club and HOTPOT PNP and the re-introduction of the Chinese brand LHGrand and have the understanding to vote, unanimously in accordance with the consensus achieved among themselves and/or through entities controlled by them. They have centralised in the past, and shall continue to centralise, the right to make final decision in relation to key and strategic matters of our Group;

(ii) *The long-term business relationship and consolidated management and control*

Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Lau Kwong Kwan, Mr. Liu Chi Hung Peter and Hop Kwan Holdings Limited are the founding individuals (the “**Founding Individuals**”) of the Group. The Founding Individuals have worked together since the incorporation of the predecessor companies of the Group in 1980s. Taking into account that Mr. Ko Cheuk Kuen and Ms. Ko Sau Chee Grace’s father and daughter relationship along with Mr. Wong Yiu Hung and Mr. Wong Kit Lung Simon’s father and son relationship, the acting in concert arrangement has been reflected by the strong association of the group of Controlling Shareholders as a whole by virtue of their family relationships and many years of close and stable working relationship with the other Controlling Shareholders/Founding Individuals; and

(iii) *The intention to jointly affect the management and control as a unit*

The Controlling Shareholders have previously agreed to formulate the predecessor legal entities that carried out the business of the present Group at the relevant time to exercise control together

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

collectively with the consensus that no Controlling Shareholders hold a controlling beneficial interest in the predecessor legal entities. To continue to reflect such consensus and the mutual trust and bonding as a group in the consensus building process for the acting in concert arrangement among the Controlling Shareholders after the Reorganisation and going forward, the Controlling Shareholders have consolidated and exercised and continue to centralise voting control through LHG Holdings to become a group of Controlling Shareholders of the Company.

Excluded business

The Directors have confirmed that to the best of their knowledge, information and belief, as at the Latest Practicable Date, save for Mr. Lau Kwong Kwan and Hop Kwan Holdings Limited's interests in the Excluded Businesses as mentioned in the section below, none of the Controlling Shareholders nor Directors and any of their respective close associates have interests in businesses, other than our Group's businesses, which may directly or indirectly compete with the core businesses of our Group and would require disclosure under Rule 8.10 of the Listing Rules.

EXCLUDED BUSINESSES

As at the Latest Practicable Date, Mr. Lau Kwong Kwan and Hop Kwan Holdings Limited have control of or interests in the following businesses (the "Excluded Businesses"):

<u>Controlling Shareholder</u>	<u>Name of the company</u>	<u>Key features</u>
Mr. Lau Kwong Kwan	Glorious Victory Limited (榮勝有限公司)	Operation of a Chinese restaurant "Long Cheung Chinese Cuisine (龍翔酒家)" in Chai Wan
	Long Capital Catering Limited (龍都餐飲有限公司)	Operation of a Chinese restaurant "Long Capital Chinese Cuisine (龍都酒家)" in Tin Shui Wai
Hop Kwan Holdings Limited	Able Faith Limited (強信有限公司)	Operation of a Chinese-Japanese fusion hotpot restaurant "Pot Master (鍋匠)" in Mongkok

Delineation of our Business from the Excluded Businesses

The Directors believe the Excluded Businesses pose insignificant and immaterial competition with our Group's business. Our Directors have no intention to inject the interest in the Excluded Businesses into the Group given the natures of the Excluded Businesses encapsulate different operating focuses and strategies. Furthermore, Mr. Lau Kwong Kwan and Hop Kwan Holdings Limited do not consider that it is desirable to inject the passive investment with minority stake into our Group as Mr. Lau Kwong Kwan and Hop Kwan Holdings Limited have no control over these Excluded Businesses. Saved as disclosed below, there are no other Excluded Businesses possessed by Mr. Lau Kwong Kwan and Hop Kwan Holdings Limited as at the Latest Practicable Date. Details of each of the Excluded Businesses are as follows:

Glorious Victory Limited

Glorious Victory Limited is a company incorporated in Hong Kong on 2 December 2016, which is owned as to 20% by Mr. Lau Kwong Kwan, and mainly engages in the operation of a Chinese restaurant which offers monotonous Cantonese cuisine under the brand "Long Cheung Chinese

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Cuisine (龍翔酒家)" in Chai Wan. As at the Latest Practicable Date, there is one restaurant operated under the brand of Long Cheung Chinese Cuisine (龍翔酒家) which started operation in March 2017. Based on the management account of Glorious Victory Limited, Glorious Victory Limited recorded revenue of HK\$1.1 million for the year ended 31 March 2017.

There is clear delineation between the business of Glorious Victory Limited and our Group's core business for the following reasons:

- **Different geographical locations:** "Long Cheung Chinese Cuisine (龍翔酒家)" is located in a small housing estate shopping mall in Chai Wan, whilst our Group does not operate any restaurant there. There is a clear and distinct segregation of geographical locations between "Long Cheung Chinese Cuisine (龍翔酒家)" and our Group.
- **Different target clientele, operation and market positioning:** "Long Cheung Chinese Cuisine (龍翔酒家)" has a single operation in the traditional residential area of Chai Wan and does not have any branches or associated restaurants in Hong Kong. "Long Cheung Chinese Cuisine (龍翔酒家)" is not a restaurant with large scale of operation due to its limited capacity and turnover rate. In contrast our Chinese restaurants such as "*The Banqueting House* (御苑皇宴)" are positioned as mid-to-high end restaurants serving the consumption segments with higher spending power and appeal to customers of a younger demographic.
- **Different menu:** "Long Cheung Chinese Cuisine (龍翔酒家)" offers standardized Cantonese cuisine using ingredients with relatively lower costs for its discounted menu. In contrast, our Group's restaurants offer a large variety of food selections. For instance, our Asian cuisine restaurants and "*The Banqueting House* (御苑皇宴)" provide fusion Cantonese cuisine with a modern twist of Westernisation using high quality ingredients and "*Pot Master* (煲仔王)" offers claypot dishes and chicken pots. Such diversity and differentiation establish a clear segregation for "Long Cheung Chinese Cuisine (龍翔酒家)" and our Group.
- **Different decorations:** Our Group has specific themes and decorations tailored for different business lines. Our Group's restaurants offer a different dining experience from "Long Cheung Chinese Cuisine (龍翔酒家)" which has plain decorations whilst our Group's restaurants have more modern, glamorous and high-tech decorations such as themed lightings, exemplified by our innovatively designed award-winning Asian cuisine restaurants.
- **Different management:** Glorious Victory Limited has employed a separate management team to manage its business and none of our Directors or members of our senior management has been involved in the daily management and operations of it or "Long Cheung Chinese Cuisine (龍翔酒家)". Mr. Lau Kwong Kwan is merely a passive investor of the business as he does not engage in the daily management and operation of Glorious Victory Limited or "Long Cheung Chinese Cuisine (龍翔酒家)".

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Taking the aforementioned delineating factors into account, the Directors consider that Glorious Victory Limited does not compete, and is not likely to compete, either directly or indirectly, with our Group's core business.

Long Capital Catering Limited

Long Capital Catering Limited is a company incorporated in Hong Kong on 19 January 2012, which is owned as to 20% by Mr. Lau Kwong Kwan, and mainly engages in the operation of a Chinese restaurant which offers standardised Cantonese dishes under the brand "Long Capital Chinese Cuisine (龍都酒家)" in Tin Shui Wai. As at the Latest Practicable Date, there is one restaurant operated under the brand of Long Capital Chinese Cuisine (龍都酒家). Based on the audited accounts of Long Capital Catering Limited, Long Capital Catering Limited recorded revenue of approximately HK\$38.9 million, HK\$43.3 million and HK\$41.7 million for the year ended 31 March 2015, 2016 and 2017, respectively.

There is clear delineation between the business of Long Capital Catering Limited and our Group's core business for the following reasons:

- **Different target clientele, operation and market positioning:** "Long Capital Chinese Cuisine (龍都酒家)" has a single operation in the residential area of Tin Chak Estate and does not have any branches or associated restaurants in Hong Kong. "Long Capital Chinese Cuisine (龍都酒家)" is a stand-alone restaurant operation which focuses on the residents from the proximate residential area. It generally offers its menu items at budget-friendly prices with affordable quality. In contrast, our Chinese restaurants such as "The Banqueting House (御苑皇宴)" are positioned as mid-to-high end restaurants serving the consumption segments with higher spending power and appeal to customers of a younger demographic. Given the transportation network of Tin Shui Wai, it is uncommon for elderly residents within one residential block of Tin Chak Estate to travel around to another district of Tin Shui Wai to consume Cantonese cuisine. Taking into account the number of residents of Tin Chak Estate and the size of "Long Capital Chinese Cuisine (龍都酒家)", the Directors consider that there is neither direct nor indirect competition between "Long Capital Chinese Cuisine (龍都酒家)" and our Group.
- **Different menu:** "Long Capital Chinese Cuisine (龍都酒家)" offers standardised Cantonese cuisine using semi-manufactured ingredients from the PRC central producer. In contrast, our Group's restaurants offer a variety of food selections. Our Chinese restaurant under the brand "LHGrand (叙福樓金閣)" provides Cantonese cuisine focusing on a variety of exquisitely made dim-sum and delicacies.
- **Different decorations:** Our Group's restaurants provide a different dining experience from "Long Capital Chinese Cuisine (龍都酒家)". Our Group has modern, glamorous and high-tech decorations, whilst "Long Capital Chinese Cuisine (龍都酒家)" has simple and modest interior.
- **Different business model:** "Long Capital Chinese Cuisine (龍都酒家)" targets budget-spending customers, with menu prices generally less than HK\$40 per dimsum dish. In

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

contrast, our Chinese restaurants like “*The Banqueting House* (御苑皇宴)” offer wedding banquet services and enjoy the reputation of being innovative with well-decorated dining areas.

- **Different management:** Long Capital Catering Limited has employed a separate management team to manage its business and none of our Directors or members of our senior management has been involved in the daily management and operations of it or “Long Capital Chinese Cuisine (龍都酒家)”. Mr. Lau Kwong Kwan is merely a passive investor of the business and has not been involved in the daily management and operation of “Long Capital Chinese Cuisine (龍都酒家)” or Long Capital Catering Limited as of the Latest Practicable Date.

Taking the aforementioned delineating factors into account, the Directors consider that Long Capital Catering Limited does not compete, and is not likely to compete, either directly or indirectly, with our Group’s core business.

Able Faith Limited

Able Faith Limited is a company incorporated in Hong Kong on 19 April 2013, which is owned as to 16.67% by Hop Kwan Holdings Limited, and mainly engages in the operation of a Chinese-Japanese fusion hotpot restaurant which offers traditional Chinese steamboat under the brand “Pot Master (鍋匠)” in Mongkok. As at the Latest Practicable Date, there is one restaurant operated under the brand of Pot Master (鍋匠). Based on the audited accounts of Able Faith Limited, Able Faith Limited recorded revenue of approximately HK\$4.8 million, HK\$10.1 million and HK\$6.1 million for the year ended 31 March 2015, 2016 and 2017, respectively.

There is clear delineation between the business of Able Faith Limited and our Group’s core business for the following reasons:

- **Different target clientele, operation and market positioning:** “Pot Master (鍋匠)” has a single operation in the traditional residential area of Mong Kok and does not have any branches or associated restaurants in Hong Kong. “Pot Master (鍋匠)” offers a variety of pre-made Chinese hotpot ingredients and Chinese spicy chicken pot. In contrast, our “*Mou Mou Club* (牛涮鍋)” restaurants focus on offering *shabu-shabu* and *sukiyaki* with high quality imported beef such as Wagyu from Japan, and our “*On-Yasai* (溫野菜)” restaurants focus on offering *shabu-shabu* and *sukiyaki* with its focus on freshly imported vegetarian hotpot ingredients.
- **Different decorations:** “*Mou Mou Club* (牛涮鍋)” and “*On-Yasai* (溫野菜)” provide an entirely differentiated dining atmosphere from “Pot Master (鍋匠)”. “Pot Master (鍋匠)” is decorated with white and beige colour themes with casual ambience, whilst our Japanese restaurants use bright colours and graphics associated with their spectacular and distinctive brand image, for instance, “*Mou Mou Club* (牛涮鍋)” has its own brand mascot a cartoon cow “Mou Mou Kun (Mou Mou 君)” and “*On-Yasai* (溫野菜)” restaurants have an eye-catching cold display table showing the variety of vegetables.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- **Different management:** Able Faith Limited has employed a separate management team to manage its business and none of our Directors or members of our senior management has been involved in the daily management and operations of “Pot Master (鍋匠)” or Able Faith Limited.

Taking the aforementioned delineating factors into account, the Directors consider that Able Faith Limited does not compete, and is not likely to compete, either directly or indirectly, with our Group’s core business.

NON-COMPETITION UNDERTAKINGS

Deed of Non-competition

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company dated 4 May 2018 (for itself and as trustee for other members of our Group), under which our Controlling Shareholders have undertaken to our Company that they will not, and will use their best endeavours to procure that none of their respective close associates (other than members of our Group) will, directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement) or as principal or agent, either on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any members of our Group),

- carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with the Business (as defined below) (the “**Restricted Business**”), whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise; and
- take any action which interferes with or disrupts or may interfere with or disrupt the Business of our Group including, but not limited to, solicitation of any of the then current customers, suppliers or employees from any members of our Group.

For the purpose of the Deed of Non-competition, our “Business” is defined to cover the operation of full service, multi-branded restaurant group specialising in Chinese and Asian (in particular Japanese) cuisine.

The Deed of Non-competition given by the Controlling Shareholders does not apply to:

- (a) the carrying on, engagement or participation in the Excluded Businesses by Mr. Lau Kwong Kwan and Hop Kwan Holdings Limited;
- (b) the relevant Controlling Shareholder’s holding of interests in the shares of a company where the total number of shares directly or indirectly held by our Controlling Shareholders, and/or their respective close associates in aggregate does not exceed 10% of the issued shares of the relevant company or control the exercise of more than 10% of the voting rights thereof, or control the composition of a majority of the board of directors of such company; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (c) the Forgone Business Opportunity (as defined below) which our Company has confirmed that it does not intend to pursue.

The respective obligations of each of our Controlling Shareholders under the Deed of Non-competition shall terminate on the earliest of (i) the Shares cease to be listed on the Hong Kong Stock Exchange; (ii) Our Controlling Shareholders and their close associates, individually or jointly, cease to hold or control 30% or more of the entire share capital of the Company, and each of the Controlling Shareholder individually will own less than 30% interest in the Company upon listing; and (iii) any one of the Controlling Shareholders together with its/his/her close associates cease to hold or control, directly or indirectly, any securities in the entire issued share capital of our Company.

Our Controlling Shareholders have further undertaken to procure that any new business investment or other business opportunity relating to the Business (the “**Business Opportunity**”) identified by or made available to them or any of their close associates, they shall and shall procure that their close associates shall refer such Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Business Opportunity to our Company by giving written notice (the “**Offer Notice**”) to our Company of such Business Opportunity within 30 days of identifying the target company (if relevant) and the nature of the Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Business Opportunity;
- upon receiving the Offer Notice, our Company shall seek approval from the Board or a board committee (in each case comprising only or a majority of independent non-executive Directors) who do not have an interest in the Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Business Opportunity (any Director who has actual or potential interest in the Business Opportunity shall not attend (unless their attendance is specifically requested by the Independent Board but such attendance shall not be counted towards the quorum) and vote at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such Business Opportunity);
- the Independent Board shall consider the financial impact of pursuing the Business Opportunity offered, whether the nature of the Business Opportunity is consistent with our Group’s strategies and development plans, the general market conditions of the Business; if appropriate, the Independent Board may appoint independent financial and legal advisers to assist in the decision-making process in relation to such Business Opportunity;
- the Independent Board shall, within 30 days of receipt of the Offer Notice by our Company, inform the relevant Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Business Opportunity;
- the relevant Controlling Shareholder shall be entitled but not obliged to pursue such Business Opportunity (“**Forgone Business Opportunity**”) if he or she or it has received a

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

notice from the Independent Board declining such Business Opportunity or if the Independent Board failed to respond within such 30 days' period mentioned above;

- if there is any material change in the nature, terms or conditions of such Forgone Business Opportunity pursued by our Controlling Shareholders, they shall refer such Business Opportunity as so revised to our Company in the manner mentioned above as if it were a new Business Opportunity; and
- while the relevant Controlling Shareholder may pursue the ownership of any Forgone Business Opportunity, he or she or it shall, subject to the compliance with the applicable laws and regulations (including but not limited to the Listing Rules), engage our Group to undertake the operation of the Forgone Business Opportunity through entering into servicing agreement with a member of our Group, while our Group has the option but not obligation to enter into such servicing agreement.

Further undertakings and confirmation

Our Controlling Shareholders have further undertaken to, among others:

- procure all relevant information relating to the implementation of the Deed of Non-competition in their possession and/or the possession of any of their close associates to be provided to our Company;
- provide all information requested by our Company (or its auditors) which is necessary for an annual review by the independent non-executive Directors of its compliance with the Deed of Non-competition and the enforcement of the same;
- procure our Company to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition either through the annual report, or by way of announcements to the public; and
- upon the request of our Company, provide a written confirmation in respect of its compliance and that of its close associates with the non-competition undertakings under the Deed of Non-competition and consent to the inclusion of such confirmation in our Company's annual report.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Company was incorporated in the Cayman Islands on 9 June 2017 as part of our Reorganisation, details of which are set out in "History, development and reorganisation — Reorganisation" in this prospectus. Pursuant to our Reorganisation, all companies and businesses of our Controlling Shareholders related to, or incidental to, the operation of our Group in Hong Kong were transferred to our Company. In particular, one of the objectives of our Reorganisation was to establish a clear delineation between the businesses carried out by our Group and our Controlling Shareholders via separate and distinct corporate entities.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

We believe that our Group is capable of carrying on its business independently of, and at arm's length from the Excluded Businesses, our Controlling Shareholders and their respective close associates (other than our Group) after Listing for the following reasons:

Management Independence

Our Board of Directors and members of senior management function independently from our Controlling Shareholders and their respective close associates. Our Board currently comprises three executive Directors and three independent non-executive Directors. None of our other Directors holds any directorship or senior management role in the Excluded Business. Our senior management consists of eight members. On the basis of the following reasons, our Directors believe that our Directors and members of our senior management are able to manage our business independently from our Controlling Shareholders:

Our Directors will have sufficient expertise and experience to fully consider any such matter. Our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business on a full time basis independently from the Excluded Business for the following reasons:

- (a) there are adequate corporate governance measures in place to manage the existing and potential conflicts of interest. Therefore, the role of Mr. Lau Kwong Kwan and Hop Kwan Holdings Limited will not affect the requisite degree of impartiality of our executive Directors in discharging their fiduciary duties owed to our Company;
- (b) we have three independent non-executive Directors, and certain matters of our Group, including matters referred to in the Deed of Non-competition, details of which are set out in the subsection headed “— Non-competition undertakings” above, must always be referred to the independent non-executive Directors for review. This helps to enhance the independence of our management from that of the Excluded Business;
- (c) all members of our senior management are full-time employees of our Group and most of them have, for the entire or substantially the entire Track Record Period, undertaken senior management supervisory responsibilities in our business. The responsibilities of our senior management team include managing operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategies of our Group. This ensures the independence of the daily management and operations of our Group from those of our Controlling Shareholders;
- (d) all of our Executive Directors and members of our senior management will devote full-time capacity to our Group; and
- (e) each of our Directors is aware of his or her fiduciary duties as a Director of our Company, which require, among other things, that he acts for the benefit and in the best interests of our Shareholders as a whole and does not allow any conflict between his duties as a Director and his personal interests to affect the performance of his duties as a Director.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational Independence

Our Company makes business decisions independently. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and other companies controlled by our Controlling Shareholders:

- (a) our Company is not reliant on trademarks owned by our Controlling Shareholders, or other companies controlled by our Controlling Shareholders;
- (b) our Group is the holder of all relevant licences material to the operation of our restaurant business and has sufficient capital, equipment and employees to operate our business independently;
- (c) our Company has its own administrative and corporate governance infrastructure (including its own accounting, legal and human resources departments);
- (d) all of the properties used as our principal place of business, offices premises and restaurants are leased from Independent Third Parties by our Company or our subsidiaries;
- (e) our Company has established a set of internal control procedures to facilitate the effective operation of our business; and
- (f) our Company does not rely on our Controlling Shareholders for access to suppliers and customers. In particular, we independently manage our sourcing for food and equipment. Our customers are predominantly members of the public, to whom we have independent access.

Based on the above-mentioned arrangements, our Directors are of the view that our Company will be able to operate independently from our Controlling Shareholders.

During the Track Record Period, our Group has entered into certain related party transaction with the Controlling Shareholders and their close associates, the details of which are set out in Note 19 of the Accountant's Report in Appendix I to this prospectus. Our Directors have confirmed that these related party transactions were conducted in ordinary course of business and on normal commercial terms and these related party transactions have discontinued before the Latest Practicable Date.

Upon Listing, our Group will comply with the relevant requirement under Chapter 14A of the Listing Rules when conducting the related party transaction which constituted connected transaction in the future.

Financial Independence

All loans, advances and balances due from our Controlling Shareholders and their respective close associates and all loans, advances and balances due to our Controlling Shareholders has been repaid before Listing. All share pledges and guarantees provided by our Controlling Shareholders and their respective close associates on our Group's borrowing have also been fully released upon Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates. In addition, we have our own internal control systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing.

Information of companies in which Mr. Lam Kwan Ying and Ms. Chan Wai Chun are interested

As at the Latest Practicable Date, Mr. Lam Kwan Ying and Ms. Chan Wai Chun, each held 30% interest respectively in one of the Controlling Shareholders, Hop Kwan Holdings Limited. Notwithstanding the fact that Mr. Lam Kwan Ying and Ms. Chan Wai Chun are either individually or collectively interested in businesses of a similar nature of our Group, these businesses are highly unlikely to create direct or indirect competition with our businesses:

Crown Asian Holdings Limited (高雅集團有限公司)

Mr. Lam Kwan Ying owns 15.21% interest in Crown Asian Holdings Limited, a company incorporated in Hong Kong which operates a Chinese restaurant which provides monotonous Cantonese cuisine under the name “Dragon Place Restaurant (龍寶餐廳)” in Sham Shui Po.

There is clear delineation between the business of Crown Asian Holdings Limited and our Group’s core business for the following reasons:

- **Different geographical locations:** “Dragon Place Restaurant (龍寶餐廳)” and the Group’s restaurants are not located in the same area. “Dragon Place Restaurant (龍寶餐廳)” is located in Sham Shui Po, whilst our Group does not operate any restaurants in the same area in Hong Kong. There is a clear and distinct segregation of geographical locations between “Dragon Place Restaurant (龍寶餐廳)” and our Group.
- **Different target clientele, operation and market positioning:** “Dragon Place Restaurant (龍寶餐廳)” is a stand-alone small-scale restaurant and does not have any branches or associated restaurants in Hong Kong. Dragon Place Restaurant (龍寶餐廳) mainly provides speedily served food and pre-made dim-sum from central kitchen for its cost-efficient strategy in order to serve a relatively lower average income residential area as compared to other districts. In contrast, our Chinese restaurants like “The Banqueting House (御苑皇宴)” are positioned as mid-to-high end restaurants serving the consumption segments with higher spending power and aim to appeal to customers of a younger demographic. As such, the market positions and scales of business can be clearly differentiated in terms of demands and services, alongside the goods and price expectations between our customers and those of “Dragon Place Restaurant (龍寶餐廳)”.
- **Different menu:** “Dragon Place Restaurant (龍寶餐廳)” offers a regular set of selection of dim-sum at prices tailored for its discounted menu items to attract relatively lower income group as compared to other districts and elderly customers from the nearby housing estates. In contrast, our Group’s restaurants offer a large variety of food selections. For instance, our Chinese restaurants under the brand “The Banqueting House

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

(御苑皇宴)” provide fusion Cantonese cuisine with a modern twist of Westernisation using high quality ingredients, and “Pot Master (煲仔王)” offers claypot dishes and chicken pots.

- **Different management:** Crown Asian Holdings Limited has employed a separate management team to manage its business and none of our Directors or members of our senior management has been involved in the daily management and operations of it or “Dragon Place Restaurant (龍寶餐廳)”. Furthermore, Crown Asian Holdings Limited was funded by Mr. Lam Kwan Ying’s personal fund secured from and independent from other entity he is interested in. Crown Asian Holdings Limited has therefore carried on its restaurant business independently from our Group.

Based on the aforementioned delineating factors, the Directors are of the view that said interest of Mr. Lam Kwan Ying does not compete or is unlikely to compete, either directly or indirectly, with the core business of our Group.

Hop Kwan Cold Meat Company Limited (合群食品有限公司)

Mr. Lam Kwan Ying owns 70% interest in Hop Kwan Cold Meat Company Limited, a company incorporated in Hong Kong which is a major supplier of food ingredients and importer of frozen meat in Hong Kong.

There is clear delineation between the business of Hop Kwan Cold Meat Company Limited and our Group’s core business for the following reasons:

- **Different target clientele, operation and market positioning:** Hop Kwan Cold Meat Company Limited mainly supplies frozen meat to Independent Third Party food premises and Independent Third Party Chinese restaurants around Hong Kong. In contrast, Triple Brilliant is a procurement arm of our Group which mainly focuses on the supply of food ingredients to the restaurants operated by the Group. Therefore Hop Kwan International Company Limited has independent access to customers for supply of frozen meat required for the restaurant operations.
- **Different business focus:** Frozen meat distribution to Independent Third Parties is Hop Kwan Cold Meat Company Limited’s core business, whilst the food procurement business of Triple Brilliant is ancillary to the Group’s restaurants. Given the ancillary nature of the procurement business of our Group which distributes most of the food to our restaurants, there is no direct competition as there is clear segregation of client segment.
- **Different management:** Hop Kwan Cold Meat Company Limited has employed a separate management team to manage its business since its date of establishment and none of our Directors or members of our senior management has been involved in its daily management and operations. Furthermore, Hop Kwan Cold Meat Company Limited was funded by Mr. Lam Kwan Ying’s personal fund secured from and independent from other entity he is interested in. Hop Kwan Cold Meat Company Limited has therefore carried on its business independently from our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- **Operational independence:** As of the Latest Practicable Date, Hop Kwan Cold Meat Company Limited hasn't maintained any business dealing with Tremendous Luck or any other restaurants of our Group. Thus Hop Kwan Cold Meat Company Limited has maintained its operational independence by having independent course of business.

Based on the aforementioned delineating factors, the Directors are of the view that said interest of Mr. Lam Kwan Ying does not compete or is unlikely to compete, either directly or indirectly, with the core business of our Group.

Hop Kwan International Company Limited (合群國際有限公司)

Mr. Lam Kwan Ying owns 50% interest in Hop Kwan International Company Limited, a company incorporated in Hong Kong which is a supplier of food ingredients and importer of frozen meat.

There is clear delineation between the business of Hop Kwan International Company Limited and the food procurement business of our Group's core business for the following reasons:

- **Different target clientele, operation and market positioning:** Hop Kwan International Company Limited imports frozen meat from the US, Brazil, the Netherlands, Germany and other countries and sells and distributes in the PRC. Hop Kwan International Company Limited does not target restaurants and eateries in the Hong Kong market; it has not supplied to and will not supply to any of other companies situated in the Hong Kong market. In contrast, Triple Brilliant mainly focuses on supplying food ingredients to our restaurants which are operated by the Group in Hong Kong. Therefore Hop Kwan International Company Limited has distinctive client segment which is able to maintain independent access to customers for distribution of frozen meat required for the restaurant operations.
- **Different business focus:** Frozen meat distribution to Independent Third Parties is Hop Kwan International Company Limited's core business, whilst the food procurement business of Triple Brilliant is ancillary to the Group's restaurants. Given the ancillary nature of the procurement business of our Group which distributes most of the food to our restaurants, there is no competition as there is clear segregation of client segment.
- **Different management:** Hop Kwan International Company Limited has employed a separate management team to manage its business and none of our Directors or members of our senior management has been involved in its daily management and operations. Furthermore, Hop Kwan International Company Limited was funded by Mr. Lam Kwan Ying's personal fund secured from and independent from other entity he is interested in. Hop Kwan International Company Limited has therefore carried on its business independently from our Group.

Based on the aforementioned delineating factors, the Directors consider that said interest of Mr. Lam Kwan Ying does not compete or is unlikely to compete, either directly or indirectly, with the core business of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Fortune Eagle Enterprises Limited (鵬福企業有限公司)

Ms. Chan Wai Chun owns 19.06% interest in Fortune Eagle Enterprises Limited, a company incorporated in Hong Kong which operates a Chinese restaurant providing standardised Cantonese cuisine under the name “Ming Yuen Banquet Hall (茗苑宴會廳)” in Kwai Chung.

There is clear delineation between the business of Fortune Eagle Enterprises Limited and our Group’s core business for the following reasons:

- **Different geographical locations:** “Ming Yuen Banquet Hall (茗苑宴會廳)” and the Group’s restaurants are not located in the same area. “Ming Yuen Banquet Hall (茗苑宴會廳)” is located in a boutique shopping mall in Kwai Chung, whilst our Group does not operate any restaurant there. There is a clear and distinct segregation of geographical locations between “Ming Yuen Banquet Hall (茗苑宴會廳)” and our Group.
- **Different target clientele, operation and market positioning:** “Ming Yuen Banquet Hall (茗苑宴會廳)” is a small-scale stand-alone restaurant which provides speedily made food and pre-made dim-sum from outsourced central kitchen for its cost efficient strategy which serves residents from housing estates in the proximate area and employees working in the proximate commercial and industrial buildings. In contrast, our Group has a combination of Chinese cuisine and Asian cuisine brands with a diversified target clientele offering more exquisite Cantonese cuisine which are able to absorb higher average spending power including mid-to-high end market and mass market. For example, our “China Hall (御苑)” is positioned as mid-to-high end market serving the consumption segments with higher spending power and aims to appeal to customers of a younger demographic.
- **Different menu:** “Ming Yuen Banquet Hall (茗苑宴會廳)” offers a mixture of Cantonese cuisine, dim-sum and Chinese hotpot, with an emphasis on budget-friendly prices with affordable quality. In contrast, our “Mou Mou Club (牛瀾鍋)” restaurants focus on offering *shabu-shabu* and *sukiyaki* with high quality imported beef such as Wagyu from Japan, whilst our “On-Yasai (溫野菜)” restaurants focus on offering *shabu-shabu* and *sukiyaki* with its focus on imported vegetarian hotpot ingredients. Additionally, our “Peace Cuisine (和平飯店)” (offering Shanghai, Beijing and Sichuan cuisines) does not offer Cantonese cuisine, our Chinese restaurants under the brand “China Hall (御苑)” provide Cantonese cuisine emphasising quality and freshness with a wide range of fresh seafood and seasonal dishes, “LHGrand (叙福樓金閣)” provides Cantonese cuisine focusing on a variety of exquisitely made dim-sum and delicacies. Such diversity and differentiation establish a clear segregation for “Ming Yuen Banquet Hall (茗苑宴會廳)” and our Group.
- **Different management:** Fortune Eagle Enterprises Limited has employed a separate management team to manage its business and none of our Directors or members of our senior management has been involved in the daily management and operations of it or “Ming Yuen Banquet Hall (茗苑宴會廳)”.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Based on the aforementioned differences, the Directors are of the view that said interest of Ms. Chan Wai Chun does not compete or is unlikely to compete, either directly or indirectly, with the core business of our Group.

Fortune Stand Limited (豐企有限公司)

Ms. Chan Wai Chun owns an indirect interest of 19.06% in Fortune Stand Limited through Fortune Eagle Enterprises Limited. Fortune Stand Limited is a company incorporated in Hong Kong which operates a Chinese restaurant providing standardised Cantonese cuisine under the name “Ming Guan (茗館)” in Sai Wan Ho.

There is clear delineation between the business of Fortune Stand Limited and our Group’s core business for the following reasons:

- **Different target clientele, operation and market positioning:** “Ming Guan (茗館)” is a stand-alone restaurant serving mainly residents and workers in nearby commercial and industrial buildings. It generally offers its menu items at budget-friendly prices with affordable quality. “Ming Guan (茗館)” is positioned as a quickly served and consumed style Cantonese restaurant and therefore does not offer wedding banquet services. In contrast, our Chinese restaurants such as “*The Banqueting House (御苑皇宴)*” are positioned as mid-to-high end restaurants serving the consumption segments with higher spending power and aim to appeal to customers of a younger demographic.
- **Different menu:** “Ming Guan (茗館)” offers standardised Cantonese cuisine, with an emphasis on small-plated dishes from a regular set of menus. Our “*Peace Cuisine (和平飯店)*” (offering Shanghai, Beijing and Sichuan cuisines) do not offer Cantonese cuisine, our Chinese restaurants under the brand “*The Banqueting House (御苑皇宴)*” provide fusion Cantonese cuisine with a modern twist of Westernisation using high quality ingredients, “*China Hall (御苑)*” provides Cantonese cuisine emphasising quality and freshness with a wide range of fresh seafood and seasonal dishes, “*LHG Grand (叙福樓金閣)*” provides Cantonese cuisine focusing on a variety of exquisitely made dim-sum and delicacies. Such diversity and differentiation establish a clear segregation and customer focus for “Ming Guan (茗館)” and our Group.
- **Different decorations:** Our Group’s restaurants provide a different dining experience from “Ming Guan (茗館)”. As a Cantonese style fast food restaurant, “Ming Guan (茗館)” has simple and modest interior, whilst our Group’s restaurants have more modern, glamorous and high-tech decorations which provide a stylish and elegant ambience.
- **Different geographical locations:** “Ming Guan (茗館)” is located near a residential area in Sai Wan Ho, whilst our Group does not operate Chinese restaurants there. There is a clear and distinct segregation of geographical locations, market positions and scales of business between “Ming Guan (茗館)” and our Group.
- **Different management:** As of the Latest Practicable Date, Fortune Stand Limited has employed a separate management team to manage its business and none of our Directors or members of our senior management has been involved in the daily management and operations of it or “Ming Guan (茗館)”.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Based on the aforementioned delineating factors, our Directors consider that the aforementioned business interests of Ms. Chan Wai Chun do not or are unlikely to compete, either directly or indirectly with our core business.

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-competition. Each of our Controlling Shareholders has confirmed that it fully comprehends its obligations to act as our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, 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 in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself or herself from the board meetings on matters in which such Director his close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (c) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the subsection headed "Directors and senior management — Board of Directors — Independent non-executive Directors" in this prospectus; and
- (d) we have appointed China Everbright Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors or chief executive officer as of the Latest Practicable Date, the following persons will, immediately following the completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme), have interests or short positions in our Shares or underlying Shares which fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name of Shareholder</u>	<u>Nature of Interest</u>	<u>Shares held immediately following the completion of the Capitalisation Issue and the Global Offering⁽¹⁾</u>	
		<u>Number</u>	<u>Percentage (approximate)</u>
LHG Holdings Limited ⁽²⁾	Beneficial Owner	600,000,000 (L)	75%
Mr. Wong Kit Lung Simon ⁽⁶⁾	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%
Mr. Ko Cheuk Kuen	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%
Mr. Wong Yiu Hung ⁽⁶⁾	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%
Mr. Liu Cheung ⁽⁶⁾	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%
Mr. Liu Chi Hung Peter ⁽⁶⁾	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%
Mr. Lau Kwong Kwan ⁽⁶⁾	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%
Hop Kwan Holdings Limited ⁽³⁾⁽⁶⁾	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%
Mr. Lam Kwan Ying ⁽³⁾⁽⁴⁾⁽⁶⁾	Interest of Spouse; Interest held jointly with other persons; Interest in a controlled corporation;	600,000,000 (L)	75%
Ms. Chan Wai Chun ⁽³⁾⁽⁵⁾⁽⁶⁾	Interest of Spouse; Interest held jointly with other persons; Interest in a controlled corporation;	600,000,000 (L)	75%
Ms. Ko Sau Chee Grace ⁽⁶⁾	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%

Notes:

- (1) The letter "L" denotes the person's long position in our Shares.

SUBSTANTIAL SHAREHOLDERS

- (2) LHG Holdings is an investment-holding company incorporated in the BVI and owned as to 29.03%, 2.99%, 11.99%, 11.99%, 11.99%, 11.99% and 8.03% by Mr. Wong Kit Lung Simon, Mr. Wong Yiu Hung, Mr. Ko Cheuk Kuen, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan Holdings Limited and Ms. Ko Sau Chee Grace.
- (3) Each of Mr. Lam Kwan Ying and Ms. Chan Wai Chun owns 30% and 30% of Hop Kwan Holdings Limited respectively and therefore under SFO, Mr. Lam Kwan Ying and Ms. Chan Wai Chun are deemed or taken to be interested in the shares to be held by Hop Kwan Holdings Limited after the completion of the Global Offering and the Capitalisation Issue.
- (4) Mr. Lam Kwan Ying is the spouse of Ms. Chan Wai Chun and is deemed or taken to be interested in all the Shares in which Ms. Chan Wai Chun has, or is deemed to have, an interest for the purpose of the SFO.
- (5) Ms. Chan Wai Chun is the spouse of Mr. Lam Kwan Ying and is deemed or taken to be interested in all the Shares in which Mr. Lam Kwan Ying has, or is deemed to have, an interest for the purpose of the SFO.
- (6) Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan Holdings Limited, Ms. Ko Sau Chee Grace are parties acting in concert (having the meaning ascribed to it under the Takeovers Code). Each of Mr. Lam Kwan Ying and Ms. Chan Wai Chun owns 30% and 30% of Hop Kwan Holdings Limited respectively and therefore under SFO, Mr. Lam Kwan Ying and Ms. Chan Wai Chun are deemed or taken to be interested in the shares to be held by Hop Kwan Holdings Limited after the completion of the Global Offering and the Capitalisation Issue. As such, immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme), Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan Holdings Limited, Mr. Lam Kwan Ying, Ms. Chan Wai Chun and Ms. Ko Sau Chee Grace will for the purpose of the SFO together through LHG Holdings control 75% of the entire share capital of our Company.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately to and following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme, have interests or short positions in any Shares or underlying Shares, which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

THE CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with certain cornerstone investors (the “**Cornerstone Investors**” and each a “**Cornerstone Investor**”), pursuant to which the Cornerstone Investors have agreed to subscribe, or cause their designated entities to subscribe for such number of Offer Shares in aggregate (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of HK\$38.0 million (the “**Cornerstone Placing**”) at the Offer Price.

Assuming an Offer Price of HK\$1.00 (being the low end of the Offer Price range set out in this prospectus), the total number of Offer Shares subscribed for by the Cornerstone Investors would be 38,000,000, representing approximately (i) 19.0% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 4.8% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 4.6% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming an Offer Price of HK\$1.15 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Offer Shares subscribed for by the Cornerstone Investors would be 33,040,000, representing approximately (i) 16.5% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 4.1% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 4.0% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming an Offer Price of HK\$1.30 (being the high end of the Offer Price range set out in this prospectus), the total number of Offer Shares subscribed for by the Cornerstone Investors would be 29,226,000, representing approximately (i) 14.6% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 3.7% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 3.5% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account any

THE CORNERSTONE INVESTORS

Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Each of the Cornerstone Investors has agreed that, if the requirement pursuant to Rule 8.08(3) of the Listing Rules, in which no more than 50% of the Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders cannot be satisfied by our Company, the Joint Global Coordinators and our Company have the right to adjust the allocation of the number of Shares on pro-rata basis to be purchased by the Cornerstone Investor in their sole and absolute discretion to satisfy the requirement pursuant to Rule 8.08(3) of the Listing Rules.

To the best knowledge of our Company, each of the Cornerstone Investors is an independent third party, independent of each other, not our connected person, and not an existing shareholder of our Company. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around 29 May, 2018.

The Cornerstone Placing forms part of the International Placing. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company (as defined under the Listing Rules). The number of Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering described in “Structure and conditions of the Global Offering — Hong Kong Public Offering.”

Cornerstone Investors

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing. The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

1. S.A.S. INVESTMENT COMPANY LIMITED

S.A.S Investment Company Limited (“SAS”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of HK\$12.0 million (exclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at the Offer Price.

Assuming the Offer Price is fixed at HK\$1.00, being the low end of the Offer Price range set out in this prospectus, the total number of Offer Shares that SAS will subscribe for would be 12,000,000, representing approximately (i) 6.0% of the Offer Shares under the Global Offering, assuming that the

THE CORNERSTONE INVESTORS

Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 1.5% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 1.4% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming the Offer Price is fixed at HK\$1.15, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that SAS will subscribe for would be 10,434,000, representing approximately (i) 5.2% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 1.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 1.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming the Offer Price is fixed at HK\$1.30, being the high end of the Offer Price range set out in this prospectus, the total number of Offer Shares that SAS will subscribe for would be 9,230,000, representing approximately (i) 4.6% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 1.2% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 1.1% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

SAS is a company incorporated in Hong Kong with limited liability. It is a property and investment holding company wholly-owned by S.A.S. Dragon Holdings Limited which listed on the Main Board of the Stock Exchange (stock code: 1184). S.A.S. Dragon Holdings Limited and its subsidiaries specialises in design, development, sourcing, quality assurance and logistics management of global proprietary electronic components and semiconductor products. S.A.S. Investment Company Limited and its ultimate beneficial owners are independent from and not connected with any directors, chief executives and substantial shareholders of the Company or any of its subsidiaries and any of their respective associates.

THE CORNERSTONE INVESTORS

2. Mr. Chu Kam Keung

Mr. Chu Kam Keung (“**Mr. Chu**”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of HK\$10.0 million (exclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at the Offer Price.

Assuming the Offer Price is fixed at HK\$1.00, being the low end of the Offer Price range set out in this prospectus, the total number of Offer Shares that Mr. Chu will subscribe for would be 10,000,000, representing approximately (i) 5.0% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 1.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 1.2% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming the Offer Price is fixed at HK\$1.15, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that Mr. Chu will subscribe for would be 8,694,000, representing approximately (i) 4.3% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 1.1% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 1.0% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming the Offer Price is fixed at HK\$1.30, being the high end of the Offer Price range set out in this prospectus, the total number of Offer Shares that Mr. Chu will subscribe for would be 7,692,000, representing approximately (i) 3.8% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 1.0% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 0.9% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

THE CORNERSTONE INVESTORS

Mr. Chu, an individual citizen of Hong Kong, is a businessman and an investor independent from and not connected with any directors, chief executives and substantial shareholders of the Company or any of its subsidiaries and any of their respective associates. Mr. Chu is a shareholder and a director of Freeway Finance Company Limited, a company which is a money lenders licensee in Hong Kong.

3. Mr. Frederick Ma Si Hang

Mr. Frederick Ma Si Hang *GBS, JP* (“**Mr. Ma**”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of HK\$8.0 million (exclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at the Offer Price.

Assuming the Offer Price is fixed at HK\$1.00, being the low end of the Offer Price range set out in this prospectus, the total number of Offer Shares that Mr. Ma will subscribe for would be 8,000,000, representing approximately (i) 4.0% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 1.0% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 1.0% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming the Offer Price is fixed at HK\$1.15, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that Mr. Ma will subscribe for would be 6,956,000, representing approximately (i) 3.5% of the Offer Shares under the Global Offering, assuming that the Over -allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 0.9% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 0.8% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming the Offer Price is fixed at HK\$1.30, being the high end of the Offer Price range set out in this prospectus, the total number of Offer Shares that Mr. Ma will subscribe for would be 6,152,000, representing approximately (i) 3.1% of the Offer Shares under the Global Offering, assuming that the Over -allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 0.8% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be

THE CORNERSTONE INVESTORS

allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 0.7% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Mr. Ma, is the chairman of the MTR Corporation Limited whose shares are listed on the Main Board of the Stock Exchange (stock code: 66). Mr. Ma was previously the Secretary for Financial Services and the Treasury of the HKSAR Government. He is also the former Secretary for Commerce and Economic Development of the HKSAR Government. Mr. Ma has extensive experience in banking and financial sector. He is currently an independent non-executive director of FWD Group and a director of Husky Energy Inc. whose common shares are listed on the Toronto Stock Exchange (Symbol: HSE). Mr. Ma is independent from and not connected with any directors, chief executives and substantial shareholders of the Company or any of its subsidiaries and any of their respective associates.

4. Mr. Lo Man Pung Eddie

Mr. Lo Man Pung Eddie (“**Mr. Lo**”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of HK\$8.0 million (exclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at the Offer Price.

Assuming the Offer Price is fixed at HK\$1.00, being the low end of the Offer Price range set out in this prospectus, the total number of Offer Shares that Mr. Lo will subscribe for would be 8,000,000, representing approximately (i) 4.0% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 1.0% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 1.0% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming the Offer Price is fixed at HK\$1.15, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that Mr. Lo will subscribe for would be 6,956,000, representing approximately (i) 3.5% of the Offer Shares under the Global Offering, assuming that the Over -allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 0.9% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 0.8% of the Shares in issue upon completion of the Global Offering, assuming that the

THE CORNERSTONE INVESTORS

Over-allotment Option is exercised in full and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming the Offer Price is fixed at HK\$1.30, being the high end of the Offer Price range set out in this prospectus, the total number of Offer Shares that Mr. Lo will subscribe for would be 6,152,000, representing approximately (i) 3.1% of the Offer Shares under the Global Offering, assuming that the Over -allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 0.8% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 0.7% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Mr. Lo, an individual citizen of Hong Kong, is a businessman and an investor independent from and not connected with any directors, chief executives and substantial shareholders of the Company or any of its subsidiaries and any of their respective associates. Mr. Lo is a shareholder and director of an investment company in Hong Kong which is primarily engaged in property investment and development, equity and direct investment.

Conditions Precedent

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional in accordance with their respective original terms, or as subsequently varied by agreement of the parties thereto and not having been terminated;
- (b) the Listing Committee of the Hong Kong Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares and that such approval or permission having not been revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange;
- (c) the respective representations, warranties, undertakings and acknowledgements of the relevant Cornerstone Investor and our Company under the relevant cornerstone investment agreement are, at the relevant time, accurate, true and not misleading in all material respects and there being no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor; and
- (d) no laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Global Offering and there being no orders or injunctions

THE CORNERSTONE INVESTORS

from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

Restrictions on the Cornerstone Investors' Investment

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and other parties to the relevant cornerstone investment agreement, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement, other than transfers to any wholly-owned subsidiary of such Cornerstone Investor provided that such wholly-owned subsidiary undertakes that it will, and the Cornerstone Investor undertakes to procure that such subsidiary will, abide by the terms and restrictions imposed on the Cornerstone Investor.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Upon Listing, our Board will consist of six Directors, comprising three executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our Articles of Association. We have entered into a service contract with each of our executive Directors. We have also entered into a letter of appointment with each of our independent non-executive Directors.

The table below shows certain information with respect to our Directors and senior management:

Members of our Board

<u>Name</u>	<u>Age</u>	<u>Date of joining our Group</u>	<u>Date of appointment as Director</u>	<u>Existing position(s) in our Group</u>	<u>Roles and responsibilities</u>	<u>Relationship with other Directors and senior management</u>
WONG Kit Lung Simon JP (黃傑龍)	44	July 2007	20 June 2017	Executive Director; Chairperson; Chief Executive Officer	Overall management, strategic planning, brand management, business development, public relations and cooperation of our Group	Nil
KO Sau Chee Grace (高秀芝)	52	October 1994	20 June 2017	Executive Director; Vice Chairperson	Overall management, strategic planning, business development, system building and procurement matters of our Group	Nil
HO Chi Wai (何志偉)	47	August 1996	20 June 2017	Executive Director; Chief Financial Officer	Overall management of financial affairs and budgeting of our Group	Nil
SIN Yat Kin SBS, CSDSM (單日堅)	60	May 2018	30 May 2018	Independent non-executive Director	Supervising and providing independent advice to the Board	Nil
HUNG Lo Shan Lusan (熊璐珊)	51	May 2018	30 May 2018	Independent non-executive Director	Supervising and providing independent advice to the Board	Nil
HUNG Wai Man JP (洪為民)	49	May 2018	30 May 2018	Independent non-executive Director	Supervising and providing independent advice to the Board	Nil

DIRECTORS AND SENIOR MANAGEMENT

Members of our senior management

Name	Age	Date of joining our Group	Existing position(s) in our Group	Roles and responsibilities	Relationship with other Directors and senior management
WONG Kit Lung Simon JP (黃傑龍)	44	July 2007	Executive Director; Chairperson; Chief Executive Officer	Overall management, strategic planning, brand management, business development, public relations and cooperation of our Group	Nil
KO Sau Chee Grace (高秀芝)	52	October 1994	Executive Director; Vice Chairperson	Overall management, strategic planning, business development, system building and procurement matters of our Group	Nil
HO Chi Wai (何志偉)	47	August 1996	Executive Director; Chief Financial Officer	Overall management of financial affairs and budgeting of our Group	Nil
MA Chi Wai (馬志偉)	45	October 2008	Head of operations (Chinese cuisine)	Overall management of the Chinese cuisine operational matters of our Group	Nil
SIU Wing Kuen (蕭永權)	63	January 1992	Head of operations (Chinese cuisine food production)	Overall management of the Chinese cuisine food production operational matters of our Group	Nil
MAK Ka Chun (麥家俊)	42	April 2012	General manager (Asian cuisine)	Overall management of the Asian cuisine general management matters of our Group	Nil
YUEN Ka Chun (袁家駿)	44	May 2012	Deputy general manager (food system, Asian cuisine)	Overall management of the Asian cuisine food system general management matters of our Group	Nil
CHAN Hiu Yi (陳曉誼)	31	June 2010	Administration manager; joint company secretary	Overall administrative and company secretarial matters of our Group	Nil

Executive Directors

Mr. WONG Kit Lung Simon JP (黃傑龍), aged 44, was appointed as our Director on 20 June 2017 and was re-designated as executive Director on 8 August 2017. Mr. Wong Kit Lung Simon is the

DIRECTORS AND SENIOR MANAGEMENT

Chairman and Chief Executive Officer of our Group. Mr. Wong Kit Lung Simon is a director of all subsidiaries of our Group. He is primarily responsible for the overall management, strategic planning, brand management, business development, public relations and cooperation of our Group. In carrying out his responsibilities, Mr. Wong Kit Lung Simon has provided our Group with leadership, vision with reformation, marketing and public relations strategies. Mr. Wong Kit Lung Simon has over 20 years of working and management experience in the engineering and restaurant management sectors.

From July 2007 to present, he has served as director in Lucky House Group (Management) Limited, a predecessor holding company of our Group prior to the Reorganisation. In August 2008, Mr. Wong Kit Lung Simon established Kabushikigaisha HK and has been its director since September 2008. Mr. Wong Kit Lung Simon, with his industry knowledge and vision, successfully pioneered the introduction of *yakiniku*, *shabu-shabu* and *chicken galbi* by opening restaurants in Hong Kong under the widely popular brands of “*Gyu-Kaku* (牛角)”, “*Mou Mou Club* (牛涮鍋)”, “*On-Yasai* (温野菜)” and “*Yoogane* (柳氏家)” in Hong Kong through our Group. His vision to introduce and implement initiatives to assess and take responsibility for the company’s effects on environmental and social wellbeing can be manifested by cooperating with the World Wildlife Fund for Nature in the implementation of the groundbreaking Ocean Friendly Menu in Hong Kong.

Mr. Wong Kit Lung Simon holds various public positions in Hong Kong, including:

Year of appointment	Organisation	Current position
2011	Minimum Wage Commission	Member
2012	Food Business and Related Services Task Force of the Business Facilitation Advisory Committee	Convenor
2014	Institution of Dining Art	President
2016	Environment and Conservation Fund Committee — Waste Reduction Projects Vetting Subcommittee	Member
2016	Hong Kong Japanese Food and Cuisine Association	Chairman
2017	Advisory Council on the Environment	Member
2017	Food Wise Hong Kong Steering Committee	Member
2017	Catering Industry Training Advisory Committee	Chairman
2017	Mandatory Provident Fund Schemes Authority	Non-executive director
2017	Finance Committee of the Mandatory Provident Fund Schemes Authority	Chairman

Mr. Wong Kit Lung Simon became a member of the Institution of Highways & Transportation in the United Kingdom in September 1999. He was elected as a member and chartered professional engineer of the Institution of Engineers in Australia in April 2001. He was elected as a registered professional engineer in the civil practice area of the National Professional Engineers Register in Australia in April 2001. He was admitted as a member and chartered civil engineer of the Institution of Civil Engineers in the United Kingdom in December 2001, and he was subsequently registered by the Engineering Council in the United Kingdom in May 2002 to use the title of chartered engineer. Mr. Wong Kit Lung Simon, who has satisfied the requirements under the Recognition of Prior Learning mechanism (Chinese Catering Industry), obtained a Statement of Attainment in Control Cost of Chinese Catering Organizations (Level 4) by the Vocational Training Council In Hong Kong in 28 December 2017.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong Kit Lung Simon obtained his Bachelor of Engineering in Civil Engineering degree from the University of New South Wales in Australia in May 1997. He obtained his Master of Business Administration (Electronic Commerce) degree from Charles Sturt University in Australia (through long distance learning) in November 2001.

Mr. Wong Kit Lung Simon was elected as one of the Ten Outstanding Young Persons by the Junior Chamber International Hong Kong in October 2011. He was appointed as Justice of the Peace in July 2014.

Ms. KO Sau Chee Grace (高秀芝), aged 52, was appointed as our Director on June 20, 2017 and was re-designated as executive Director on 8 August 2017. She is the vice chairperson of our Group. Ms. Ko is a director of all subsidiaries of our Group. She is primarily responsible for the strategic planning, business development, system building and procurement matters of the Group. She is responsible for overlooking the implementation of corporate policies and strategies mainly in areas of procurement management, supply chain management, food quality and occupational safety control, together with human resources management. In carrying out her responsibilities, she has provided the Group with her passion, vision, leadership, innovation and insightfulness. Ms. Ko has over 22 years of working experience and extensive management experience in the group.

Ms. Ko has been a mainstay of our Group's success. She established Kabushikigaisha HK with Mr. Wong Kit Lung Simon in 2008. Ms. Ko contributed to the Group's development with Mr. Wong Kit Lung Simon in reaching our Group's several key milestones, development strategies and achievements on different key operational systems including the introduction of the widely popular brands including "Gyu-Kaku (牛角)", "Mou Mou Club (牛涮鍋)", "On-Yasai (温野菜)" and "Yoogane (柳氏家)".

In terms of procurement and logistics matters of our Group, she has been committed to the enhancement of our procurement management system by being the lead management in charge of the implementation of the accredited electronic systems to streamline and standardised the procurement process, highlighted by the establishment of an ISO 22000 certified food factory for Triple Brilliant in 2012. She has also been committed to managing the food quality and safety control of our Group by establishing and leading the quality and safety department. In relation to human resources matters, she has played a key role in facilitating the operation and implementation of our Group's compensation and benefits, recruitment, employee relationship and training matters.

As for her role in scrutinising the system management of our Group, she has led and contributed to the establishment of our Group's information system management, particularly in building up project management procedures for the standardisation of processes and functions for the Group's operation, and implementing a quality system for quality assurance in production and servicing. In conjunction with procurement, she has also introduced the standardisation of food manuals for our food production, standardised production and cost management and food and labour cost control.

From October 1994 to present, she has been working with Triple Brilliant, the procurement arm of our Group, where she currently holds the position of director of procurement and logistics. From October 2008 to present, she has worked with Kabushikigaisha HK as executive director. From October

DIRECTORS AND SENIOR MANAGEMENT

2008 to present, she has been a director of procurement and logistics of Lucky House Group (Management) Limited, a predecessor holding company of our Group prior to the Reorganisation. Ms. Ko, who has satisfied the requirements under the Recognition of Prior Learning mechanism (Chinese Catering Industry), obtained a Statement of Attainment in Control Cost of Chinese Catering Organizations (Level 4) by the Vocational Training Council In Hong Kong in 28 December 2017.

She obtained her Master of Business Administration in Management degree from the Charter University in March 2014 in the United States of America (through long distance learning).

Mr. HO Chi Wai (何志偉), aged 47, was appointed as our Director on 20 June 2017 and was re-designated as executive Director on 8 August 2017. Mr. Ho is the Chief Financial Officer of our Group and is primarily responsible for the overall management of financial affairs and budgeting of our Group. Mr. Ho has over 27 years of professional services experience with auditing, accounting and financial management.

Prior to joining our Group, from July 1990 to February 1994, he worked with Lai & Fan, Sothertons and lastly served as an audit senior where he was primarily responsible for handling clients of trading, industrial and investment businesses. From March 1994 to July 1996, he worked with Ho & Au Yeung and lastly served as an audit senior. From August 1996 to present, he has served at LHG Office as its head of accounting, having also carried out the same role at Lucky House Group (Management) Limited.

Mr. Ho was admitted as an associate of the Association of Chartered Certified Accountants in July 1999 and subsequently admitted as a fellow in July 2004. He was admitted as a member of the Hong Kong Institute of Certified Public Accountants in October 2000.

Mr. Ho was awarded a Diploma in Accountancy by the Vocational Training Council in Hong Kong in July 1990.

Independent non-executive Directors

Mr. SIN Yat Kin (單日堅) *SBS, CSDSM*, aged 60, was appointed as our independent non-executive Director with effect from 30 May 2018. Mr. Sin has around 38 years of experience in public disciplinary services and management.

Prior to joining our Group, from June 1979 to December 2015, Mr. Sin worked at the Hong Kong Correctional Services Department where his final position was the Commissioner of Correctional Service. From June 2015 to present, he has worked at the Hong Kong Football Association as a non-club-linked director. From June 2015 to present, he has been a member of the executive committee of the Hong Kong Playground Association. From November 2015 to present, he has been a Community Representative of Renaissance College School Council. From July 2017 to present, he has been the vice chairman of the Hong Kong Playground Association. From 18 January 2018 to present, he has been the Chief of Staff of AMTD Group. Mr. Sin is also currently a member of the consultation council of the Hong Kong Army Cadets Association.

Mr. Sin obtained his Master of Social Science degree from The University of Hong Kong in December 2002. Mr. Sin was awarded a 2007 Hong Kong Correctional Services Medal for

DIRECTORS AND SENIOR MANAGEMENT

Distinguished Service. He was awarded a 2009 Chief Executive's Commendation for Government/ Public Service and a 2014 Silver Bauhinia Star in Hong Kong.

Ms. HUNG Lo Shan Lusan (熊璐珊), aged 51, was appointed as our independent non-executive Director with effect from 30 May 2018. Ms. Hung has over 30 years of experience in accounting, tax and strategic planning.

Prior to joining our Group, from March 1987 to March 1990, Ms. Hung worked as an accountant at Weston Woodley & Robertson. From May 1990 to June 1993, she worked at Ernst & Young where her last position was deputy manager of tax department. From November 1993 to April 2002, she worked with Grant Thornton where her final position was partner. During her tenure at Grant Thornton, she worked at Grant Thornton — Los Angeles as a manager on secondment from December 1995 to February 1997. From January 2003 to September 2005, she was a director of the Chartered Accountants Australia & New Zealand (formerly known as the Institute of Chartered Accountants in Australia). From 2013 to 2015, she was the president of the Association of Women Accountants in Hong Kong. From April 2002 to present, she has been an executive director of Higuma Consulting Limited.

Ms. Hung was admitted to membership of the Chartered Accountants Australia and New Zealand in April 1990, and was subsequently entitled to use the designation of Chartered Accountant Fellow in June 2000. She was admitted as an associate of the Hong Kong Society of Accountants in December 1991, and was subsequently admitted as a fellow of Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in November 1999. She was admitted as a fellow of the Taxation Institute of Hong Kong in September 2010, and was registered as a Certified Tax Adviser since September 2010. Ms. Hung is currently a fellow of Chartered Accountants Australia and New Zealand and Hong Kong Institute of Certified Public Accountants. She is also a fellow and Certified Tax Adviser of the Taxation Institute of Hong Kong.

Ms. Hung obtained her Bachelor of Commerce in Accounting degree from the University of New South Wales in Australia in April 1988. She completed the Women's Directorship Programme at The University of Hong Kong in June 2013, and subsequently completed the Board Directorship Programme in July 2013.

Mr. HUNG Wai Man JP (洪為民), aged 49, was appointed as our independent non-executive Director with effect from 30 May 2018. Mr. Hung has over 20 years of experience in management consulting, project management and outsourcing services

Prior to joining our Group, from July 1987 to August 1989, Mr. Hung worked as a manager at Datacheck Limited. From September 1989 to August 1991, he was a manager at Ever Idea Development Limited. From April 1991 to October 1996, he worked as a director of Wit's Consultant Limited. He worked as a manager of system integration department at AT&T Asia/Pacific Group Limited for a term of two years from late 1996. From August 1998 to April 2004, he worked at Atos Origin Limited where his last position was North Asia vice president and Country Manager — Hong Kong. From March 2004 to March 2006, he worked as director — corporate market at Jardine OneSolution (HK) Limited. From April 2006 to August 2013, he worked as executive vice president at

DIRECTORS AND SENIOR MANAGEMENT

Next Horizon Company Limited. From May 2014 to present, Mr. Hung has been a director of Qianhai International Liaison Services Limited. From May 2016 to present, he has been an independent non-executive director of VSTECs Holdings Limited (stock code: 856), a company listed on the Main Board of the Stock Exchange. From January 2017 to present, he has been a director of Wit's Technology (HK) Company Limited.

He was elected a member of the British Computer Society in March 2002, and was subsequently awarded Chartered IT Professional Fellowship in July 2008. He was admitted as a fellow by the Hong Kong Institute of Directors and the Hong Kong Computer Society in July 2002 and February 2008 respectively.

Mr. Hung obtained a Higher Diploma in Mathematics, Statistics and Computing from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1988. He obtained his Bachelor of Arts in Business Administration degree from the Bolton Institute of Higher Education in the United Kingdom in July 1997 (through long distance learning). He obtained his Master of Business Administration (General Business Administration) degree from the University of Hull in the United Kingdom in December 1995 (through long distance learning). He obtained his Master of Arts in Comparative and Public History degree from The Chinese University of Hong Kong in December 2006. He obtained a LL.M degree from the Renmin University of China in June 2011. He obtained a Doctor of Philosophy in Business Administration degree from the Bulacan State University in the Philippines in December 2012 (through long distance learning).

Mr. Hung was awarded in the Secretary for Home Affairs' Commendation Scheme in 2007. Mr. Hung was appointed as a Justice of Peace in July 2015. Mr. Hung has been elected as the Hong Kong Deputy of the 13th National People's Congress of the People's Republic of China in December 2017.

Each of our Directors has not been involved in any of the events described under Rule 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed above, none of our Directors has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

SENIOR MANAGEMENT

Mr. WONG Kit Lung Simon JP (黃傑龍), aged 44, was appointed as our Director on 20 June 2017 and was re-designated as executive Director on 8 August 2017. He is the Chairman and Chief Executive Officer of our Group. For details of Mr. Wong Kit Lung Simon's background, please refer to the subsection headed "— Executive Directors" in this section.

Ms. KO Sau Chee Grace (高秀芝), aged 52, was appointed as our Director on 20 June 2017 and was re-designated as executive Director on 8 August 2017. She is the Vice Chairman of our Group. For details of Ms. Ko's background, please refer to the subsection headed "— Executive Directors" in this section.

Mr. HO Chi Wai (何志偉), aged 47, was appointed as our Director on 20 June 2017 and was re-designated as executive Director on 8 August 2017. He is the Chief Financial Officer of our Group.

DIRECTORS AND SENIOR MANAGEMENT

For details of Mr. Ho's background, please refer to the subsection headed "— Executive Director" in this section.

Mr. MA Chi Wai (馬志偉), aged 45, joined our Group in October 2008. Mr. Ma is our head of operations (Chinese cuisine) and is primarily responsible for the overall management of Chinese cuisine operational matters of our Group. Mr. Ma has around 9 years of experience in the beverage and restaurant industry including operational matters.

From October 2008 to present, Mr. Ma has been employed by LHG Catering Limited as its senior operations manager, and has worked for Lucky House Group (Management) Limited, a predecessor holding company of our Group prior to the Reorganisation. Having also carried out the same role at Lucky House Group (Management) Limited, he was mainly responsible for managing the Group's Chinese cuisine businesses (including floor operation and wedding banquets), marketing promotion, banquet sales and planning, setting up sales targets, cost analysis, and employees training and allocation.

Mr. Ma, who has satisfied the requirements under the Recognition of Prior Learning mechanism (Chinese Catering Industry), obtained a Statement of Attainment in Management of Catering Services and Banquet (Level 4) by the Vocational Training Council in Hong Kong in May 2017.

Mr. SIU Wing Kuen (蕭永權), aged 63, joined our Group in January 1992. Mr. Siu is our head of operations (Chinese cuisine food production) and is primarily responsible for the management of overall Chinese cuisine food production operational matters of our Group. He has more than 25 years of experience in the beverage and restaurant industry, in particular in relation to Chinese cuisine food production.

From March 2008 to present, Mr. Siu has worked at LHG Catering as its head of operations (production), having also carried out the same role at Lucky House Group (Management) Limited, where he was mainly responsible for managing the Group's Chinese cuisine food production quality, designing and standardising menus and portions, cost control, food safety and hygiene, and employees training and allocation.

Mr. Siu, who has satisfied the requirements under the Recognition of Prior Learning mechanism (Chinese Catering Industry), obtained a Statement of Attainment in Management of Kitchens (Level 4) by the Vocational Training Council in Hong Kong in May 2017.

Mr. MAK Ka Chun (麥家俊), aged 42, joined our Group in April 2012. Mr. Mak is our general manager (Asian cuisine) and is primarily responsible for the overall Asian cuisine general management matters of our Group. He has approximately 23 years of experience in the food and beverage industry, in particular in relation to Asian cuisine general management.

Prior to joining our Group, Mr. Mak has worked in several conventional and exhibition companies and chain restaurants, responsible for day to day operations and ad-hoc catering functions. From April 2012 to present, Mr. Mak has worked for Kabushikigaisha HK and he is currently the general manager (Asian cuisine) of Kabushikigaisha HK.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Mak obtained a certificate of training from the Accredited Certification International Limited in relation to hazard analysis and critical control points. He also obtained a Certificate of Completion for a course entitled Basic Food Hygiene Certificate for Hygiene Managers by the City University of Hong Kong in June 2010.

Mr. YUEN Ka Chun (袁家駿), aged 44, joined our Group in May 2012. Mr. Yuen is our deputy general manager (food system, Asian cuisine) and is primarily responsible for the overall Asian cuisine food system general management and food cost control matters of our Group. He has approximately 15 years of experience in the food and beverage industry, in particular in relation to Asian food system management and food cost control. Mr. Yuen, who has satisfied the requirements under the Recognition of Prior Learning mechanism (Chinese Catering Industry), obtained a Statement of Attainment in Control Cost of Chinese Catering Organizations (Level 4) by the Vocational Training Council in Hong Kong in December 2017.

Prior to joining our Group, Mr. Yuen has worked for several chain Japanese restaurants as chef for more than 10 years, responsible for operation, food procurement and quality monitoring. From May 2012 to present, Mr. Yuen has worked for Kabushikigaisha HK and he is currently its deputy general manager (food system).

Mr. Yuen was awarded a Basic Food Hygiene Certificate for Hygiene Managers by the Vocational Training Council in Hong Kong in December 2011.

Ms. CHAN Hiu Yi (陳曉韻), aged 31, joined our Group in June 2010. Ms. Chan is our administration manager and joint company secretary. She is primarily responsible for the overall administrative and company secretarial matters of our Group. Ms. Chan has more than 7 years of experience in the company secretarial profession.

From June 2010 to present, Ms. Chan has served at LHG Catering, where her last position was administration manager, having also carried out the same role at Lucky House Group (Management) Limited.

Ms. Chan is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Chan obtained her Bachelor of Arts in Travel and Tourism Management degree from the University of Northumbria in the United Kingdom in July 2008 (by long distance learning) and obtained her Master of Corporate Governance degree from The Open University of Hong Kong in November 2017. Ms. Chan was granted a Certificate in Company Secretarial Practice — Part I: Company Secretarial Practice by The Hong Kong Management Association in July 2013. She was granted a Certificate in Company Secretarial Practice — Part II: Company Law by The Hong Kong Management Association in October 2013. She was subsequently granted a Certificate in Company Secretarial Practice — Part III: Public and Listed Companies by The Hong Kong Management Association in December 2013.

JOINT COMPANY SECRETARIES

Ms. Chan Hiu Yi (陳曉韻) is also a joint company secretary of the Company. For the biography of Ms. Chan Hiu Yi, see the subsection headed “— Senior management” above.

DIRECTORS AND SENIOR MANAGEMENT

Ms. YU Wing Sze (余詠詩), is a joint company secretary of the Company. She is primarily responsible for the overall company secretarial matters of our Group.

Ms. Yu is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She holds a Bachelor Degree in Professional Accountancy from the Chinese University of Hong Kong. She has over 10 years of working experience in company secretarial profession. She is now working in TMF Hong Kong Limited, a leading global professional firm.

BOARD COMMITTEE

Audit Committee

We have established an audit committee on 8 August 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee consists of three independent non-executive Directors, Ms. Hung Lo Shan Lusan (being the chairperson of the audit committee who has a professional qualification in accountancy), Mr. Hung Wai Man and Mr. Sin Yat Kin. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a remuneration committee on 8 August 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of three members, two of whom are independent non-executive Directors, being Mr. Sin Yat Kin and Ms. Hung Lo Shan Lusan. Mr. Wong Kit Lung Simon is an executive Director. The remuneration committee is chaired by Mr. Sin Yat Kin. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; and (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

We have established a nomination committee on 8 August 2017 with written terms of reference. The nomination committee consists of three members, namely Mr. Wong Kit Lung Simon, Mr. Sin Yat Kin and Mr. Hung Wai Man. Two of the members are our independent non-executive Directors. The chairperson of the nomination committee is Mr. Wong Kit Lung Simon. The primary function of the nomination committee is to make recommendations to our Board on the appointment of members of our Board.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and cash bonus.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to our Directors for FY2015, FY2016 and FY2017 was HK\$11,283,000, HK\$10,876,000 and HK\$8,582,000, respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to the five highest paid individuals for FY2015, FY2016 and FY2017 was HK\$15,426,000, HK\$14,648,000 and HK\$10,241,000, respectively.

No remuneration was paid by our Group to the Directors or past Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of FY2015, FY2016 and FY2017. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors for the year ending 31 December 2018 is estimated to be no more than HK\$7,258,000.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Our Company complies or intends to comply with the Corporate Governance Code in Appendix 14 of the Listing Rules with the exception for A.2.1, which requires the roles of chairman and chief executive be in different individuals.

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wong Kit Lung Simon currently holds both positions. Mr. Wong Kit Lung Simon has been the key leadership figure of our Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group's operations as he directly supervises our senior management. Taking into account the continuation of the implementation of our business plans, our Directors (including our independent

DIRECTORS AND SENIOR MANAGEMENT

non-executive Directors) consider Mr. Wong Kit Lung Simon is the best candidate for both positions and the present arrangements are beneficial and in the interests of our Company and our Shareholders as a whole. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-calibre individuals. Our Board currently comprises three executive Directors (including Mr. Wong Kit Lung Simon) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

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 reports upon Listing.

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE ADVISOR

We have appointed China Everbright Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme):

		<u>Nominal value</u> HK\$
Authorised share capital:		
<u>4,000,000,000</u>	Shares of HK\$0.1 each	<u>400,000,000</u>
		<u>Nominal value</u> HK\$
Shares issued and to be issued, fully paid or credited as fully paid		
10	Shares in issue as of the date of this prospectus	1
599,999,990	Shares to be issued pursuant to the Capitalisation Issue	59,999,999
200,000,000	Shares to be issued pursuant to the Global Offering	20,000,000
<u>800,000,000</u>	Total	<u>80,000,000</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering and the Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme or repurchased by us pursuant to the general mandate granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 4 May 2018. A summary of the principal terms of the Share Option Scheme is set out in “D. Share Option Scheme” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total nominal value of not more than the sum of:

- (1) 20% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme; and
- (2) the total nominal amount of share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to our Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement.

This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the subsection headed "A. Further information about our Company — 3. Resolutions in writing of our Shareholders passed on 4 May 2018" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme.

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the subsection headed "A. Further information about our Company — 6. Repurchases by our Company of its own securities" in Appendix IV to this prospectus.

SHARE CAPITAL

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the subsection headed "A. Further information about our Company — 3. Resolutions in writing of our Shareholders passed on 4 May 2018" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger or smaller amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Islands Companies Law, reduce its share capital or capital redemption reserve by its Shareholders passing special resolution. For further details, please refer to the subsection headed "2. Articles of Association — (a) Shares — (iii) Alteration of capital" in Appendix III to this prospectus.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may 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 our Shares of that class. For further details, please refer to the subsection headed "2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our consolidated financial information as at and for FY2015, FY2016 and FY2017, including the notes thereto, as set out in “Appendix I—Accountant’s Report” to this prospectus. The consolidated financial information has been prepared in accordance with HKFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis 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, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in “Risk factors”.

OVERVIEW

We are a top full service multi-brand restaurant group with 34 restaurants in Hong Kong specialising in Chinese and Asian (in particular Japanese) cuisine. As at the Latest Practicable Date, we operated six Chinese restaurants and 28 Asian restaurants, which serve quality, value-for-money delicacies to diversified customer segments seeking a wide array of culinary experiences.

The table below shows the number of restaurants we operated during the Track Record Period and up to the Latest Practicable Date:

	As at the year ended 31 December			As at the Latest Practicable Date
	2015	2016	2017	
Chinese restaurants				
— Self-owned brands	8	6	7	6
Asian restaurants				
— Self-owned brands	11	12	10	11
— Franchised brands	12	14	17	17
<i>Sub-total of Asian restaurants:</i>	<u>23</u>	<u>26</u>	<u>27</u>	<u>28</u>
Total:	<u><u>31</u></u>	<u><u>32</u></u>	<u><u>34</u></u>	<u><u>34</u></u>

We pride ourselves in the extensive market coverage of our brand portfolio, which allows us to tap into customer segments spanning across mid-to-high end market (mainly at the lower end of this market segment) to mass market with different culinary preferences. For Chinese cuisine, our “*The Banqueting House* (御苑皇宴)”, “*China Hall* (御苑)” and “*LHGGrand* (叙福樓金閣)” restaurants generally have larger venues and focus on Cantonese dishes and Chinese banquet services, while our “*Pot Master* (煲仔王)” and “*Peace Cuisine* (和平飯店)” restaurants are specialists in pot dishes and Beijing, Shanghai and Sichuan cuisine, respectively. For Asian cuisine, we consider our “*Mou Mou Club* (牛瀾鍋)” and “*Gyu-Kaku* (牛角)” brands as pioneers of Japanese dishes, *shabu-shabu* and *yakiniku*, taking advantage of the growing multi-cultural taste of the dining communities in recent years. Our Asian cuisine offering has been further strengthened by the addition of “*On-Yasai* (溫野菜)” (Japanese premium *shabu-shabu*), “*Yoogane* (柳氏家)” (Korean *chicken galbi*) and “*Hotpot PNP* (熱血一流)” (modern hotpot). We consider that we have a balanced profile of self-owned brands and franchised brands.

FINANCIAL INFORMATION

BASIS OF PRESENTATION AND PREPARATION

The consolidated financial information of our group for the Track Record Period have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, and have been prepared under the historical cost convention. The consolidated financial information of our group for the Track Record Period are presented in Hong Kong dollar and all values are rounded to the nearest thousand unless otherwise indicated. For details of basis of presentation and preparation, see notes 1.3 and 2.1 of section II of the Accountant's Report in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

General economic condition in Hong Kong and spending power of our target customers

During the Track Record Period, we generally targeted customers segments spanning from mid-to-high end market (mainly at the lower end of this market segment) to mass market. Our Directors anticipate that our revenue will continue to be primarily derived from the spending power of these target customers in the foreseeable future. Any unfavourable economic, political and social conditions, decrease in disposable consumer income, fear of a recession and decrease in consumer confidence may adversely affect the spending power of our target customers, which could materially and adversely affect our financial condition and results of operations.

Number of restaurants in operation

We generate majority of our revenue from restaurant operation, which is substantially affected by the number of our restaurants in operation and the number of total operating days of our restaurants, which in turn are affected by the opening, temporary suspension of operations due to renovation and closing of our restaurants. Please refer to the table set out in the subsection headed "Business — Overview of our restaurant network and operations — Number of restaurants" for the movement of the number of our restaurants during the Track Record Period and up to the Latest Practicable Date.

FINANCIAL INFORMATION

Comparable restaurants

Comparable restaurant sales for a given fiscal year refers to the revenue of all restaurants qualified as comparable restaurants during that fiscal year. The comparable restaurant sales excludes the contributions from and impacts of the opening and closing of restaurants which were not operating throughout the full year of each of the financial years and restaurants that had temporarily ceased operation for a period of time due to renovation. We define our comparable restaurants base on those restaurants that were fully-operated throughout the years under comparison. The table below sets forth our comparable restaurant sales over the Track Record Period.

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2016</u>	<u>FY2017</u>
Number of comparable restaurants				
<i>Chinese cuisine</i>				
— Self-owned brands	5 ⁽¹⁾	5 ⁽¹⁾	6 ⁽⁴⁾	6 ⁽⁴⁾
<i>Asian cuisine</i>				
— Self-owned brands	9 ⁽²⁾	9 ⁽²⁾	5 ⁽⁵⁾	5 ⁽⁵⁾
— Franchised brands	8 ⁽³⁾	8 ⁽³⁾	8 ⁽⁶⁾	8 ⁽⁶⁾
Sub-total:	<u>17</u>	<u>17</u>	<u>13</u>	<u>13</u>
Total:	<u>22</u>	<u>22</u>	<u>19</u>	<u>19</u>
Comparable restaurant sales (HK\$'000)				
<i>Chinese cuisine</i>				
— Self-owned brands	232,606	227,998	278,056	264,025
<i>Asian cuisine</i>				
— Self-owned brands	137,654	139,202	88,389	85,838
— Franchised brands	142,436	143,718	153,588	180,831
Sub-total:	<u>280,090</u>	<u>282,920</u>	<u>241,977</u>	<u>266,669</u>
Total:	<u>512,696</u>	<u>510,918</u>	<u>520,033</u>	<u>530,694</u>

Percentage increase/decrease of comparable restaurant sales during comparable years

<i>Chinese cuisine</i>		
— Self-owned brands	-2.0%	-5.0%
<i>Asian cuisine</i>		
— Self-owned brands	+1.1%	-2.9%
— Franchised brands	+0.9%	+17.7%
Overall increase for Asian cuisine	+1.0%	+10.2%
Overall increase/decrease	-0.3%	+2.1%

Notes:

- (1) This includes The Banqueting House (MegaBox, Kowloon Bay), The Banqueting House (26 Kimberley Road, Tsim Sha Tsui), The Banqueting House (Empire Centre, Tsim Sha Tsui), Peace Cuisine and Pot Master. China Hall (Metroplaza, Kwai Fong) commenced operation in January 2015 and is excluded from the comparable restaurant analysis.
- (2) This includes Mou Mou Club (Olympian City 2, West Kowloon), Mou Mou Club (Metroplaza, Kwai Fong), Mou Mou Club (Lok Fu Place, Lok Fu), Mou Mou Club (Amoy Plaza, Kowloon Bay), Mou Mou Club (Wonderful Worlds of Whampoa, Hung Hom), Mou Mou Club (Tsuen Wan Plaza, Tsuen Wan), Mou Mou Club (Island Resort Mall, Siu Sai Wan), Sushi Dai (Lok Fu Place, Lok Fu) and Tamashii. Mou Mou Club (Regentville Shopping Centre, Fanling) and Mou Mou Club (MOKO, Mong Kok) commenced operation in December 2015 and September 2016, respectively, and are excluded in comparable restaurant analysis. Mou Mou Club (World Trade Centre, Causeway Bay) was temporarily closed for renovation in October 2016 and is excluded from the comparable restaurant analysis.

FINANCIAL INFORMATION

- (3) This includes Gyu-Kaku (Yuen Long Plaza, Yuen Long), Gyu-Kaku (Olympian City 2, West Kowloon), Gyu-Kaku (V City, Tuen Mun), Gyu-Kaku (Metroplaza, Kwai Fong), Gyu-Kaku (King Wah Centre, Mong Kok), Gyu-Kaku (Windsor House, Causeway Bay), Gyu-Kaku (Wonderful Worlds of Whampoa, Hung Hom) and Gyu-Kaku (Citywalk 2, Tsuen Wan). Gyu-Kaku (Aberdeen Centre Shopping Arcade, Aberdeen), On-Yasai (Harbour City, Tsim Sha Tsui), Gyu-Kaku (Tai Po Mega Mall, Tai Po) and On-Yasai (Plaza 2000, Causeway Bay) commenced operation in June 2015, December 2015, March 2016 and April 2016, respectively, and are excluded from comparable restaurant analysis. Gyu-Kaku (Harbour City, Tsim Sha Tsui) and Gyu-Kaku (Telford Plaza II, Kowloon Bay) were temporarily closed for renovation in October 2015 and September 2016, respectively, and are excluded from the comparable restaurant analysis.
- (4) This includes The Banqueting House (MegaBox, Kowloon Bay), The Banqueting House (26 Kimberley Road, Tsim Sha Tsui), The Banqueting House (Empire Centre, Tsim Sha Tsui), China Hall (Metroplaza, Kwai Fong), Peace Cuisine and Pot Master. LHGrand commenced operation in July 2016 and is excluded from the comparable restaurant analysis.
- (5) This includes Mou Mou Club (Olympian City 2, West Kowloon), Mou Mou Club (Amoy Plaza, Kowloon Bay), Mou Mou Club (Regentville Shopping Centre, Fanling), Mou Mou Club (Tsuen Wan Plaza, Tsuen Wan) and Mou Mou Club (Island Resort Mall, Siu Sai Wan). Mou Mou Club (MOKO, Mong Kok), Mou Mou Club (T Town North, Tin Shui Wai) and Hotpot PNP commenced operation in September 2016, July 2017 and September 2017, respectively, and are excluded from the comparable restaurant analysis. Mou Mou Club (World Trade Centre, Causeway Bay) and Mou Mou Club (Wonderful Worlds of Whampoa, Hung Hom) were temporarily closed for renovation in October 2016 and June 2017, respectively, and are excluded from comparable restaurant analysis.
- (6) This includes Gyu-Kaku (Yuen Long Plaza, Yuen Long), Gyu-Kaku (Olympian City 2, West Kowloon), Gyu-Kaku (Harbour City, Tsim Sha Tsui), Gyu-Kaku (V City, Tuen Mun), Gyu-Kaku (King Wah Centre, Mong Kok), Gyu-Kaku (City Walk 2, Tsuen Wan), Gyu-Kaku (Aberdeen Centre Shopping Arcade, Aberdeen) and On-Yasai (Harbour City, Tsim Sha Tsui). Gyu-Kaku (Tai Po Mega Mall, Tai Po), On-Yasai (Plaza 2000, Causeway Bay), Yoogane, Gyu-Kaku (East Point City, Tseung Kwan O), Gyu-Kaku (Festival Walk, Kowloon Tong) and On-Yasai (Festival Walk, Kowloon Tong) commenced operation in March 2016, April 2016, May 2017, July 2017, November 2017 and November 2017, respectively, and are excluded in comparable restaurant analysis. Gyu-Kaku (Telford Plaza II, Kowloon Bay), Gyu-Kaku (Wonderful Worlds of Whampoa, Hung Hom) and Gyu-Kaku (Windsor House, Causeway Bay) were temporarily closed for renovation in September 2016, June 2017 and October 2017, respectively, and are excluded from comparable restaurant analysis.

The decrease in comparable restaurant sales by approximately 0.3% from approximately HK\$512.7 million for FY2015 to approximately HK\$510.9 million for FY2016 was primarily due to the decrease in overall average check per guest by HK\$4.5, or approximately 2.9%, resulting from fluctuations in customer preferences and the discounts offered to banquet customers under Chinese cuisine restaurants. The increase in comparable restaurant sales by approximately 2.1% from approximately HK\$520.0 million for FY2016 to approximately HK\$530.7 million for FY2017 was primarily due to the increasing proportion of revenue generated from restaurants operated under franchised brands to our total revenue generated from operation of comparable restaurants, in which both the estimated guest count and average check per guest under the franchised brands have increased.

Guest traffic and average check per guest

Our business is significantly affected by changes in guest traffic and average check per guest. We calculated the average check per guest based on the total revenue divided by the estimated number of guests of the comparable restaurants in the relevant period. The guest traffic and average check per guest at our restaurants are affected by, among others, the general economic condition in Hong Kong, our menu mix and pricing, and changes in customer taste, preference and discretionary

FINANCIAL INFORMATION

spending. The following table sets forth the estimated guest count, seat turnover rate and average check per guest of our comparable restaurants during the Track Record Period.

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2016</u>	<u>FY2017</u>
Estimated guest count of comparable restaurants ('000)				
<i>Chinese cuisine</i>				
— Self-owned brands	1,555	1,604	1,928	1,830
<i>Asian cuisine</i>				
— Self-owned brands	943	970	593	548
— Franchised brands	<u>821</u>	<u>832</u>	<u>828</u>	<u>894</u>
Sub-total for Asian cuisine:	<u>1,764</u>	<u>1,802</u>	<u>1,421</u>	<u>1,442</u>
Total estimated guest count	<u>3,319</u>	<u>3,406</u>	<u>3,349</u>	<u>3,272</u>
Estimated seat turnover rate of comparable restaurants				
<i>Chinese cuisine</i>				
— Self-owned brands	2.29	2.35	2.39	2.27
<i>Asian cuisine</i>				
— Self-owned brands	3.29	3.37	3.29	3.05
— Franchised brands	2.83	2.86	3.20	3.46
Overall estimated seat turnover rate for Asian cuisine	3.06	3.12	3.24	3.29
Overall estimated seat turnover rate	2.64	2.70	2.69	2.63
Estimated average check per guest of comparable restaurants (HK\$)				
<i>Chinese cuisine</i>				
— Self-owned brands	149.6	142.2	144.2	144.3
<i>Asian cuisine</i>				
— Self-owned brands	145.9	143.5	149.1	156.7
— Franchised brands	173.6	172.8	185.4	202.3
Overall average check per guest for Asian cuisine	158.8	157.0	170.3	185.0
Overall average check per guest	154.5	150.0	155.3	162.2

Note: Estimated seat turnover rate is calculated by dividing the estimated guest count (including both dining and banquet customers for Chinese cuisine) by the outcome of multiplying the seating capacity of the relevant comparable restaurants by the number of operating days during the period. Seating capacities of our restaurants are estimates only and do not take into account the short-term adjustment to accommodate for any temporary upswing in guest traffic, such as the significantly increased guest traffic at some of our restaurants around the public holidays, in which the Directors consider that such effect is insignificant and would not affect the reliability of the seat turnover rate.

The decrease in estimated seat turnover rate of comparable restaurants under Chinese cuisines from 2.39 for FY2016 to 2.27 for FY2017 was primarily due to the decrease in guest count resulting from the comparatively longer slack season for wedding banquets in the lunar calendar in 2017 than that in 2016. The decrease in estimated seat turnover rate of comparable restaurants under self-owned brands of Asian cuisine from 3.29 for FY2016 to 3.05 for FY2017 was primarily due to keen market competition. The estimated seat turnover rate of comparable restaurants under franchised brands of Asian cuisine increased from 3.20 for FY2016 to 3.46 for FY2017, primarily due to the increase in guest count upon the introduction of the “all-you-can-eat” menu at three of our “Gyu-Kaku (牛角)” restaurants and one of our “On-Yasai (温野菜)” restaurant since September 2016 and September 2017, respectively, and a credit card promotion activity launched near to the year end of 2017.

FINANCIAL INFORMATION

During the Track Record Period, the overall estimated seat turnover rate of our comparable restaurants was relatively stable with a range of 2.63 to 2.70 turns a day.

The overall average check per guest of our comparable restaurants decreased by approximately 2.9% from HK\$154.5 for FY2015 to HK\$150.0 for FY2016, primarily due to the decrease in average check per guest for Chinese cuisine restaurants resulting from the discounts offered to banquet customers. The average check per guest for Asian cuisine only fluctuated slightly due to customer preference. The overall average check per guest for our comparable restaurants increased by approximately 4.4% from HK\$155.3 for FY2016 to HK\$162.2 for FY2017 primarily due to the increase in average check per guest of our Asian cuisine restaurants resulting from the increase in our menu pricing.

Staff costs

Our staff costs comprised of all salaries and benefits payable to all directors and staff of restaurant operation and general administration. We have to maintain sufficient number of staff, including staff on the floor and in the kitchen, to enhance customers' dining experience at our restaurants. We offer competitive remuneration packages, career development and promotion opportunities to our staff to reduce the employee turnover rate. For FY2015, FY2016 and FY2017, our staff costs amounted to approximately HK\$251.5 million, HK\$245.9 million and HK\$259.5 million, respectively, representing 32.6%, 33.1% and 31.3% of our revenue during the respective periods.

Our operations in Hong Kong are required to comply with the statutory minimum wage requirements, which came in force on 1 May 2011. The initial statutory minimum wage rate was HK\$28 per hour which has been increased in the past. With effect from 1 May 2017, the statutory minimum wage rate is HK\$34.5 per hour. The salary level in Hong Kong and the restaurant industry is expected to maintain an upward trend.

Any change to the level of staff costs, such as further increase in the statutory minimum wage rate in Hong Kong, would likely increase our staff cost and would have a direct impact on our results of operation. If we cannot transfer such increments to our customers, our profitability and results of operations may be adversely affected.

FINANCIAL INFORMATION

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our staff cost on our profit before tax and our profit for the year during the Track Record Period. Fluctuations in our staff cost are assumed to be 5%, 10% and 15%.

Hypothetical fluctuations

	<u>+/-5%</u> HK\$'000	<u>+/-10%</u> HK\$'000	<u>+/-15%</u> HK\$'000
Change in staff costs			
FY2015	+/-12,577	+/-25,153	+/-37,730
FY2016	+/-12,293	+/-24,586	+/-36,879
FY2017	+/-12,974	+/-25,949	+/-38,923
Change in profit before tax			
FY2015	-/+12,577	-/+25,153	-/+37,730
FY2016	-/+12,293	-/+24,586	-/+36,879
FY2017	-/+12,974	-/+25,949	-/+38,923
Change in profit for the year			
FY2015	-/+10,502	-/+21,003	-/+31,505
FY2016	-/+10,265	-/+20,529	-/+30,794
FY2017	-/+10,833	-/+21,667	-/+32,501

Property rentals and related expenses

During the Track Record Period, we lease all of the properties on which our restaurants operate. For FY2015, FY2016 and FY2017, our property rentals and related expenses amounted to HK\$130.2 million, HK\$130.6 million and HK\$152.5 million, respectively, representing 16.9%, 17.6% and 18.4% of our revenue from restaurant operations during the respective periods. Most of our leases for our restaurants include a fixed rent, which is a fixed amount per month, and a contingent rent, which is determined based on certain percentage of the turnover for the month of the relevant restaurant and is incurred if the contingent rent exceeds the fixed rent as set out in the relevant lease agreement. Since we intend to expand our restaurants network by opening new restaurants on leased properties, we expect our property rentals and related expenses for our restaurants to continue to increase in the future. If rental costs for properties that are suitable for restaurant businesses in Hong Kong increase in the future and we are unable to offset such increase by reducing our other operating costs, or by passing the increase in our property rentals and related expenses to our customers, our profitability and results of operations may be adversely affected.

FINANCIAL INFORMATION

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our property rentals and related expenses on our profit before tax and our profit for the year during the Track Record Period. Fluctuations in our property rentals and related expenses are assumed to be 5%, 10% and 15%.

Hypothetical fluctuations

	<u>+/-5%</u>	<u>+/-10%</u>	<u>+/-15%</u>
	HK\$'000	HK\$'000	HK\$'000
Change in property rentals and related expenses			
FY2015	+/-6,508	+/-13,017	+/-19,525
FY2016	+/-6,531	+/-13,062	+/-19,592
FY2017	+/-7,626	+/-15,252	+/-22,878
Change in profit before tax			
FY2015	-/+6,508	-/+13,017	-/+19,525
FY2016	-/+6,531	-/+13,062	-/+19,592
FY2017	-/+7,626	-/+15,252	-/+22,878
Change profit for the year			
FY2015	-/+5,434	-/+10,869	-/+16,303
FY2016	-/+5,453	-/+10,906	-/+16,360
FY2017	-/+6,368	-/+12,735	-/+19,103

Cost of food and beverages

We regularly purchase food ingredients and beverages at reasonable prices in order to support and maintain the stable operation of our restaurants in Hong Kong. Cost of food and beverages is accordingly a major component of our operating costs. The principal food ingredients used in our operation are, including but not limited to, seafood, meat, vegetables, beverages and seasonings, and the price and supply of these ingredients are subject to a number of factors that are beyond our control. For FY2015, FY2016 and FY2017, our cost of food and beverages amounted to HK\$211.3 million, HK\$201.2 million and HK\$228.6 million, respectively, representing 27.4%, 27.1% and 27.6% of our revenue during the respective periods. Our cost of food and beverages as a percentage of revenue will continue to be an important indicator of the overall efficiency and profitability of our business operations. Therefore, any change in the market prices of food and beverages will have a significant and direct impact on our profitability and results of operations.

FINANCIAL INFORMATION

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of food and beverages on our profit before tax and profit for the year during the Track Record Period. Fluctuations in our cost of food and beverages are assumed to be 5%, 10% and 15%.

Hypothetical fluctuations

	<u>+/-5%</u>	<u>+/-10%</u>	<u>+/-15%</u>
	HK\$'000	HK\$'000	HK\$'000
Change in cost of food and beverages			
FY2015	+/-10,563	+/-21,126	+/-31,688
FY2016	+/-10,061	+/-20,122	+/-30,182
FY2017	+/-11,430	+/-22,860	+/-34,290
Change in profit before tax			
FY2015	-/+10,563	-/+21,126	-/+31,688
FY2016	-/+10,061	-/+20,122	-/+30,182
FY2017	-/+11,430	-/+22,860	-/+34,290
Change in profit for the year			
FY2015	-/+8,820	-/+17,640	-/+26,460
FY2016	-/+8,401	-/+16,801	-/+25,202
FY2017	-/+9,544	-/+19,088	-/+28,632

Seasonality

We experience seasonal fluctuations in our revenue. During the Track Record Period, our Chinese cuisine restaurants achieved higher sales from November to February due to Chinese festivals such as Lunar New Year and Winter Solstice, and also customers' preference to hold banquets during year-end, with lower sales in April and July, with fewer customers dining out or holding banquets.

Our Asian restaurants are relatively less susceptible to seasonality, but would typically achieve higher sales during various festivals such as Christmas and New Year.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Note 2 of section II of the Accountant's Report in Appendix I to this prospectus sets forth certain significant accounting policies, which are important for understanding our financial condition and results of operations.

Note 4 of section II of the Accountant's Report in Appendix I to this prospectus sets forth certain critical accounting estimates and judgements, which are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ under different assumptions and conditions.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table summarises the consolidated statement of comprehensive income from the financial statements during the Track Record Period, details of which are set out in the Accountant's Report in Appendix I to this prospectus.

	FY2015		FY2016		FY2017	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
REVENUE	771,168	100.0	743,046	100.0	829,152	100.0
Other income and gains	2,882	0.4	2,883	0.4	2,577	0.3
Cost of food and beverages	(211,256)	(27.4)	(201,215)	(27.1)	(228,601)	(27.6)
Staff costs	(251,533)	(32.6)	(245,860)	(33.1)	(259,487)	(31.3)
Depreciation and amortisation	(31,431)	(4.1)	(31,688)	(4.2)	(43,513)	(5.2)
Property rentals and related expenses	(130,165)	(16.9)	(130,616)	(17.6)	(152,522)	(18.4)
Fuel and utility expenses	(25,766)	(3.3)	(22,681)	(3.0)	(24,576)	(3.0)
Advertising and marketing expenses	(10,503)	(1.4)	(10,125)	(1.4)	(9,616)	(1.2)
Other operating expenses	(57,682)	(7.5)	(54,769)	(7.4)	(65,234)	(7.8)
Listing expenses	—	—	—	—	(16,143)	(1.9)
Finance income, net	88	0.0	178	0.0	187	0.0
PROFIT BEFORE TAXATION	55,802	7.2	49,153	6.6	32,224	3.9
Income tax expense	(9,120)	(1.1)	(8,602)	(1.1)	(8,227)	(1.0)
PROFIT AND TOTAL COMPREHENSIVE INCOME OF THE YEAR	46,682	6.1	40,551	5.5	23,997	2.9

DESCRIPTION OF SELECTED ITEMS IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

We generate our revenue substantially from restaurant operations in Hong Kong during the Track Record Period. Our revenue represents the fair value of amounts received and receivable from sales of food and beverages by our Group to external customers, net of discounts and sales returns.

The following table sets forth, for the periods indicated, the breakdown of our revenue by business activities during the Track Record Period:

	FY2015		FY2016		FY2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Restaurant operations	749,301	97.2	722,265	97.2	808,897	97.6
Chinese cuisine restaurants						
— Self-owned brands	349,699	45.4	292,971	39.4	290,234	35.0
Asian cuisine restaurants						
— Self-owned brands	199,963	25.9	178,622	24.1	198,969	24.0
— Franchised brands	199,639	25.9	250,672	33.7	319,694	38.6
Sub-total:	399,602	51.8	429,294	57.8	518,663	62.6
Sale of food ingredients	21,867	2.8	20,781	2.8	20,255	2.4
Total	771,168	100.0	743,046	100.0	829,152	100.0

FINANCIAL INFORMATION

Revenue of restaurants operated under self-owned brands

As of 31 December 2015, 2016 and 2017, we operated 19, 18 and 17 restaurants under our own brands. Among which, eight, six and seven restaurants provided customers with Chinese cuisine and 11, 12 and 10 restaurants provided customers with Asian cuisine as at each of the reporting period, respectively. Revenue contribution from restaurants operated under self-owned brands amounted to approximately HK\$549.7 million, HK\$471.6 million and HK\$489.2 million, for the Track Record Period, respectively, which accounted for approximately 71.3%, 63.5% and 59.0% of our total revenue for the respective period.

Revenue of restaurants operated under franchised brands

During the Track Record Period, we operated a number of restaurants in Hong Kong through entering into franchise agreements with two franchises. As of 31 December 2015, 2016 and 2017, we operated 12, 14 and 17 restaurants under franchised brands, respectively. Revenue contribution from restaurants operated under franchised brands amounted to approximately HK\$199.6 million, HK\$250.7 million and HK\$319.7 million, for the Track Record Period, respectively, which accounted for approximately 25.9%, 33.7% and 38.6% of our total revenue for the respective period.

Revenue contribution from restaurants operated under franchised brands in proportion to total revenue generated from restaurants operation increased during the Track Record period which was in line with the increase in number of restaurants operated under franchised brands.

Sale of food ingredients

During the Track Record Period, we have also generated revenue from the sale of food ingredients mainly to customers which are third party restaurant operators or individual customers which amounted to approximately HK\$21.9 million, HK\$20.8 million and HK\$20.3 million, respectively which accounted for approximately 2.8%, 2.8% and 2.4% of our total revenue for the respective period. We determined the price of food ingredients, which depends primarily on, among other things, the purchase price of food ingredients with a mark up on it with reference to market price.

All of our Group's revenue was settled by way of cash, credit card and loyalty programme during the Track Record Period. Revenue generated from the loyalty programme represents the total membership fee income received (including cash and credit card) deducted by any deferred revenue. The following table sets forth, for the periods indicated, the breakdown of the revenue by means of settlement method by our customers during the Track Record Period:

	FY2015		FY2016		FY2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Credit card	458,388	59.4	470,386	63.3	554,454	66.9
Cash	312,149	40.5	264,933	35.7	269,975	32.5
Loyalty Programme	631	0.1	7,727	1.0	4,723	0.6
Total	<u>771,168</u>	<u>100.0</u>	<u>743,046</u>	<u>100.0</u>	<u>829,152</u>	<u>100.0</u>

FINANCIAL INFORMATION

Other income and gains

	FY2015		FY2016		FY2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Management fee income	846	29.4	868	30.1	531	20.6
Forfeiture of deposits received from customers	414	14.4	467	16.2	654	25.4
Rental income	91	3.2	102	3.5	105	4.1
Sponsorship income	133	4.6	252	8.8	561	21.8
Sundry income	1,398	48.4	1,194	41.4	726	28.1
	<u>2,882</u>	<u>100.0</u>	<u>2,883</u>	<u>100.0</u>	<u>2,577</u>	<u>100.0</u>

Other income and gains primarily consist of (i) management fee income charged to related parties for provision of certain administrative and book keeping services. We do not intend to provide such services upon listing; (ii) forfeiture of deposits received from customers for cancellation of their wedding banquets; (iii) rental income received from leasing our investment property located at Tsz Wan Shan to a tenant; (iv) sponsorship income from our utilities providers as incentive inducements for our engagements of their services; and (v) sundry income such as cakeage and corkage fee received from customers. Other income and gains amounted to approximately HK\$2.9 million, HK\$2.9 million and HK\$2.6 million, for the Track Record Period, respectively, representing approximately 0.4%, 0.4% and 0.3% of our total revenue for the respective periods.

Cost of food and beverages

Our cost of food and beverages primarily comprises of the cost of food ingredients and beverages used in our operation. The principal food ingredients used in our restaurant operations are, including but not limited to, seafood, meat, vegetables, beverages and seasoning. For the Track Record Period, our cost of food and beverages amounted to approximately HK\$211.3 million, HK\$201.2 million and HK\$228.6 million, respectively, representing approximately 27.4%, 27.1% and 27.6% of our total revenue for the respective periods. The following table sets forth, for the periods indicated, the breakdown of the cost of food and beverages of different types of cuisine and sale of food ingredients during the Track Record Period:

	FY2015		FY2016		FY2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Restaurant operations	192,429	91.1	183,229	91.1	210,895	92.3
Chinese cuisine restaurants						
— Self-owned brands	77,945	36.9	62,610	31.2	65,899	28.8
Asian cuisine restaurants						
— Self-owned brands	66,528	31.5	57,356	28.5	66,535	29.1
— Franchised brands	47,956	22.7	63,263	31.4	78,461	34.4
Sub-total:	<u>114,484</u>	<u>54.2</u>	<u>120,619</u>	<u>59.9</u>	<u>144,996</u>	<u>63.5</u>
Sale of food ingredients	<u>18,827</u>	<u>8.9</u>	<u>17,986</u>	<u>8.9</u>	<u>17,706</u>	<u>7.7</u>
Total	<u>211,256</u>	<u>100.0</u>	<u>201,215</u>	<u>100.0</u>	<u>228,601</u>	<u>100.0</u>

Staff costs

Our staff costs, including directors remunerations, primarily comprise of (i) wages and salaries; (ii) discretionary bonuses; (iii) retirement benefit scheme contributions; (iv) staff welfare;

FINANCIAL INFORMATION

(v) provisional for untaken annual leave; and (vi) provision of long service payment. For the Track Record Period, our staff costs amounted to approximately HK\$251.5 million, HK\$245.9 million and HK\$259.5 million, respectively, representing approximately 32.6%, 33.1% and 31.3% of our total revenue for the respective periods. The following table sets forth, for the periods indicated, the breakdown of the staff cost of directors and staffs from restaurant operation and general administration during the Track Record Period:

	FY2015		FY2016		FY2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Directors' remuneration	11,283	4.5	10,876	4.4	8,582	3.3
Staff costs for general administration	23,811	9.5	26,372	10.7	29,502	11.4
Staff costs for restaurant operation	216,439	86.0	208,612	84.9	221,403	85.3
Total	<u>251,533</u>	<u>100.0</u>	<u>245,860</u>	<u>100.0</u>	<u>259,487</u>	<u>100.0</u>

Depreciation and amortisation

Depreciation represents depreciation charges for property, plant and equipment and investment property. During the Track Record Period, our depreciation of property, plant and equipment and investment property amounted to approximately HK\$31.3 million, HK\$31.5 million and HK\$43.3 million, respectively. Meanwhile, amortisation represents amortisation of initial franchise fees paid by our Group over its estimated useful life of 10 years for the respective franchise agreements. During the Track Record Period, we have extended our franchise right of "Gyu-Kaku (牛角)" and obtained 2 additional franchise rights, namely "On-Yasai (温野菜)" and "Yoogane (柳氏家)". Our amortisation for intangible assets amounted to approximately HK\$158,000, HK\$170,000 and HK\$222,000, respectively.

FINANCIAL INFORMATION

Property rentals and related expenses

Property rentals and related expenses primarily consist of rental, property management expenses and government rates for the premises of our restaurants, offices and warehouses. For the Track Record Period, our property rentals and related expenses amounted to approximately HK\$130.2 million, HK\$130.6 million and HK\$152.5 million, respectively, representing approximately 16.9%, 17.6% and 18.4% of our total revenue for the respective periods. Our lease payments for the restaurant premises were charged in, the higher of, either fixed amounts or variable amounts, the latter of which were charged based on certain fixed percentages of the monthly turnover, within a range acceptable by us. The percentage of contingent rentals to total restaurants rentals showed a decreasing trend during the Track Record Period, primarily due to the increase in our fixed rentals throughout the period and less amount charged as contingent rentals. The following table sets forth, for the periods indicated, the breakdown of the property rentals and related expenses based on function of premises and their respective calculation method of rentals during the Track Record Period:

	FY2015		FY2016		FY2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Office premises and warehouses ⁽¹⁾	4,214	3.2	4,209	3.2	4,670	3.1
Restaurants						
— Fixed rentals ⁽¹⁾	89,115	68.5	90,071	69.0	106,465	69.8
— Contingent rentals ⁽²⁾	7,057	5.4	6,034	4.6	6,195	4.1
Sub-total:	96,172	73.9	96,105	73.6	112,660	73.9
Property management expenses and other related expenses	29,779	22.9	30,302	23.2	35,192	23.0
Total	130,165	100.0	130,616	100.0	152,522	100.0

Notes:

- (1) Fixed amounts of property rentals were charged in accordance with the lease terms of the premises.
- (2) Variable amounts of property rentals were charged based on revenue in accordance with the lease terms of the premises.

Our restaurant leases typically have terms of three to six years. Some lease agreements contain an option for us to renew for periods ranging from one to three years subject to the terms and conditions, exercisable at our discretion. The following table sets forth the terms of our current lease for our restaurants in operation as at the Latest Practicable Date and the related information.

	By 31 December 2018	By 31 December 2019	By 31 December 2020	Beyond 31 December 2020
Number of restaurants with leases expiring	2	13	11	8
Option to renew ^(Note)	0	5	6	1
No option to renew	2	8	5	7

Note:

There are 12 restaurants in operation with leases that have an option to renew, among which, two of such restaurants share the same lease (i.e. "Mou Mou Club" and "Gyu-Kaku" sharing the property at Wonderful Worlds of Whampoa, Hung Hom).

As at the Latest Practicable Date, two leases of our operating restaurants will expire prior to 31 December 2018. We will start negotiation for the renewal of the two leases as and when our management considers appropriate. We do not foresee any material difficulties in renewing the two leases.

FINANCIAL INFORMATION

Fuel and utility expenses

Fuel and utility expenses represent expenses incurred for gas, electricity and water charges. During the Track Record Period, our fuel and utility expenses amounted to approximately HK\$25.8 million, HK\$22.7 million and HK\$24.6 million, respectively, representing approximately 3.3%, 3.0% and 3.0% of our total revenue for the respective periods.

Advertising and marketing expenses

Advertising and marketing expenses primarily consist of the expenses on marketing our brands through various channels for our restaurant operations and provision of wedding banquet services, including stalls at wedding banquet expo, billboards advertisements and paper media, etc. During the Track Record Period, our advertising and marketing expenses amounted to approximately HK\$10.5 million, HK\$10.1 million and HK\$9.6 million, respectively, representing approximately 1.4%, 1.4% and 1.2% of our total revenue for the respective periods.

Other operating expenses

The following table sets forth a breakdown of our other operating expenses for the periods indicated:

	FY2015		FY2016		FY2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Cleaning	12,802	22.2	12,590	23.0	14,185	21.7
Credit card commission	8,019	13.9	8,440	15.4	10,023	15.4
Franchise fee	6,167	10.7	7,680	14.0	9,934	15.2
Repairs and maintenance	5,002	8.7	6,382	11.7	6,502	10.0
Materials and consumables	7,258	12.6	5,757	10.5	6,613	10.1
Legal and professional fee	3,260	5.7	2,092	3.8	3,790	5.8
Insurance	2,448	4.2	1,941	3.5	1,770	2.7
Motor Vehicle expense	1,595	2.8	1,634	3.0	1,372	2.1
Printing, stationary and postage	1,855	3.2	1,490	2.7	1,876	2.9
Decoration	1,414	2.5	981	1.8	755	1.2
Equipment rental	1,631	2.8	2,012	3.7	2,268	3.5
Others	6,231	10.7	3,770	6.9	6,146	9.4
Total	<u>57,682</u>	<u>100.0</u>	<u>54,769</u>	<u>100.0</u>	<u>65,234</u>	<u>100.0</u>

Other operating expenses amounted to approximately HK\$57.7 million, HK\$54.8 million and HK\$65.2 million for the Track Record Period, respectively representing approximately 7.5%, 7.4% and 7.8% of our total revenue for the respective periods.

Franchise fees represented the amount paid to the relevant franchisors for the restaurant operations of our franchised brands. The amount of franchise fees was generally in line with the trend of our revenue generated from restaurants operated under franchised brands during the Track Record Period. We have complied with the withholding tax obligation, in which a certain portion of the

FINANCIAL INFORMATION

franchise fee payment has been withheld and paid to Hong Kong's Inland Revenue Department. Please refer to the subsection headed "Business — Our franchised brands, franchising and licencing arrangements" of this prospectus for details of the terms of franchising agreements.

Others mainly represented travelling and delivery charges, storage fees, licences and permits-related expenses and telephone and communication expenses.

Listing expenses

Listing expenses comprise of professional and other expenses in relation to our Listing. Listing expenses amounted to approximately HK\$16.1 million for FY2017.

Finance income, net

Our net finance income primarily consists of interest income from our fixed deposits and loan to a director. For FY2015, FY2016 and FY2017, our net finance income amounted to approximately HK\$88,000, HK\$178,000 and HK\$187,000, respectively.

Income tax expense

Income tax expense represents income tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile. We are subject to the Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for the Track Record Period and we are not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions.

For the Track Record Period, our income tax expenses were approximately HK\$9.1 million, HK\$8.6 million and HK\$8.2 million for the Track Record Period, respectively. The effective tax rate for the same period was approximately 16.3%, 17.5% and 25.5%, respectively. Excluding the non-recurring listing expenses of approximately HK\$16.1 million incurred for FY2017 which was non-deductible for tax purpose, our effective tax rate would be approximately 17.0% and approximated to our prevailing tax rates.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATION

FY2017 compared to FY2016

Revenue

Our revenue increased by approximately HK\$86.2 million, or approximately 11.6%, from approximately HK\$743.0 million for FY2016 to approximately HK\$829.2 million for FY2017. The

FINANCIAL INFORMATION

following is the analysis of our revenue generated from operation of Chinese and Asian cuisine restaurants:

Chinese cuisine restaurants

Our revenue generated from operation of Chinese cuisine restaurants decreased by approximately HK\$2.8 million, or approximately 1.0%, from approximately HK\$293.0 million for FY2016 to approximately HK\$290.2 million for FY2017. Such decrease was primarily due to (i) the decrease in revenue by approximately HK\$13.3 million resulting from the closure of Lucky House Seafood Restaurant by virtue of the end of the tenancy which was not renewed due to the renovation of the relevant shopping mall and unsatisfactory business performance of Nanjing Dong Lu upon expiry of the lease term in February 2016 and March 2016, respectively; and (ii) the net decrease in comparable restaurant sales by approximately HK\$14.0 million primarily reflected the decrease in guest count of our comparable restaurants, partially offset by the increase in revenue by approximately HK\$26.7 million as LHGrand commenced operation in July 2017.

Asian cuisine restaurants — Self-owned brands

Our revenue generated from operation of Asian cuisines restaurants under our self-owned brands increased by approximately HK\$20.4 million, or approximately 11.4%, from approximately HK\$178.6 million for FY2016 to approximately HK\$199.0 million for FY2017. Such increase was primarily due to (i) the increase in revenue by approximately HK\$13.9 million as Mou Mou Club (T Town North, Tin Shui Wai) and Hotpot PNP commenced operation in July 2017 and September 2017, respectively; and (ii) the increase in revenue by approximately HK\$24.1 million attributable to the full year operation of Mou Mou Club (MOKO, Mong Kok) that commenced operation in September 2016 and the reopening of Mou Mou Club (World Trade Centre, Causeway Bay) in November 2016 after the renovation, partially offset by (i) the decrease in revenue by approximately HK\$14.4 million resulting from the closure of Mou Mou Club (Metroplaza, Kwai Fong), Mou Mou Club (Lok Fu Place, Lok Fu) and Sushi Dai (Lok Fu Place, Lok Fu) in September 2017, October 2017 and October 2017, respectively, by virtue of the end of the tenancy; and (ii) the net decrease in comparable restaurant sales by approximately HK\$2.6 million primarily reflected the decrease in guest count of our comparable restaurants.

Asian cuisine restaurants — Franchised brands

Our revenue generated from operation of Asian cuisines restaurants under franchised brands increased by approximately HK\$69.0 million, or approximately 27.5%, from approximately HK\$250.7 million for FY2016 to approximately HK\$319.7 million for FY2017. Such increase was primarily due to (i) the increase in revenue by approximately HK\$34.3 million as Yoogane, Gyu-Kaku (East Point City, Tseung Kwan O), Gyu-Kaku (Festival Walk, Kowloon Tong) and On-Yasai (Festival Walk, Kowloon Tong) commenced operation in May 2017, July 2017, November 2017 and November 2017, respectively; (ii) the increase in revenue by approximately HK\$7.5 million attributable to full period operation of Gyu-Kaku (Tai Po Mega Mall, Tai Po) and On-Yasai (Plaza 2000, Causeway Bay) that were opened in March 2016 and April 2016, respectively; and (iii) the net increase in comparable restaurant sales by HK\$27.2 million primarily reflected the increase in guest count and average check per guest of our comparable restaurants.

FINANCIAL INFORMATION

Other income and gains

Other income and gains decreased by approximately HK\$0.3 million, or approximately 10.3%, from approximately HK\$2.9 million for FY2016 to approximately HK\$2.6 million for FY2017. The decrease in other income and gains was mainly due to the decrease in management fee income and sundry income by approximately HK\$0.3 million and HK\$0.5 million respectively, which was partially offset by the increase in sponsorship income of approximately HK\$0.3 million.

Cost of food and beverages

Cost of food and beverages increased by approximately HK\$27.4 million, or approximately 13.6%, from approximately HK\$201.2 million for FY2016 to approximately HK\$228.6 million for FY2017, which was in line with the increase in revenue.

Staff costs

Staff costs increased by approximately HK\$13.6 million, or approximately 5.5%, from approximately HK\$245.9 million for FY2016 to approximately HK\$259.5 million for FY2017. Such increase was mainly due to (i) the increase in number of employees for general administration resulting from the continuing expansion of our Group; and (ii) the increase in average number of employees for restaurant operations as a result of the opening of restaurants during the period.

Depreciation and amortisation

Depreciation and amortisation increased by approximately HK\$11.8 million, or approximately 37.2%, from approximately HK\$31.7 million for FY2016 to approximately HK\$43.5 million for FY2017. Such increase was primarily due to an increase in depreciation of our leasehold improvement and restaurants and kitchen equipment resulting from the opening of seven new restaurants between the two periods.

Property rentals and related expenses

Property rentals and related expenses increased by approximately HK\$21.9 million, or approximately 16.8%, from approximately HK\$130.6 million for FY2016 to approximately HK\$152.5 million for FY2017. Such increase was mainly due to (i) the combining effect of opening and closure of certain of our restaurants, in particular, the opening of Yoogane, LHGrand, Mou Mou Club (T Town North, Tin Shui Wai), Gyu-Kaku (Festival Walk, Kowloon Tong) and On-Yasai (Festival Walk, Kowloon Tong) had incurred an additional property rentals of approximately HK\$13.5 million; and (ii) the increase in monthly rental of our leased properties upon renewal of the relevant leases or the upward adjustment of rental pursuant to the escalation clauses of the relevant lease agreements.

Fuel and utility expenses

Fuel and utility expenses increased by approximately HK\$1.9 million, or approximately 8.4%, from approximately HK\$22.7 million for FY2016 to approximately HK\$24.6 million for FY2017. Such increase was generally in line with our increase in revenue.

FINANCIAL INFORMATION

Advertising and marketing expenses

Advertising and marketing expenses slightly decrease from approximately HK\$10.1 million for FY2016 to approximately HK\$9.6 million for FY2017.

Other operating expenses

Other operating expenses increased by approximately HK\$10.4 million, or approximately 19.0%, from approximately HK\$54.8 million for FY2016 to approximately HK\$65.2 million for FY2017. Such increase was primarily due to (i) the increase in franchise fees resulting from the increase in revenue generated from franchised brands restaurants; (ii) the increase in cleaning expenses resulting from the opening of seven new restaurants which required pre-operation cleaning services; and (iii) the increase in credit card commission expenses as our Group's revenue that was settled by way of credit card had increased.

Finance income, net

Finance income, net, increased by approximately HK\$9,000 from approximately HK\$178,000 for the FY2016 to approximately HK\$187,000 for FY2017.

Income tax expense

Income tax expense decreased by approximately HK\$0.4 million, or approximately 4.7%, from approximately HK\$8.6 million for FY2016 to approximately HK\$8.2 million for FY2017. The decrease was mainly due to the decrease in our profit before taxation by HK\$16.9 million attributable to the factors discussed in the foregoing. Our effective tax rate increased by 8.0% for FY2017 mainly as a result of listing expenses of HK\$16.1 million incurred during FY2017 that was not deductible for tax purpose.

Profit for the period

As a result of the foregoing, profit for the year decreased by approximately HK\$16.6 million, or approximately 40.9%, from approximately HK\$40.6 million for FY2016 to approximately HK\$24.0 million for FY2017 and our net profit margin decreased from approximately 5.5% for FY2016 to approximately 2.9% for FY2017. The low net profit margin achieved by our Group was primarily due to (i) the increase in the percentage of property rentals and related expenses and depreciation and amortisation to the revenue for the reasons discussed above; and (ii) the listing expenses of approximately HK\$16.1 million incurred for the period, which was offset by the overall increase in revenue.

FY2016 compared to FY2015

Revenue

Our revenue decreased by approximately HK\$28.2 million or approximately 3.7% from approximately HK\$771.2 million for FY2015 to approximately HK\$743.0 million for FY2016. The

FINANCIAL INFORMATION

following is the analysis of our revenue generated from operation of Chinese and Asian cuisine restaurants:

Chinese cuisine restaurants

Our revenue generated from operation of Chinese cuisine restaurants decreased by approximately HK\$56.7 million, or approximately 16.2%, from approximately HK\$349.7 million for FY2015 to approximately HK\$293.0 million for FY2016. Such decrease was primarily due to the decrease in revenue by approximately HK\$61.5 million resulting from the closure of Lucky House Seafood Restaurant and Nanjing Dong Lu for the reasons discussed above, partially offset by the increase in revenue by approximately HK\$7.3 million attributable to the full year operation of China Hall (Metroplaza, Kwai Fong) that was opened in late January 2015.

Asian cuisine restaurants — Self-owned brands

Our revenue generated from operation of Asian cuisine restaurants under our self-owned brands decreased by approximately HK\$21.4 million, or approximately 10.7%, from approximately HK\$200.0 million for FY2015 to approximately HK\$178.6 million for FY2016. Such decrease was primarily due to (i) the decrease in revenue by approximately HK\$40.2 million resulting from the closure of Mou Mou Club (Gala Place, Mong Kok), Mou Mou Club (Harbour City, Tsim Sha Tsui) and Lazat Laksa in May 2015, October 2015, and November 2015, respectively; and (ii) the decrease in revenue by approximately HK\$3.7 million due to the temporary closure of Mou Mou Club (World Trade Centre, Causeway Bay) for renovation upon renewal of the lease agreement. Lazat Laksa was closed by virtue of the end of the tenancy due to unsatisfactory business performance. The premise of Mou Mou Club (Harbour City, Tsim Sha Tsui) has been rebranded and now operates under the franchised brand “*On-Yasai* (溫野菜)”. The landlord of Mou Mou Club (Gala Place, Mong Kok) had terminated the lease agreement in accordance with the clause of the agreement for its redevelopment. Such decrease was partially offset by (i) the increase in revenue by approximately HK\$7.3 million as Mou Mou Club (MOKO, Mong Kok) commenced operation in September 2016; (ii) the net increase in comparable restaurant sales by HK\$1.5 million primarily reflected the increase in guest count of our comparable restaurants; and (iii) the increase in revenue by approximately HK\$11.8 million attributable to the full year operation of Mou Mou Club (Regentville Shopping Centre, Fanling) that was opened in December 2015.

Asian cuisine restaurants — Franchised brands

Our revenue generated from operation of Asian cuisines restaurants under franchised brands increased by approximately HK\$51.1 million, or approximately 25.6%, from approximately HK\$199.6 million for FY2015 to approximately HK\$250.7 million for FY2016. Such increase was primarily due to (i) the increase in revenue by approximately HK\$20.9 million as Gyu-Kaku (Tai Po Mega Mall, Tai Po) and On-Yasai (Plaza 2000, Causeway Bay) commenced operation in March 2016 and April 2016, respectively; (ii) the net increase in comparable restaurant sales by HK\$1.3 million primarily reflected the increase in guest count of our comparable restaurants; and (iii) the increase in revenue by approximately HK\$32.6 million attributable to the full year operation of Gyu-Kaku (Aberdeen Centre Shopping Arcade, Aberdeen) and On-Yasai (Harbour City, Tsim Sha Tsui) that were

FINANCIAL INFORMATION

opened in June 2015 and December 2015, respectively, and of Gyu-Kaku (Harbour City, Tsim Sha Shui) that was reopened in December 2015 after renovation, partially offset by the decrease in revenue by approximately HK\$6.7 million due to the temporary suspension of Gyu-Kaku (Telford Plaza II, Kowloon Bay) for renovation upon renewal of the lease agreement.

Other income and gains

Other income and gains remained stable at approximately HK\$2.9 million for FY2015 and FY2016.

Cost of food and beverages

Cost of food and beverages decreased by approximately HK\$10.1 million or approximately 4.8% from approximately HK\$211.3 million for FY2015 to approximately HK\$201.2 million for FY2016. Such decrease was in line with the decrease in revenue attributable to the closure of certain restaurants under Chinese cuisine restaurants and self-owned brands under Asian cuisine restaurants as discussed above.

Staff costs

Staff costs decreased by approximately HK\$5.6 million or approximately 2.2% from approximately HK\$251.5 million for FY2015 to approximately HK\$245.9 million for FY2016. Such decrease was mainly due to the decrease in the number of restaurant employees resulting from the closure of Lucky House Seafood Restaurant, which was partially offset by annual salary increment and the increase in staff costs for general administration.

Depreciation and amortisation

Depreciation and amortisation remained relatively stable because the number of restaurants in operation has remained relatively stable. Approximately HK\$31.7 million for FY2016 as compared to approximately HK\$31.4 million for FY2015 was incurred for depreciation and amortisation.

Property rentals and related expenses

Property rentals and related expenses increased slightly by approximately HK\$0.4 million, or approximately 0.3%, from approximately HK\$130.2 million for FY2015 to approximately HK\$130.6 million for FY2016. Such increase was mainly due to (i) the combining effect of opening and closure of certain of our restaurants; and (ii) the increase in monthly rental of our leased properties upon renewal of the relevant leases or the upward adjustment of rental pursuant to the escalation clauses of relevant lease agreements.

Fuel and utility expenses

Fuel and utility expenses decreased by approximately HK\$3.1 million or approximately 12.0% from approximately HK\$25.8 million for FY2015 to approximately HK\$22.7 million for FY2016 primarily due to our continued adoption of energy saving and cost control measures to lower our fuel and utility expenses. As a percentage of revenue, our fuel and utility expenses accounted for 3.3% and 3.0% of our revenue for FY2015 and FY2016.

FINANCIAL INFORMATION

Advertising and marketing expenses

Advertising and marketing expenses decreased slightly by approximately HK\$0.4 million or approximately 3.8% from approximately HK\$10.5 million for FY2015 to approximately HK\$10.1 million for FY2016. We incurred more advertising and marketing expenses for FY2015 in promoting the opening of China Hall (Metroplaza, Kwai Fong) and our first “*On-Yasai* (溫野菜)” restaurant, On-Yasai (Harbour City, Tsim Sha Tsui).

Other operating expenses

Other operating expenses decreased by approximately HK\$2.9 million or approximately 5.0% from approximately HK\$57.7 million for FY2015 to approximately HK\$54.8 million for FY2016. Such decrease was mainly due to (i) the decrease in legal and professional expenses by HK\$1.2 million; and (ii) the decrease in materials and consumables by HK\$1.5 million.

Finance income, net

Finance income, net increased by approximately HK\$90,000 from approximately HK\$88,000 for FY2015 to approximately HK\$178,000 for FY2016. The increase was mainly due to additional time deposits placed in the bank.

Income tax expense

Income tax expense decreased by approximately HK\$0.5 million, or approximately 5.5%, from approximately HK\$9.1 million for FY2015 to approximately HK\$8.6 million for FY2016. The decrease primarily reflected the decrease in our profit before taxation by approximately HK\$6.6 million attributable to factors discussed in the foregoing. Our effective tax rate increased by 1.2% for FY2016 mainly as a result of the increase in reinstatement cost incurred which was not deductible for tax purpose.

Profit for the year

As a result of the foregoing, profit for the year decreased by approximately HK\$6.1 million, or approximately 13.1%, from approximately HK\$46.7 million for FY2015 to approximately HK\$40.6 million for FY2016, primarily due to the decrease in revenue resulting from closure of three Asian cuisine restaurants under self-owned brands in FY2015 and did not contribute any revenue in FY2016, and Lucky House Seafood Restaurant that only operated for two months in 2016 and closed in February 2016. Our net profit margin decreased from approximately 6.1% for FY2015 to approximately 5.5% for FY2016 mainly attributable to the increase in the percentage of property rentals and related expenses to the revenue for the reasons discussed above.

FINANCIAL INFORMATION

Segment profit and segment margin

The following table sets forth, for the periods indicated, the breakdown of our segment profit and segment margin by business activities during the Track Record Period:

	FY2015		FY2016		FY2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Chinese cuisine restaurants						
— Self-owned brands	40,370	11.5%	31,822	10.9%	18,457	6.4%
Asian cuisine restaurants						
— Self-owned brands	30,921	15.5%	29,626	16.6%	26,129	13.1%
— Franchised brands	30,711	15.4%	31,883	12.7%	41,960	13.1%
Sale of food ingredients	3,550	16.2%	3,108	15.0%	3,178	15.7%

Our segment margin of Chinese cuisine restaurants decreased from approximately 11.5% for FY2015 to 10.9% for FY2016, primarily due to the closure of Lucky House Seafood Restaurant in February 2016.

Our segment margin of Chinese cuisine restaurants decreased from approximately 10.9% for FY2016 to 6.4% for FY2017, primarily due to (i) the net decrease in comparable restaurant sales by HK\$14.0 million due to the decrease in guest count of our comparable restaurants; (ii) the start-up operating expenses incurred for LHGrand during the decoration period from April 2017 to June 2017 while no revenue was generated during the same period; and (iii) less wedding banquets, which generally have higher margins, were held for FY2017 due to the comparatively longer slack season for wedding banquets in the lunar calendar in 2017 than that in 2016.

Our segment margin of Asian cuisine restaurants under self-owned brands decreased from approximately 16.6% for FY2016 to approximately 13.1% for FY2017, primarily due to (i) the net decrease in comparable sales by HK\$2.6 million due to the decrease in guest count of our comparable restaurants; (ii) start-up operating expenses incurred for Mou Mou Club (T Town North, Tin Shui Wai) and Hotpot PNP during the decoration period from April 2017 to June 2017 and from July 2017 to August 2017, respectively, while no revenue was generated during the same period; and (iii) the unsatisfactory performance of Hotpot PNP as it is still a comparatively new brand to our Group and time and resources are required for brand-building.

Our segment margin of Asian cuisine restaurants under franchised brands decreased from approximately 15.4% for FY2015 to approximately 12.7% for FY2016, primarily due to (i) the opening of Gyu-Kaku (Tai Po Mega Mall, Tai Po) and On-Yasai (Plaza 2000, Causeway Bay) in 2016 which were loss-making as new restaurants generally incur higher start-up operating costs and generate lower sales; (ii) the temporary closure of Gyu-Kaku (Telford Plaza II, Kowloon Bay) for renovation in September 2016; and (iii) the increase in monthly rental of our leased restaurants upon renewal of the relevant leases or the upward adjustment of rental pursuant to the escalation clauses of the relevant lease agreements.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are for the payment of procurement of food and beverages from suppliers, staff costs, various operating expenses and capital expenditure and have been funded through a combination of cash generated from our operations and loans from shareholders. Upon completion of the Global Offering, we currently expect that there will not be any material change in the sources and uses of cash of our Group in the future, except that we would have additional funds from proceeds of the Global offering for implementing our future plans as detailed under the section headed “Future plans and use of proceeds” in this prospectus.

The following table summarises, for the periods indicated, our statements of cash flows:

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Net cash flows generated from operating activities	85,720	57,055	54,656
Net cash flows used in investing activities	(33,650)	(51,747)	(71,848)
Net cash flows used in financing activities	(2)	(8,220)	(129,176)
Net increase/(decrease) in cash and cash equivalents	52,068	(2,912)	(146,368)
Cash and cash equivalents at the beginning of year	<u>167,202</u>	<u>219,270</u>	<u>216,358</u>
Cash and cash equivalents at the end of year	<u>219,270</u>	<u>216,358</u>	<u>69,990</u>

Operating activities

During our Track Record Period, our cash inflow from operating activities was principally from the receipt of proceeds for our revenue from restaurant operations and sale of food ingredients. Our cash outflow used in operating activities was principally for the payments for food and beverages, staff costs, property rentals and related expenses and other operating expenses incurred for business operations.

For FY2017, our net cash generated from operating activities of approximately HK\$54.7 million was primarily a combined result of operating cash flow before changes in working capital of approximately HK\$75.4 million, income tax paid of approximately HK\$10.4 million and net cash outflow from change in working capital of approximately HK\$10.4 million. Change in working capital primarily reflected (i) the increase in prepayments, deposits and other receivables of approximately HK\$24.5 million; (ii) the increase in inventories of approximately HK\$6.0 million; and (iii) the increase in trade receivables of approximately HK\$1.2 million, which was partially offset by (i) the increase in other payables and accruals of approximately HK\$14.1 million; (ii) the increase in trade payables of approximately HK\$6.3 million; and (iii) the changes in balances with related parties of approximately HK\$0.9 million. Explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in the subsection headed “— Description of certain items of consolidated statements of financial position” of this section.

For FY2016, our net cash generated from operating activities of approximately HK\$57.1 million was primarily a combined result of operating cash flow before changes in working capital of

FINANCIAL INFORMATION

approximately HK\$80.7 million, income tax paid of approximately HK\$12.1 million and net cash outflow from change in working capital of approximately HK\$11.6 million. Change in working capital primarily reflected (i) the increase in trade receivables of approximately HK\$5.9 million; (ii) the decrease in other payables and accruals of approximately HK\$2.2 million; (iii) the changes in balances with non-controlling interests of approximately HK\$2.1 million; and (iv) the increase in prepayment, deposits and other receivables of approximately HK\$1.1 million. Explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in the subsection headed “— Description of certain items of consolidated statements of financial position” of this section.

For FY2015, our net cash generated from operating activities of approximately HK\$85.7 million was a combined result of operating cash flow before changes in working capital of approximately HK\$87.1 million, income tax paid of approximately HK\$10.7 million and net cash inflow from change in working capital of approximately HK\$9.2 million. Change in working capital primarily reflected (i) the decrease in inventories of approximately HK\$6.9 million; (ii) the decrease in trade receivables of approximately HK\$1.4 million; and (iii) the increase in trade payables of approximately HK\$1.0 million. Explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in the subsection headed “— Description of certain items of consolidated statements of financial position” of this section.

Investing activities

For FY2017, our Group had net cash used in investing activities of approximately HK\$71.8 million primarily attributable to the purchases of property, plant and equipment of approximately HK\$73.3 million, which was partially offset by the repayment from a shareholder of approximately HK\$1.1 million.

For FY2016, our Group had net cash used in investing activities of approximately HK\$51.7 million primarily attributable to the purchases of property, plant and equipment of approximately HK\$49.9 million and the cost associated with obtaining franchises right of approximately HK\$2.0 million.

For FY2015, our Group had net cash used in investing activities of approximately HK\$33.7 million primarily attributable to (i) the purchases of property, plant and equipment of approximately HK\$32.4 million; and (ii) the cost associated with obtaining franchises of approximately HK\$1.5 million.

Financing activities

For FY2017, our Group had net cash used in financing activities of approximately HK\$129.2 million primarily attributable to (i) the deemed distribution to the shareholders of the Company of approximately HK\$81.8 million, (ii) the acquisition of non-controlling interests of approximately HK\$61.3 million, (iii) the repayments to shareholders of approximately HK\$42.8 million; (iv) the dividend paid of HK\$41.0 million; and (v) the listing expenses paid of approximately HK\$4.2 million, which was partially offset by the capital contribution by the shareholders of the Company of approximately HK\$100.0 million as part of the Reorganisation.

FINANCIAL INFORMATION

For FY2016, our Group had net cash used in financing activities of approximately HK\$8.2 million primarily attributable to (i) the dividend paid of approximately HK\$3.8 million; (ii) the acquisition of interests in a subsidiary of HK\$3.1 million; and (iii) the repayments to shareholders of approximately HK\$1.3 million.

For FY2015, our Group had net cash used in financing activities of approximately HK\$2,000 primarily attributable to the interest payment.

Net Current Assets

The table below sets forth a summary of our consolidated statements of financial position as at the dates indicated:

	As at 31 December			As at 31 March
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000 (Unaudited)
Current Assets				
Inventories	18,904	19,836	25,884	27,076
Trade receivables	5,594	11,476	12,682	8,123
Prepayments, deposits and other receivables	21,665	20,557	33,527	31,531
Amounts due from related companies	1,348	1,368	-	-
Loan to a shareholder	1,067	1,068	-	-
Tax recoverable	2,845	5,493	4,244	4,244
Cash and cash equivalents	219,270	216,358	69,990	59,096
	<u>270,693</u>	<u>276,156</u>	<u>146,327</u>	<u>130,070</u>
Current Liabilities				
Trade payables	28,947	29,488	35,787	21,148
Other payables and accruals	81,991	78,292	87,755	94,278
Amounts due to non-controlling interests	2,532	450	-	-
Loans from shareholders	44,110	42,770	-	-
Tax payables	3,838	5,366	4,949	7,628
	<u>161,418</u>	<u>156,366</u>	<u>128,491</u>	<u>123,054</u>
Net current assets	<u>109,275</u>	<u>119,790</u>	<u>17,836</u>	<u>7,016</u>

Our Group's net current assets increased by approximately HK\$10.5 million from approximately HK\$109.3 million as at 31 December 2015 to approximately HK\$119.8 million as at 31 December 2016. The increase was primarily due to (i) the increase in trade receivables of approximately HK\$5.9 million; (ii) the increase in tax recoverable of approximately HK\$2.6 million; (iii) the decrease in other payables and accruals of approximately HK\$3.7 million; and (iv) the decrease in amounts due to non-controlling interests of approximately HK\$2.1 million, which was partially offset by the decrease in cash and cash equivalents of approximately HK\$2.9 million.

Our Group's net current assets decreased by approximately HK\$102.0 million from approximately HK\$119.8 million as at 31 December 2016 to approximately HK\$17.8 million as at 31 December 2017. The decrease was primarily due to (i) the decrease in cash and cash equivalents of

FINANCIAL INFORMATION

approximately HK\$146.4 million resulting from repayments to shareholders of approximately HK\$42.8 million, dividend payments of approximately HK\$41.0 million and net cash outflow in relation to the Reorganisation of approximately HK\$61.3 million mainly represents the acquisition of remaining equity interest in subsidiaries, mainly Triple Brilliant Development Limited, Tremendous Luck Restaurant Limited and Hotpot PNP Holdings Limited; (ii) the increase in trade payables of approximately HK\$6.3 million; and (iii) the increase of other payables and accruals of approximately HK\$9.5 million, which was partially offset by (i) the increase in inventories of approximately HK\$6.0 million; (ii) the increase in prepayments, deposits and other receivables of approximately HK\$13.0 million; and (iii) the decrease in loans from shareholders of approximately HK\$42.8 million.

Our Group's net current assets decreased by approximately HK\$10.8 million from approximately HK\$17.8 million as at 31 December 2017 to approximately HK\$7.0 million as at 31 March 2018. The decrease was primarily due to (i) dividend payment of approximately HK\$21.0 million to our Shareholders in February 2018; and (ii) increase in other payables and accruals of approximately HK\$6.5 million, which was partially offset by the decrease in trade payables of approximately HK\$14.6 million.

Working Capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including anticipated cash flow from our operating activities, existing cash and cash equivalents and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Save as disclosed in this prospectus, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future plans and use of proceeds" in this prospectus.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of land and buildings, leasehold improvements, restaurants and kitchen equipment, furniture and fixtures, office equipment and motor vehicles. As at 31 December 2015, 2016 and 2017, carrying values of our property, plant and equipment were approximately HK\$79.4 million, HK\$96.7 million and HK\$125.8 million, respectively. Such increase in our property, plant and equipment was primarily due to the additions of property, plant and equipment for our four, three and seven new restaurants opened during FY2015, FY2016 and FY2017, respectively, partially offset by the depreciation. Moreover, our Group acquired a staff quarter during FY2016 amounting to approximately HK\$15.2 million.

Intangible assets

Our intangible assets represents the franchise rights we acquired from independent third parties for restaurant operations of our franchised brands. As at 31 December 2015, 2016 and 2017, our

FINANCIAL INFORMATION

intangible assets amounted to approximately HK\$1.9 million, HK\$3.8 million and HK\$3.5 million, respectively. The increase in our intangible assets from FY2015 to FY2016 was primarily due to the extension of franchise right for the franchise brand “Gyu-Kaku” (牛角) during FY2016. The decrease in our intangible assets from FY2016 to FY2017 was due to amortisation.

Inventories

Our inventories consist of food and consumables we procured from our suppliers. To minimise the risk of building up inventory, we review our inventory levels on a monthly basis. We believe that maintaining appropriate levels of inventories helps us deliver our products to meet the market demands in a timely manner without straining our liquidity. The value of our inventories accounted for approximately 7.0%, 7.2% and 17.7% of our total current assets as at 31 December 2015, 2016 and 2017, respectively. The increase in the percentage of our inventories to our total current assets was primarily due to the decrease of our total current assets. Details of the decrease are set out in the subsection headed “Liquidity and capital resources” in this section below.

We aim at maintaining our inventory level at a minimum level. Our balance of inventories were approximately HK\$18.9 million, HK\$19.8 million and HK\$25.9 million as at 31 December 2015, 2016 and 2017, respectively. The increase in inventory level was mainly due to the expansion of our restaurant network.

We periodically review our inventory levels to keep the food ingredients and supplies fresh and reduce wastage. See the subsection headed “Business — Our supplies and food ingredient — Inventory management” of this prospectus for details of inventory management policies. Allowance is made when the net realisable value of inventories falls below the cost or any of the inventories is identified as obsolete. During the Track Record Period, no provision for impairment of inventories was recorded.

The following table sets forth the inventory turnover days for the periods indicated.

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
Inventory turnover days ^(Note)	<u>39</u>	<u>35</u>	<u>36</u>

Note:

Inventory turnover days is calculated using the average balance of inventory divided by cost of food and beverages for the relevant period and multiplied by 365 days for FY2015, FY2016 and FY2017. Average balance of inventory is calculated as the sum of the beginning and the ending balance for the relevant period divided by two.

Our inventory turnover days decreased from approximately 39 days for FY2015 to 35 days for FY2016, which was mainly due to our strengthened control on inventory level since FY2015. Our inventory turnover days remained relatively stable for FY2017.

As at the Latest Practicable Date, our inventories as at 31 December 2017 had been fully sold or utilised.

FINANCIAL INFORMATION

Trade receivables

As at 31 December 2015, 2016 and 2017, our trade receivables primarily comprised of (i) receivables from banks in connection with credit card payments made by our restaurant customers; and (ii) receivables from our sale of food ingredients. The table below sets forth our trade receivables by customers, during the Track Record Period:

The following table sets forth our trade receivables by customers as at the dates indicated based on invoice date:

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
External customers	5,126	11,101	12,682
Related companies	468	375	—
Trade receivables	5,594	11,476	12,682

As at 31 December 2015, 2016 and 2017, our trade receivables amounted to approximately HK\$5.6 million, HK\$11.5 million and HK\$12.7 million, respectively. The relatively high balance of trade receivables as at 31 December 2016 was primarily due to the increase in receivables of Mou Mou Club (MOKO, Mong Kok), a restaurant that commenced operation in September 2016, which amounted to approximately HK\$5.0 million as at 31 December 2016. As at 31 December 2016, the bank account of Mou Mou Club (MOKO, Mong Kok) had not been set up and the outstanding trade receivables had not been received from financial institutions.

The relatively high balance of trade receivables as at 31 December 2017 was primarily due to (i) an outstanding rebate of approximately HK\$1.6 million due from a financial institution in relation a credit card promotion activity launched near to the year end; and (ii) 31 December 2017 fell on a Sunday and our banks only remit funds to us on weekdays.

The table below sets forth our trade receivables by operations, as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Restaurant operations	2,857	8,967	9,395
Sale of food ingredients	2,737	2,509	3,287
Subtotal	5,594	11,476	12,682

For the trade receivables from financial institutions in relation to the payment settled by credit cards by customers, the settlement period is normally within 3 days from transaction date. Generally, there is no credit period granted to customers, except for certain corporate customers in relation to the sale of food ingredients in which credit period of 30 days is granted by the Group. Before accepting any new customers, our Group will apply an internal credit assessment policy to assess the potential customer's credit quality and define the credit limit by customer. The credit period is generally for a period of 30 days after month end for major customers. Each customer has a credit limit. Our Group

FINANCIAL INFORMATION

seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. We typically do not require any collateral as security.

Our policy for impairment on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables that requires the use of judgment and estimates of our management. Provisions would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances.

Set out below is the ageing analysis on such trade receivables:

	<u>As at 31 December</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	HK\$'000	HK\$'000	HK\$'000
1-30 days	4,825	7,105	8,882
31-60 days	590	2,145	1,856
61-180 days	179	2,226	1,944
Total	<u>5,594</u>	<u>11,476</u>	<u>12,682</u>

As at 31 December 2015, 2016 and 2017, trade receivables of approximately HK\$0.8 million, HK\$0.9 million and HK\$2.5 million, respectively, were past due but not impaired. These related to customers for whom there is no significant financial difficulty and based on our experience, our Directors were of the view that no impairment allowance was necessary in respect of these overdue balances as there had not been significant change in credit quality of our customers and the balances were considered fully recoverable.

The relatively high balance of past due but not impaired trade receivables as at 31 December 2017 was due to the outstanding rebate due from the financial institute as discussed above.

As at the Latest Practicable Date, our trade receivables outstanding as at 31 December 2017 were fully settled.

The table below sets forth a summary of trade receivables turnover days as at the dates indicated:

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
Trade receivables turnover days ^(Note)	<u>3</u>	<u>4</u>	<u>5</u>

Note:

Trade receivables turnover days is calculated using the average balances of trade receivables divided by sales for the relevant period and multiplied by 365 days for FY2015, FY2016 and FY2017. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant period divided by two.

FINANCIAL INFORMATION

Our trade receivable turnover days were approximately 3 days, 4 days and 5 days for FY2015, FY2016 and FY2017, respectively, which were considered to be relatively stable.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly comprise of (i) prepayments; (ii) prepayments for listing expenses; (iii) rental and utilities deposits paid to lessors for premise of our restaurants, office premises and warehouses; and (iv) other receivables. Our prepayments mainly represent prepayments for rental and other operating expenses and prepayments for property, plant and equipment which will be reclassified to non-current assets. Rental and utilities deposits for premises under non-cancellable operating lease arrangements, whose end of rental period lies within one year from end of the financial year, would be classified under current assets.

The following table sets forth the breakdown of our prepayments, deposits and other receivables as at the dates indicated.

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	6,339	9,881	13,702
Prepaid listing expenses	—	—	5,449
Rental and utilities deposits	54,862	52,737	72,006
Other receivables	317	153	170
	61,518	62,771	91,327
Less: non-current portion			
— Rental and utilities deposits	(39,853)	(42,062)	(57,800)
— Prepayments for property, plant and equipment	—	(152)	—
Current portion	21,665	20,557	33,527

Our prepayments, deposits and other receivables increased by approximately HK\$1.3 million from approximately HK\$61.5 million as at 31 December 2015 to approximately HK\$62.8 million as at 31 December 2016, which was mainly due to the increase in prepayments of approximately HK\$3.5 million and partially offset by the decrease in total amount of rental and utilities deposits of approximately HK\$2.1 million.

Our prepayments, deposits and other receivables increased by approximately HK\$28.5 million from approximately HK\$62.8 million as at 31 December 2016 to approximately HK\$91.3 million as at 31 December 2017, which was mainly due to (i) the increase in prepayments of approximately HK\$3.8 million primarily due to the increase in prepaid rentals; (ii) the increase in rental and utilities deposits of approximately HK\$19.3 million resulting from the net increase in number of restaurants, namely LHGrand in July 2017, and the annual increment of basic rentals; and (iii) prepaid listing expenses of approximately HK\$5.4 million.

FINANCIAL INFORMATION

Trade payables

During the Track Record Period, our trade payables primarily comprised of payables for our purchases of food ingredients and beverages.

The following table sets forth our trade payables as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
External customers	28,731	29,429	35,787
Related companies	216	59	—
	<u>28,947</u>	<u>29,488</u>	<u>35,787</u>

Our suppliers generally offer us trade credit periods from 30 to 60 days. The table below sets forth, as at the end of reporting periods indicated, the ageing analysis of our trade payables:

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	20,062	19,889	26,238
31-60 days	2,615	2,499	8,025
61-180 days	5,422	6,516	877
Over 180 days	848	584	647
	<u>28,947</u>	<u>29,488</u>	<u>35,787</u>

As at 31 December 2015, 2016 and 2017, our trade payables amounted to approximately HK\$28.9 million, HK\$29.5 million and HK\$35.8 million, respectively. The increase in our trade payable from FY2016 to FY2017 was generally in line with the movement in inventory balance.

The following table sets out the trade payables turnover days for the Track Record Period:

	FY2015	FY2016	FY2017
Trade payables turnover days ^(Note)	<u>49</u>	<u>53</u>	<u>52</u>

Note:

Trade payables turnover days is calculated using the average balances of trade payables divided by cost of food and beverages for the relevant period and multiplied by 365 days for FY2015, FY2016 and FY2017. Average balance of trade payables is calculated as the sum of the beginning and the ending balance for the relevant period divided by two.

Our trade payables turnover days were relatively stable and were 49 days, 53 days and 52 days for FY2015, FY2016 and FY2017, respectively, which was in line with the general range of credit period granted by the suppliers to our Group.

As at the Latest Practicable Date, our trade payables outstanding as at 31 December 2017 were fully settled. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no material default in payment of trade payables.

FINANCIAL INFORMATION

Other payables and accruals

Our other payables and accruals mainly comprise of: (i) advances from customers; (ii) rent payable; (iii) provision for effective rental; (iv) accrued employee benefit expenses; (v) provision for long service payment; (vi) provision for untaken annual leave, (vii) provision for reinstatement costs; (viii) accrued listing expenses; (ix) deferred revenue; (x) other accrued expenses; (xi) payables for purchase of property; plant and equipment; and (xii) other payables.

Advances from customers represent the deposits received from customers for Chinese banquets. Accrued employee benefit expenses is the accrual of staff cost including salaries, pension obligations and bonus. Provision for reinstatement costs is the general provision we made for restaurants according to lease terms and would be settled or written back at the end of the respective lease terms and the premises are reinstated. Provision for effective rental is the amount of rental equivalent to the rent free period we received for our leased properties which would be amortised over the lease period. Deferred revenue arises from the loyalty programme established by our Group representing the award credits, coupons and discounts unused as at year end that can be used to redeem free food and beverages or net off against future spendings during the remaining period of the membership program. Accrued expenses are mainly accruals for operating expenses.

The following table sets forth the breakdown of our other payables and accruals as at the dates indicated.

	<u>As at 31 December</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Advances from customers	24,502	20,059	14,802
Rent payable	1,076	930	707
Provision for effective rental	5,511	6,334	11,628
Accrued employee benefit expenses	23,808	24,546	20,016
Provision for long service payment	2,470	2,470	1,657
Provision for untaken annual leave	3,418	3,711	4,071
Provision for reinstatement costs	14,879	14,893	18,464
Accrued listing expenses	—	—	5,670
Deferred revenue	6,943	7,784	10,043
Other accrued expenses	5,032	6,266	10,367
Payables for purchase of property, plant and equipment	4,591	2,227	5,086
Other payables	227	154	69
	<u>92,457</u>	<u>89,374</u>	<u>102,580</u>
Less: non-current portion			
— Provision for reinstatement costs	<u>(10,466)</u>	<u>(11,082)</u>	<u>(14,825)</u>
Current portion	<u>81,991</u>	<u>78,292</u>	<u>87,755</u>

Our other payables and accruals decreased by approximately HK\$3.1 million from approximately HK\$92.5 million as at 31 December 2015 to approximately HK\$89.4 million as at 31 December 2016. Such decrease was mainly due to (i) the decrease in advances from customers of HK\$4.4 million; and (ii) the decrease in payables for purchase of property, plant and equipment of

FINANCIAL INFORMATION

HK\$2.4 million resulting from the decrease in number of restaurants opened close to the year end in 2016, which was partially offset by (i) the increase in provision for effective rental of approximately HK\$0.8 million resulting from increased number of restaurants in operation; (ii) the increase in deferred revenue of HK\$0.8 million resulting from further increase in number of members in the loyalty programme and (iii) the increase in other accrued expenses of HK\$1.2 million.

Our other payables and accruals then increased by approximately HK\$13.2 million from approximately HK\$89.4 million as at 31 December 2016 to approximately HK\$102.6 million as at 31 December 2017. Such increase was mainly due to (i) the increase in accrued listing expenses of approximately HK\$5.7 million; (ii) the increase in provision for reinstatement costs of approximately HK\$3.6 million; (iii) the increase in provision for effective rental of approximately HK\$5.3 million resulting from the commencement of operation of new restaurants; (iv) the increase in deferred revenue of approximately HK\$2.3 million due to the further increase in number of members in the loyalty programme; (v) the increase in payables for purchase of property, plant and equipment of approximately HK\$2.9 million; and (vi) the increase in other accrued expenses of approximately HK\$4.1 million primarily due to the increase in accrued franchised fee, which was partially offset by (i) the decrease in accrued employee benefit expenses of approximately HK\$4.5 million; and (ii) the decrease in advances from customers of approximately HK\$5.3 million resulting from the closure of The Banqueting House (26 Kimberley Road, Tsim Sha Tsui) in early February 2018.

Loan to a shareholder

Our loan to a shareholder, Mr. Lau Kwong Kwan, amounted to approximately HK\$1.1 million, HK\$1.1 million and Nil as at 31 December 2015, 2016 and 2017, respectively. The amount is of non-trade nature, unsecured, repayable on demand and carried interest at prime rate+1%. The loan was fully settled as at 31 December 2017.

Amounts due from related companies

Our amounts due from related companies amounted to approximately HK\$1.3 million, HK\$1.4 million and Nil as at 31 December 2015, 2016 and 2017, respectively. The amounts arose from management fee income charged to related parties for provision of certain administrative and book keeping services, which are non-trade nature, unsecured, interest-free and repayable on demand. All amounts due from related companies will be settled before listing, we do not intend to provide such services upon listing. For further details of related party transactions and balances, please refer to note 19 of the Accountant's Report in Appendix I to this prospectus.

Amounts due to non-controlling interests

Our amounts due to non-controlling interests amounted to approximately HK\$2.5 million, HK\$0.5 million and Nil as at 31 December 2015, 2016 and 2017, respectively. The amounts are non-trade nature, unsecured, interest-free and repayable on demand. All the amounts due to non-controlling interests were settled as at 31 December 2017.

FINANCIAL INFORMATION

Loans from shareholders

Our loans from shareholders amounted to approximately HK\$44.1 million, HK\$42.8 million and Nil as at 31 December 2015, 2016 and 2017, respectively. The amounts mainly arose from the restaurants set up costs advanced by the shareholders, which are non-trade nature, unsecured, interest-free and repayable on demand. All the loans from shareholders were settled as at 31 December 2017.

CAPITAL EXPENDITURE

Our Group's capital expenditure has principally consisted of expenditures on acquisitions of property, plant and equipment and franchise rights in our operations. Our Group incurred and paid capital expenditure of HK\$33.8 million, HK\$51.9 million and HK\$73.3 million for FY2015, FY2016 and FY2017, respectively, majority of which came from acquisition of leasehold improvements, restaurants and kitchen equipment and furniture and fixture primarily used for our restaurant operations.

For FY2018, we estimate that the capital expenditure will amount to HK\$58.7 million primarily for expanding our restaurant network in Hong Kong.

Our Group's projected capital expenditure is subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Future plans and use of proceeds" in this prospectus for further information.

We expect to fund our contractual commitments and capital expenditure principally through the net proceeds we receive from the Global Offering and cash generated from our operating activities. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As at the Latest Practicable Date, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

FINANCIAL INFORMATION

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments — as lessee

As at the end of the reporting periods during the Track Record Period, our Group had commitments for future minimum lease payments in respect of restaurants, offices and warehouses under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
As lessees			
Within one year	79,022	89,782	119,915
In the second to fifth years, inclusive	122,040	109,782	200,897
Beyond five years	—	—	4,559
Total	201,062	199,564	325,371

Operating lease commitments — as lessor

As at the end of the reporting periods during the Track Record Period, the future minimum lease receivables in respect of the investment property leased to an independent third party under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
As lessor			
Within one year	102	94	117
In the second to fifth years, inclusive	94	—	108
Total	196	94	225

Capital commitments

We had the following capital commitments, which were not provided for in our consolidated statements of financial position:

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Contracted, but not provided for:	—	193	3,490
	—	193	3,490

INDEBTEDNESS AND CONTINGENT LIABILITIES

The following table sets out a breakdown of our indebtedness as at the dates indicated:

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due to non-controlling interests	2,532	450	—	—
Loans from shareholders	44,110	42,770	—	—

FINANCIAL INFORMATION

Amounts due to non-controlling interests, loans from shareholders and amounts due to related companies are unsecured and interest-free.

As at 31 December 2015, 2016 and 2017 and 31 March 2018, being the latest practicable date for the purpose of the indebtedness statements, we have no interest-bearing bank borrowings and banking facilities.

As at 31 March 2018, being the latest practicable date for the purpose of the indebtedness statement, save as aforesaid and apart from intra-group liabilities, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities. The unutilised banking facilities was nil as at 31 March 2018.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in Note 19 of the Accountant's Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties, were fair and reasonable and in the interest of our Shareholders as a whole and did not distort our results of operations for the Track Record Period or make our historical results not reflective of our further performance.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
Net profit margin (%) ⁽¹⁾	6.1	5.5	2.9
Return on equity (%) ⁽²⁾	20.7	15.6	11.9
Return on total assets (%) ⁽³⁾	11.7	9.5	6.9
	<u>As at 31 December</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Current ratio (times) ⁽⁴⁾	1.7	1.8	1.1
Quick ratio (times) ⁽⁵⁾	1.6	1.6	0.9
Gearing ratio (%) ⁽⁶⁾	20.6	16.6	N/A
Net debt to equity ratio (%) ⁽⁷⁾	Net cash	Net cash	Net cash

Notes:

- (1) Net profit margin for each of the Track Record Period is calculated on profit for the year divided by revenue for the respective year. See the subsection headed "— Review of historical results of operation" for more details on our net profit margins.

FINANCIAL INFORMATION

- (2) Return on equity is calculated by dividing profit for the year by total equity as at the respective year and multiplying the resulting value by 100%.
- (3) Return on total assets is calculated by dividing profit for the year by total assets as at the respective year and multiplying the resulting value by 100%.
- (4) Current ratio is calculated as total current assets divided by total current liabilities.
- (5) Quick ratio is calculated as total current assets less inventory and divided by total current liabilities.
- (6) Gearing ratio is calculated as total debts divided by total equity and multiplied by 100%. Total debts refer to all borrowings of our Group as at 31 December 2015, 2016 and 2017, which included amounts due to non-controlling interests, loans from shareholders and amount due to related companies.
- (7) Net debt to equity ratio is calculated as net debt divided by total equity and multiplied by 100%. Net debt includes all borrowings net of cash and cash equivalents.

Net Profit Margin

Our net profit margin decreased from approximately 6.1% for FY2015 to 5.5% for FY2016. The decreasing trend is mainly due to the increasing proportion of the property rentals and related expenses to revenue of the respective period. The low net profit margin of approximately 2.9% achieved by our Group for FY2017 was primarily due to (i) the listing expenses of approximately HK\$16.1 million incurred for the period; and (ii) the increase in the percentage of property rentals and related expenses and depreciation and amortisation to the revenue.

Return on equity

Our return on equity decreased from approximately 20.7% for FY2015 to approximately 15.6% for FY2016, primarily due to (i) our strengthened equity base resulting from our profit generated which were partially offset by the dividend distribution and acquisition of non-controlling interests for the same periods; and (ii) the decrease in profit for the year. Our return on equity further decreased to approximately 11.9% for FY2017, primarily due to the decrease in net profit as discussed above.

Return on total assets

Our return on total assets decreased from approximately 11.7% for FY2015 to approximately 9.5% for FY2016, and further decreased to approximately 6.9% for FY2017, primarily due to (i) the decrease in profit for the year; and (ii) the increase in total assets value resulting from the opening new restaurants during the respective periods.

Current ratio

Our current ratio remained relatively stable at approximately 1.7 and 1.8 as at 31 December 2015 and 2016, respectively. Our current ratio decreased to 1.1 as at 31 December 2017, mainly due to the decrease in cash and cash equivalents resulting from (i) the dividends payment; (ii) the net cash outflow in relation to the Reorganisation mainly represents the acquisition of remaining equity interest in subsidiaries, mainly Triple Brilliant Development Limited, Tremendous Luck Restaurant Limited and Hotpot PNP Holdings Limited; and (iii) repayments of shareholders loans.

FINANCIAL INFORMATION

Quick ratio

Our quick ratio maintained at approximately 1.6, 1.6 and 0.9 as at 31 December 2015, 2016 and 2017, respectively, which was generally in line with the fluctuation in current ratio for the same period.

Gearing ratio

Our gearing ratio was approximately 20.6%, 16.6% and Nil for FY2015, FY2016 and FY2017, respectively. The decreasing trend in our gearing ratio during Track Record Period was mainly due to (i) the increasing trend of the equity base from resulting from our profit generated; and (ii) the repayments of loans from shareholders during FY2017.

Net debt to equity ratio

As the balances for our cash and cash equivalents exceed the aggregate balances of our total debts, we recorded net cash position as at 31 December 2015, 2016 and 2017. Thus, net debt to equity ratio was not applicable to our Group.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Details of the risk to which we are exposed are set out in note 3 to the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

LISTING EXPENSES

The listing expenses in connection with the Global Offering primarily consist of underwriting commission and professional fees and, assuming an Offer Price of HK\$1.15 per Share, being the mid-point of the proposed Offer Price range, are estimated to be HK\$37.3 million. During the Track Record Period, we incurred listing expenses of HK\$21.5 million, of which HK\$16.1 million was recognised in the consolidated statement of comprehensive income for FY2017 and HK\$5.4 million was recognised as prepayments in the consolidated statement of financial position as at 31 December 2017 which will be accounted for as a deduction from equity upon Listing. Subsequent to the Track Record Period, we expect to further incur listing expenses of HK\$15.8 million prior to and upon completion of the Global Offering, of which (i) HK\$5.3 million is expected to be recognised as expenses in our consolidated statement of comprehensive income for FY2018; and (ii) HK\$10.5 million is expected to be accounted for as a deduction from equity upon Listing under the relevant accounting standard. The actual amounts to be recognised to the consolidated statement of comprehensive income of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

FINANCIAL INFORMATION

Prospective investors should note that our financial results for FY2018 will be adversely affected by the non-recurring listing expenses described above, and may not be comparable to the financial performance of our Group in the past.

DIVIDENDS AND DIVIDEND POLICY

For FY2015, no dividends were declared and paid. For FY2016, dividends of approximately HK\$3.8 million were declared and paid to the shareholders of the Group before the Reorganisation. For FY2017, dividends of approximately HK\$39.5 million were declared and paid to the shareholders of the Group before the Reorganisation and in July 2017, dividends of approximately HK\$1.5 million were declared and paid to our Shareholders. In February 2018, we declared and paid dividend of HK\$21.0 million to our Shareholders. On 4 May 2018, we also declared and paid dividends of HK\$8.0 million to our Shareholders, which was settled in cash through internal resources. Save for disclosed above, we have no plan to pay or declare any dividends prior to the listing. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors the Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.

Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Cayman Islands Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

After the Listing, declaration of dividends will be subject to recommendation of our Board after considering the factors described above. Subject to the above factors, our Board intends to recommend dividends of no less than 50% of our profit and total comprehensive income after tax available for distribution to the Shareholders in a financial year.

DISTRIBUTABLE RESERVES

Our Company had reserve available for distribution to the Shareholders amounted to HK\$172.1 million as at 31 December 2017.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS PER SHARE

Please see the section “Unaudited pro forma financial information” in Appendix II of this prospectus for our unaudited pro forma adjusted net tangible assets per Share.

FINANCIAL INFORMATION

MATERIAL ADVERSE CHANGE

The impact of the listing expenses on our consolidated statements of comprehensive income has posted a material adverse change in the financial or trading position or prospect of our Group since 31 December 2017 (being the date of the latest audited consolidated financial statements were made up). Our Directors consider that our financial performance for FY2018 would be significantly adversely affected by the recognition of listing expenses. The final amount of these amounts to be recognised to the profit or loss of our Group is subject to adjustment based on audit and the changes in variables and assumptions. As a result of these expenses, our net profit for FY2018 may decline as compared with the prior financial year. Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for FY2018.

Save as disclosed above, our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that save as disclosed under subsection headed "Summary — Recent development and material adverse change" in this prospectus, there is no event which could materially affect the information shown in our consolidated financial information included in the Accountant's Report set forth in Appendix I to this prospectus since 31 December 2017, and as of the date of this prospectus, there has been no material adverse change in the our financial or trading position or prospects.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

Please see the subsection headed “Business — Our business strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$1.15 per Share, being the mid-point of the indicative range of the Offer Price of HK\$1.00 to HK\$1.30 per Share, and assuming the Over-allotment Option is not exercised) will be approximately HK\$192.7 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

- (1) approximately HK\$64.8 million (representing approximately 34% of the net proceeds), will be used for expanding our self-owned restaurant network in Hong Kong by opening a total of eight restaurants under our self-owned brands, out of which HK\$38.0 million (approximately 20% of the net proceeds) and HK\$26.8 million (approximately 14% of the net proceeds) will be used for opening four Chinese restaurants and four Asian cuisine restaurants respectively by the end of 2020;
- (2) approximately HK\$108.6 million (representing approximately 56% of the net proceeds), will be used for expanding our franchised restaurant network in Hong Kong by opening a total of 19 restaurants under our franchised brands which are all Asian cuisine restaurants by end of 2020;
- (3) the remaining balance of approximately HK\$19.3 million (representing approximately 10% of the net proceeds) will be used for additional working capital, strategic investment and other general corporate purposes.

Note: The actual timing, number, brand and geographical location of new restaurants opening will vary depending on, among other things, competitive landscape, customers’ culinary preferences and macro-economic factors, the actual timing of handing over leased premises to us by our landlords, and are subject to uncertainties which may result in adjustments to our expansion plans for opening of new restaurants indicated above.

If the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$1.30 per Share, the net proceeds we receive from the Global Offering will increase by approximately HK\$28.9 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative range of the Offer Price, being HK\$1.00 per Share, the net proceeds we receive from the Global Offering will decrease by approximately HK\$28.9 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, will be approximately (i) HK\$37.6 million, assuming the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$1.30 per Share; (ii) HK\$33.3 million, assuming the Offer Price is fixed at the mid-point of the indicative range of the Offer Price, being HK\$1.15 per Share; and (iii) HK\$28.9 million, assuming the Offer Price is fixed at the low-end of the indicative range of the Offer Price, being HK\$1.00 per Share. Any additional proceeds

FUTURE PLANS AND USE OF PROCEEDS

received by us from the exercise of the Over-allotment Option will also be allocated to the above businesses and projects on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licenced banks in Hong Kong.

UNDERWRITING

HONG KONG UNDERWRITERS

China Everbright Securities (HK) Limited

Sinolink Securities (Hong Kong) Company Limited

Celestial Capital Limited

RHB Securities Hong Kong Limited

Grand View Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) has the right, after consultation with the Company, to terminate the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement by giving notice to the Company upon the occurrence of any of the following events:

- (a) there has developed, occurred, existed or come into force that:
 - (i) any statement contained in this prospectus, the Application Forms or any other relevant documents used in connection with the Global Offering (“**Offer Documents**”) to be material in the context of the Global Offering, was, when it was issued, or has become, untrue, incorrect or misleading in any material respect; or

UNDERWRITING

- (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission to be material in the context of the Global Offering which gives or likely to give rise to any material liability of the Company; or
 - (iii) any of the representations and warranties given by our Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading in the material respect; or
 - (iv) any material breach of any of the obligations or undertakings imposed upon any party (other than the Joint Global Coordinators or any of the Underwriters) to any of the Underwriting Agreements; or
 - (v) any material adverse change in the operations position and results of financial position of any member of our Group, when taken as a whole; or
 - (vi) any matter, event, act or omission which gives or is likely to give rise to any material liability of our Company pursuant to the indemnities under the Hong Kong Underwriting Agreements given by our Company; or
 - (vii) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any material change, any event or series of events resulting in any change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, material change in 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 United States) of Hong Kong, the Cayman Islands, the British Virgin Islands, the United States, the PRC, or any other jurisdiction relevant to Global Offering (each a "**Relevant Jurisdiction**"); or
 - (ii) any new law or regulation or any material change in any existing law or regulation, or any material change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
 - (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease (including without limitation SARS and Influenza A (H5N1)) in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (iv) 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
- (v) (A) any suspension or limitation on trading in shares or securities generally for over three consecutive trading days on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, or (B) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (vi) any material adverse change or development involving a prospective material adverse change in our Group's condition, business, financial, earnings, trading position or prospects; or
- (vii) the commencement by any judicial or regulatory body or organisation of any public action against a Director or an announcement by any judicial or regulatory body or organisation that it intends to take any such action; or
- (viii) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplementary prospectus or offering document pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the reasonable opinion of the Joint Global Coordinators and the Company, materially adverse to the marketing for or implementation of the Global Offering; or
- (ix) a petition is presented for the winding up or liquidation of our Company or any of its subsidiaries, or our Company or any of its subsidiaries make any compromise or arrangement with our Company's or our creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of our subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or any of our subsidiaries or anything analogous thereto occurs in respect of the Company or any of our subsidiaries; or
- (x) any material litigation or claim being threatened or instigated against our Company or any of our subsidiaries or the Controlling Shareholders,

and which, in any of the above cases and in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (a) is or may or will be or is likely to be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of our Company or our subsidiaries as a whole; or

UNDERWRITING

- (b) has or may have or will have or is likely to have an adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable for any part of this Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or
- (c) makes or may make or will or is likely to make it inadvisable or impracticable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus.

Undertakings to the Stock Exchange under the Listing Rules

By us

We have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) without the prior consent of the Stock Exchange, except in the circumstances prescribed by Rule 10.08 of the Listing Rules.

By Controlling Shareholders

Our Controlling Shareholders have undertaken to the Stock Exchange that, except pursuant to the Global Offering, the Over-allotment Option and/or if the applicable, the Stock Borrowing Agreement, they shall not and shall procure that the relevant registered holder(s) shall not:

- (a) at any time 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 six 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 or securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owners; or
- (b) at any time during the six-month period commencing on the date on which the period mentioned 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 or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any Controlling Shareholder(s), individually and collectively, would cease to be our Controlling Shareholder(s).

Pursuant to Note 3 to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange 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 12 months from the Listing Date, he/it will:

- (a) when he or it pledges or charges any Shares or other securities of our Company beneficially owned by him or it in favour of an authorised institution (as defined in the

UNDERWRITING

Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and

- (b) when he or it receives any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities will be disposed of, immediately inform us of any such indications.

We have agreed and undertaken to the Stock Exchange that, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

We have undertaken to each of the Joint Global Coordinators, the Sole Sponsor, the Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering, the Capitalisation Issue, the Over-allotment Option and any options which may be granted under the Post-IPO Share Option Scheme or pursuant to any transaction or arrangement contemplated in this prospectus, we will not, and will procure that our subsidiaries will not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (such consent not to be unreasonably withheld or delayed) and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date (the “**First Six-month Period**”):

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or 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, conditionally or unconditionally, or repurchase any of its share capital or other securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein);
- (b) 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 share capital or securities or any interest therein;
- (c) enter into any transaction with the same economic effect as any transaction specified in sub-paragraphs (a) or (b) above; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, and in the event of our Company doing any of the foregoing by

UNDERWRITING

virtue of the aforesaid exceptions or during the period of six months immediately following the First Six-month Period (the “**Second Six-month Period**”), our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for the Shares or other securities of our Company.

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering, the Capitalisation Issue, the Over-allotment Option and/or if applicable, the Stock Borrowing Agreement or pursuant to any transaction or arrangement contemplated in this prospectus, it will not, and will procure that none of its associates will, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the Company and the Sole Sponsor, at any time during the First Six-month Period:

- (a) 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, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, directly or indirectly, by any of our Controlling Shareholders (including holding as a custodian) or with respect to which any of our Controlling Shareholders has beneficial interest;
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein;
- (c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or
- (d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (a) or (b) or (c) above, whether any such transaction described in paragraph (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

In addition, during the Second Six-month Period, each of our Controlling Shareholders will not enter into any of the foregoing transactions described in (a), (b), (c) or (d) if, immediately following such transaction, it will cease to be a Controlling Shareholder of our Company or would together with the other Controlling Shareholders cease to be Controlling Shareholders of our Company.

Until the expiry of the Second Six-month Period, in the event that any of our Controlling Shareholders enters into any of the foregoing transactions described in (a), (b), (c) or (d), it will take all

UNDERWRITING

reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to our Company, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers and the Hong Kong Underwriters that it will, at any time before the expiry of the Second Six-month Period:

- (a) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any share capital or other securities of our Company or any interests therein in respect of which it is the beneficial owner, immediately inform our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in writing of such pledge or charge together with the number of Shares or other securities so pledged or charged; and
- (b) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged shares or securities or interests in the shares or other securities of our Company will be disposed of, immediately inform our Company, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in writing of such indications.

Our Company will inform the Stock Exchange, the Sole Sponsor, the Joint Global Coordinators and the Lead Managers in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of a press announcement to be published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Each of our Company and our Controlling Shareholders agrees and undertakes that it will not, and each Controlling Shareholder further undertakes to procure that Company will not, effect any transactions of Shares, or agree to do so, which may reduce the holdings of Shares of persons other than the Directors, chief executives, substantial shareholders or their respective associates to below the public float threshold requirement under the Listing Rules within the First Six Months Period without first having obtained the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters).

International Placing

In connection with the International Placing, it is expected that our Company, will enter into the International Underwriting Agreement with, inter alia, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to subscribe or procure subscribers for the International Placing Shares being offered pursuant to the International Placing.

Our Company is expected to grant to the Joint Global Coordinators the Over-allotment Option, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging applications under the Hong Kong Public Offering to require our Company to allot and

UNDERWRITING

issue up to an aggregate of 30,000,000 additional new Shares, representing 15% of the initial Offer Shares in aggregate, at the same price per Share under the International Placing to cover, among other things, over-allocations (if any) in the International Placing.

Commission and expenses

The Underwriters will receive an underwriting commission of 3.5% on the aggregate Offer Price of all the Offer Shares, out of which any sub-underwriting commission will be paid.

The underwriting commissions, listing fees, Stock Exchange trading fee and transaction levy, legal and printing and other professional fees and other expenses relating to the Global Offering are payable by our Company pursuant to the Underwriting Agreements.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Activities by Syndicate members

Set out below is a variety of activities that the Underwriters of the Hong Kong Public Offering and the International Placing, together referred to as "Syndicate Members", may each individually undertake, and which do not form part of the underwriting or the stabilising process. It should be noted that when engaging in any these activities the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, none of the Underwriters (except for Sinolink, its affiliate(s) or any person(s) acting for it for the purpose of taking any stabilising action) will, and each of the Underwriters will procure that none of its respective affiliates and agents will, in connection with the distribution of the Offer Shares, effect, cause or authorise any other person to effect any transactions including, but not limited to issuing options or derivatives on the underlying Shares (whether in the open market or otherwise and whether in Hong Kong or elsewhere) with a view to stabilising or maintaining the market price of any of the Shares at a level higher than that which might otherwise prevail in the open market or any action which is designed to or which constitutes or which might be expected to, cause or result in the stabilisation or manipulation, in violation of applicable laws, of the price of any security of the Company; and
- (b) none of the Underwriters (other than Sinolink or its affiliate(s) or any other person(s) acting for it for the purpose of taking any stabilising action), will, during the period which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, issue any warrant, option or derivative on the underlying Shares (whether in the

UNDERWRITING

open market or otherwise), except with the prior written consent of the Joint Global Coordinators.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares and entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilising period described under the subsections headed “Structure and conditions of the Global Offering — International Placing — Over-allotment Option” and “Structure and conditions of the Global Offering — Stabilisation actions” in this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the Shares and their share price, and the extent to which this occurs from day to day cannot be estimated.

Underwriters’ interests in our Company

Save for their obligations under the Underwriting Agreements, none of the Underwriters has any shareholding interests in our Company nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares in our Company nor any interest in the Global Offering.

Sponsor’s Independence

China Everbright Capital Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. China Everbright Capital Limited is the Sole Sponsor for the listing of the Shares on the Stock Exchange.

The Global Offering initially consists of (subject to the Over-allotment Option):

- (i) the Hong Kong Public Offering of 20,000,000 Offer Shares (including 2,000,000 Employee Reserved Shares) (subject to reallocation as mentioned below) in Hong Kong as described in the subsection headed “— Hong Kong Public Offering” in this section below; and
- (ii) the International Placing of 180,000,000 Offer Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** application form. Directors and directors of any of our subsidiaries and their respective affiliates shall not apply for Employee Reserved Shares under the Employee Preferential Offering and shall not apply for Hong Kong Public Offer Shares as members of the public in the Hong Kong Public Offering and shall not apply for or indicate an interest in acquiring the International Placing Shares under the International Placing. All Eligible Employees may apply for Hong Kong Public Offer Shares in the Hong Kong Public Offering and Employee Reserved Shares in the Employee Preferential Offering but may not apply for or indicate an interest for International Placing Shares under the International Placing. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for Hong Kong Public Offer Shares in the Hong Kong Public Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. Of the 20,000,000 Shares initially being offered under the Hong Kong Public Offering, up to 2,000,000 Shares (representing 10% of the total number of Shares initially being offered under the Hong Kong Public Offering and 1% of the total number of Shares being offered under the Global Offering) are available for subscription by the Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** application forms. Please refer to the subsection headed “Employee Preferential Offering” in this section below for further details.

The International Placing will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. 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. The International Underwriters are soliciting from prospective investors’

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

indications of interest in acquiring the Offer Shares in the International Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Placing 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 and to cease on or around, the last day of lodging applications under the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Placing respectively may be subject to reallocation and, in the case of the International Placing only, the Over-allotment Option as set out in the subsection headed “— International Placing — Over-allotment Option” in this section of the prospectus.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Placing on or around the Price Determination Date. Details of the underwriting arrangements are summarised in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and any options which may be granted under Post-IPO Share Option Scheme;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International 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 agreements

in each case on or before the dates and times specified in the Underwriting Agreements (unless 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.

The Offer Shares are being offered at the Offer Price which is expected to be fixed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Price Determination Date, which is expected to be on or around Friday, 18 May 2018 and in any event, not later than Monday, 21 May 2018 (or such later date so agreed by our Company and the Joint Global Coordinators).

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Monday, 21 May 2018 (or such later date so agreed by our Company and the Joint Global Coordinators), the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and our website at www.lhgroup.com.hk on the next business 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 Hong Kong Public Offer Shares and Employee Reserved Shares” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Tuesday, 29 May 2018 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 30 May 2018 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the subsection headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 20,000,000 Offer Shares (including 2,000,000 Employee Reserved Shares) for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Shares between (i) the International Placing; and (ii) the Hong Kong Public Offering as mentioned below, the number of the Hong Kong Public Offer Shares will represent approximately 2.5% of our Company’s issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the subsection headed “— Conditions of the Global Offering” in this section of the prospectus.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation 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 Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing and after deducting the number of Employee Reserved Shares available for subscription by Eligible Employees) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B. The Hong Kong Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). The Hong Kong Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Public Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Public Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 9,000,000 Hong Kong Public Offer Shares are liable to be rejected.

Employee Preferential Offering

Up to 2,000,000 Employee Reserved Shares, representing 10% of the Hong Kong Public Offer Shares available under the Global Offering and approximately 0.25% of the enlarged issued share capital of our Company upon completion of the Global Offering, which are not subject to reallocation to the International Placing as described in the subsection headed “— Reallocation” in this section, are available for subscription by the Eligible Employee on a preferential basis. Allocation of the Employee Reserved Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 of the Listing Rules. The allocation of the Employee Reserved Shares

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

under the Employee Preferential Offering will, in any event, be made on an equitable basis and will not be based on the identity, the seniority, the length of service or the work performance of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee Reserved Shares. Eligible Employees applying for Employee Reserved Shares will be subject to an allocation basis that is based on the level of valid applications received. The allocation basis will be determined by our Company's Hong Kong Share Registrar based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in the Hong Kong Public Offering in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of Employee Reserved Shares. Any application made on a **PINK** application form for more than 2,000,000 Employee Reserved Shares will be rejected.

In addition to any application for Employee Reserved Shares on a **PINK** application form, Eligible Employees will be entitled to apply for the Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** application form or by giving electronic application instructions to HKSCC via CCASS or to the **White Form eIPO** Service Provider via the **White Form eIPO** service.

As at the Latest Practicable Date, there were 769 Eligible Employees.

In case not all the 2,000,000 Employee Reserved Shares are subscribed for by the Eligible Employees, the undersubscribed Employee Reserved Shares will be available as Hong Kong Public Offer Shares for subscription by the public under the Hong Kong Public Offering.

Reallocation

In the event there remains any Employee Reserved Shares after satisfying in full all the applications from the Eligible Employees, on a fair and reasonable basis, the remaining Employee Reserved Shares will be reallocated to the Hong Kong Public Offer and subject to the allocation of the Offer Shares between the International Placing and the Hong Kong Public Offering.

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment reallocation at the discretion of the Joint Global Coordinators, subject to the following:

- (a) where the International Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Public Offer Shares are undersubscribed, the Joint Global Coordinators has the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deems appropriate;
 - (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 20,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 40,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering;

- (iii) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (A) 15 times or more but less than 50 times; (B) 50 times or more but less than 100 times; and (C) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 60,000,000 Offer Shares (in the case of (A)), 80,000,000 Offer Shares (in the case of (B)) and 100,000,000 Offer Shares (in the case of (C)) representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively;
- (b) where the International Placing Shares are undersubscribed:
 - (i) if the Hong Kong Public Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this Prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Hong Kong Public Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 20,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 40,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK\$1.00 per Offer Share) according to HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

Applications

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making 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 Offer Shares under the International 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) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$1.30 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the subsection headed “— Price determination of the Global Offering” in this section of the prospectus, is less than the maximum price of HK\$1.30 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and 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 Hong Kong Public Offer Shares and Employee Reserved Shares” in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Placing will be 180,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Global Offering (subject to adjustment and the Over-allotment Option). Subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the International Placing Shares will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering assuming the Over-allotment Option is not exercised.

The International Placing is subject to the same conditions as stated in the subsection headed “Conditions of the Global Offering” in this section of the prospectus.

Allocation

The International Placing will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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.

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process described in the subsection headed “Price determination of the Global Offering” in this section of the prospectus 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 Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the Joint Global Coordinators (on behalf of International Underwriters) that exercisable at the sole discretion of the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Joint Global Coordinators has the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to 30,000,000 additional new Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the same price per Share under the International Placing to cover, among other things, over-allocation in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Friday, 18 May 2018, and in any event on or before Monday, 21 May 2018, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will be not more than HK\$1.30 per Share and is expected to be not less than HK\$1.00 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

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.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Joint Global Coordinators, 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, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. 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 day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese), and on the website of the Stock Exchange at www.hkexnews.hk and our website at www.lhgroup.com.hk notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company (for ourselves and on behalf of LHG Holdings) with the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Tuesday, 29 May 2018 in the manner set out in the subsection headed “How to apply for the Hong Kong Public Offer Shares and Employee Reserved Shares — 11. Publication of results” in this prospectus.

STABILISATION ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

The Sinolink Securities (Hong Kong) Company Limited has been appointed by us as the stabilising manager (“**Stabilising Manager**”) for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager its affiliates or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the sole and absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 30,000,000 Shares in aggregate, which is approximately 15% of the Shares initially available under the Global Offering.

Stabilising Manager, its affiliates or any person acting for it, may take all or any of the following stabilising action in Hong Kong during the stabilisation period:

- (i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;
- (ii) in connection with any action described in paragraph (i) above;
 - (a) (1) over-allocation; or
(2) selling or agreeing to sell the Shares so as to establish a short position in them, for the purpose of preventing or minimising any reduction in the market price of the Shares;
 - (b) exercise the Over-allotment Option and subscribe for, or agreeing to subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) above;
 - (c) sell or agree to sell any Shares by it in the course of the stabilising action in order to liquidate any position that has been established by such actions; and
 - (d) offer or attempt to do anything described in (a)(2), (b) and (c) above.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position; Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for them, may have an adverse impact on the market price of the Shares;

- stabilising action cannot be used to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 30,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at its sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Placing, the Stabilising Manager may borrow up to 30,000,000 Shares, equivalent to the maximum number of Shares to be issued by our Company on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. Such stock borrowing arrangement will be in compliance with Rule 10.07(3) of the Listing Rules.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 30 May 2018, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 30 May 2018, and will be traded in board lots of 2,000 Shares.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- Eligible Employee may also make an application for the Employee Reserved Shares pursuant to the Employee Preferential Offering by using a **PINK** application form;
- apply online via the **White Form eIPO service** at www.eipo.com.hk; 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.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** application form. However, Eligible Employees may not apply for or indicate an interest for the International Placing Shares under the International Placing.

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider 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 Hong Kong Public Offer Shares on a **WHITE** 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 United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

You can also or alternatively apply for Employee Reserved Shares if you satisfy the above criteria and are also an Eligible Employee.

If you apply online through the **White Form eIPO service**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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 representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators 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 and they may not apply by means of **White Form eIPO service** for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/ or any its subsidiaries;
- a Director or chief executive officer of the Company and/ or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing; and
- except for Eligible Employees who may apply for the Employee Reserved Shares apart from application for the Hong Kong Public Offer Shares.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong 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.

For the Employee Reserved Shares under the Employee Preferential Offering by an Eligible Employee, use a **PINK** Application Form.

The Hong Kong Public Offer Shares are not available to the directors or chief executives of our Company or its subsidiaries or existing beneficial owners of the Shares, or any of their respective close associates.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Where to Collect the Application Forms

You can collect a WHITE Application Form and a prospectus during normal business hours between from 9:00 a.m. on Tuesday, 15 May 2018 until 12:00 noon on Friday, 18 May 2018 from:

- (i) any of the following addresses of the Hong Kong Underwriters:

China Everbright Securities (HK) Limited
24/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

Sinolink Securities (Hong Kong) Company Limited
Units 2503, 2505-06 25/F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Celestial Capital Limited
21/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

RHB Securities Hong Kong Limited
12/F World-Wide House
19 Des Voeux Road Central
Hong Kong

Grand View Securities Limited
Suite 6209, 62/F, The Centre,
99 Queen's Road, Central
Hong Kong

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

(ii) any of the designated branches of the following receiving banks:

Bank of China (Hong Kong) Limited

<u>District</u>	<u>Branch</u>	<u>Address</u>
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
Kowloon	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
New Territories	Fo Tan Branch	No 2, 1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan
	Citywalk Branch	Shop 65, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan

You can collect a **YELLOW** Application Form and a copy of the prospectus during normal business hours from 9:00 a.m. on Tuesday, 15 May 2018 until 12:00 noon on Friday, 18 May 2018, from the **Depository Counter of HKSCC** at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or from your stockbroker.

A **PINK** application form together with this prospectus can be collected by the Eligible Employees during the normal business hours from 9:00 a.m. on Tuesday, 15 May 2018 until 12:00 noon on Thursday, 17 May 2018 at the principal place of business of our Company at Unit 03, L22, Tower 1, Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Hong Kong.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to BANK OF CHINA (HONG KONG) NOMINEES LIMITED — LH GROUP PUBLIC OFFER for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving banks listed above, at the following times:

Tuesday, 15 May 2018 — 9:00 a.m. to 5:00 p.m.
Wednesday, 16 May 2018 — 9:00 a.m. to 5:00 p.m.
Thursday, 17 May 2018 — 9:00 a.m. to 5:00 p.m.
Friday, 18 May 2018 — 9:00 a.m. to 12:00 noon

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Your completed **PINK** application form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — LH GROUP PUBLIC OFFER" for the payment must be deposited in the collection point located at the principal place of business of our Company at Unit 03, L22, Tower 1, Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Hong Kong by 12:00 noon on Thursday, 17 May 2018 being the last day for the submission of the **PINK** application forms, or such later time as described in the subsection headed "10. Effect of bad weather on the opening of the application lists" in this section.

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 18 May 2018, the last application day or such later time as described in "— 10. Effect of bad weather on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO service**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/ or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong 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 (Winding Up and Miscellaneous Provisions) Ordinance and the 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 Global Offering in this prospectus;
- (vi) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering 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

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, 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 the Company, the Joint Global Coordinators 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 Hong Kong 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 Hong Kong 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 Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/ or its agents to send any share certificate(s) and/ or any e-Refund payment instructions 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 the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

of the Hong Kong 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** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider by you or by any one 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** 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.

Terms, conditions and instructions for the PINK application form

You may refer to the **PINK** application form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the “— Who can apply” subsection, may apply through the **White Form eIPO service** for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO service** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO service**.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO service** at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 15 May 2018 until 11:30 a.m. on Friday, 18 May 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 18 May 2018 or such later time as described in “— 10. Effects of bad weather on the opening of the applications lists” in this section.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO service** to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO service** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant 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).

Environmental Protection

The obvious advantage of White Form eIPO is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 for each “LH GROUP LIMITED” White Form eIPO application submitted via www.eipo.com.hk to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong 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 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place Central
Hong Kong

and complete an input request form.

You can also collect a 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 Hong Kong 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 the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong 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 Hong Kong 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 Hong Kong 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 International Placing;
 - declare that only one set of electronic application instructions has been given for your benefit;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (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 the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong 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 the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, 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 the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/ or its 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 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 the Company agreeing that it will not offer any Hong Kong 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 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

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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 the Company's announcement of the Hong Kong Public Offering 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 the giving electronic application instructions to apply for Hong Kong Public Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the 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 (Winding Up and Miscellaneous Provisions) Ordinance and the 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 the 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 Hong Kong 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

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- 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 number of 2,000 Hong Kong Public Offer Shares. Instructions for more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong 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:

Tuesday, 15 May 2018 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 16 May 2018 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 17 May 2018 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 18 May 2018 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 15 May 2018 until 12:00 noon on Friday, 18 May 2018 (24 hours daily, except the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 18 May 2018, the last application day or such later time as described in “— 10. Effect of bad weather on the opening of the application lists” in this section.

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 Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong 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 Hong Kong 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, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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 the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, 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.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **White Form eIPO service** is also only a facility provided by the White Form eIPO Service Provider to public investors. 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. The Company, the Directors, the Bookrunner, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO service** will be allotted any Hong Kong 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/ CASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** 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 Friday, 18 May 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong 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.

In addition, if you are an Eligible Employee, you may also make an additional application for the Employee Reserved Shares by using the **PINK** application form. Only one application for the

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee are liable to be rejected.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO service**, 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).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE**, **YELLOW** and **PINK** Application Forms have tables showing the exact amount payable for 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** or **YELLOW** Application Form or through the **White Form eIPO service** in respect of a minimum of 2,000 Hong Kong Public Offer Shares and if you are an Eligible Employee at the same time, you may also submit an application using a **PINK** application form. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

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).

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

For further details on the Offer Price, see the subsection headed “Structure and conditions of the Global Offering — Price determination of the Global Offering”.

10. 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 Friday, 18 May 2018. 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 Friday, 18 May 2018 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”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares and the Employee Reserved Shares on Tuesday, 29 May 2018 in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) on the Company’s website at www.lhgroup.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/ passport/ Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.lhgroup.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Tuesday, 29 May 2018;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 29 May 2018 to 12:00 midnight on Monday, 4 June 2018;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, 29 May 2018 to Friday, 1 June 2018;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 29 May 2018 to Thursday, 31 May 2018 at all the designated receiving bank branches.

If the Company accepts 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 Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Global Offering”.

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.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong 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 or to White Form eIPO Service Provider, 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 Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the 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.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider 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 Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee 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 Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected 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) Hong Kong Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO service** are not completed in accordance with the instructions, terms and conditions on the designated website;
- 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;
- the Company or the Joint Global Coordinators believe 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 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. 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\$1.30 per Offer Share (excluding brokerage,

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure and conditions of the Global Offering — Conditions of the Global Offering” 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 or before Tuesday, 29 May 2018.

14. DESPATCH/ COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (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) and one share certificate for all Employee Reserved Shares allocated to you under the Employee Preferential Offering.

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**, **YELLOW** and/or **PINK** 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 Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, 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 Hong Kong 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 before Tuesday, 29 May 2018. 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).

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Share certificates will only become valid at 8:00 a.m. on Wednesday, 30 May 2018 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. 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 and PINK Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares (inclusive of Employee Reserved 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 Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. and 1:00 p.m. on Tuesday, 29 May 2018 or such other date as notified by us in the newspapers.

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 the Hong Kong 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 Hong Kong Public Offer Shares (inclusive of Employee Reserved Shares), your refund cheque(s) and/ or share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, 29 May 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Tuesday, 29 May 2018, 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 Tuesday, 29 May 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— 11. Publication of results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 29 May 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong 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 through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 29 May 2018, or such other date as notified by the Company in the newspapers as the date of despatch/ collection of Share certificates/ e-Refund payment instructions/ refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, 29 May 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheques by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong 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.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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 Tuesday, 29 May 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the 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 Hong Kong Public Offering in the manner specified in "— 11. Publication of results" above on Tuesday, 29 May 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before Tuesday, 29 May 2018 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 Hong Kong 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 Hong Kong 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 Tuesday, 29 May 2018. Immediately following the credit of the Hong Kong 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 Hong Kong 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 Tuesday, 29 May 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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 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 arrangement 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 set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LH GROUP LIMITED AND CHINA EVERBRIGHT CAPITAL LIMITED

Introduction

We report on the historical financial information of LH GROUP LIMITED (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-71, which comprises the consolidated statements of financial position as at 31 December 2015, 2016 and 2017, the company statement of financial position as at 31 December 2017, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years then ended (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-71 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 15 May 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

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 presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 accountant's 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 accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 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, 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 accountant's report, a true and fair view of the financial position of the Company as at 31 December 2017 and the consolidated financial position of the Group as at 31 December 2015, 2016 and 2017 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 11 to the Historical Financial Information which contains information about the dividends paid by LH GROUP LIMITED in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
15 May 2018

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

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.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December		
		2015	2016	2017
		HK\$'000	HK\$'000	HK\$'000
Revenue	5	771,168	743,046	829,152
Other income and gains	6	2,882	2,883	2,577
Cost of food and beverages		(211,256)	(201,215)	(228,601)
Staff costs		(251,533)	(245,860)	(259,487)
Depreciation and amortisation		(31,431)	(31,688)	(43,513)
Property rentals and related expenses		(130,165)	(130,616)	(152,522)
Fuel and utility expenses		(25,766)	(22,681)	(24,576)
Advertising and marketing expenses		(10,503)	(10,125)	(9,616)
Other operating expenses		(57,682)	(54,769)	(65,234)
Listing expenses		—	—	(16,143)
Finance income, net	7	88	178	187
Profit before taxation	8	55,802	49,153	32,224
Income tax expense	10	(9,120)	(8,602)	(8,227)
Profit and total comprehensive income for the year		<u>46,682</u>	<u>40,551</u>	<u>23,997</u>
Attributable to:				
Shareholders of the Company		41,913	36,281	22,391
Non-controlling interests		4,769	4,270	1,606
		<u>46,682</u>	<u>40,551</u>	<u>23,997</u>
Basic and diluted earnings per share ^(Note)	12	<u>4,191</u>	<u>3,628</u>	<u>2,239</u>

Note: The earnings per share has not taken into account the proposed capitalisation issue pursuant to the written resolution of the shareholders passed on 4 May 2018 (Note 11) because the proposed capitalisation issue has not become effective as at the date of this report.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December		
		2015	2016	2017
		HK\$'000	HK\$'000	HK\$'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	13	79,442	96,665	125,789
Investment property	14	795	770	745
Intangible assets	15	1,893	3,752	3,530
Rental and utilities deposits	18	39,853	42,062	57,800
Prepayments for property, plant and equipment	18	—	152	—
Deferred income tax assets	23	6,731	9,310	12,768
		<u>128,714</u>	<u>152,711</u>	<u>200,632</u>
CURRENT ASSETS				
Inventories	16	18,904	19,836	25,884
Trade receivables	17	5,594	11,476	12,682
Prepayments, deposits and other receivables	18	21,665	20,557	33,527
Amounts due from related companies	19	1,348	1,368	—
Loan to a shareholder	19	1,067	1,068	—
Tax recoverable		2,845	5,493	4,244
Cash and cash equivalents	20	219,270	216,358	69,990
		<u>270,693</u>	<u>276,156</u>	<u>146,327</u>
Total assets		<u>399,407</u>	<u>428,867</u>	<u>346,959</u>
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Company				
Share capital	29	—	—	—
Reserves	24(A)	187,721	219,547	201,502
		187,721	219,547	201,502
Non-controlling interests		<u>38,323</u>	<u>40,168</u>	<u>—</u>
Total equity		<u>226,044</u>	<u>259,715</u>	<u>201,502</u>
NON-CURRENT LIABILITIES				
Provision for reinstatement costs	22	10,466	11,082	14,825
Deferred income tax liabilities	23	1,479	1,704	2,141
		<u>11,945</u>	<u>12,786</u>	<u>16,966</u>

	Note	As at 31 December		
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
CURRENT LIABILITIES				
Trade payables	21	28,947	29,488	35,787
Other payables and accruals	22	81,991	78,292	87,755
Amounts due to non-controlling interests	19	2,532	450	—
Loans from shareholders	19	44,110	42,770	—
Tax payable		3,838	5,366	4,949
		<u>161,418</u>	<u>156,366</u>	<u>128,491</u>
Total liabilities		<u>173,363</u>	<u>169,152</u>	<u>145,457</u>
Total equity and liabilities		<u>399,407</u>	<u>428,867</u>	<u>346,959</u>

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at <u>31 December</u> 2017 HK\$'000
ASSETS		
NON-CURRENT ASSETS		
Investments in subsidiaries		93
Amounts due from subsidiaries	30	<u>190,194</u>
		<u>190,287</u>
CURRENT ASSET		
Prepayment	18	<u>5,449</u>
Total assets		<u><u>195,736</u></u>
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the Company		
Share capital	29	—
Accumulated loss		(16,143)
Capital reserve	24(B)	<u>188,264</u>
Total equity		<u>172,121</u>
CURRENT LIABILITIES		
Accruals	22	5,670
Amounts due to subsidiaries	30	<u>17,945</u>
Total liabilities		<u>23,615</u>
Total equity and liabilities		<u><u>195,736</u></u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Company				
	Share Capital	Reserves	Total	Non-Controlling Interests	Total
	(Note 29) HK\$'000	(Note 24) HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	—	145,808	145,808	33,554	179,362
Profit and total comprehensive income for the year	—	41,913	41,913	4,769	46,682
At 31 December 2015 and 1 January 2016	—	187,721	187,721	38,323	226,044
Profit and total comprehensive income for the year					
<u>Transactions with shareholders</u>	—	36,281	36,281	4,270	40,551
Dividends (Note 11)	—	(3,409)	(3,409)	—	(3,409)
Dividend declared to non-controlling interests	—	—	—	(360)	(360)
Acquisition of non-controlling interests (Note 25)	—	(1,046)	(1,046)	(2,065)	(3,111)
At 31 December 2016 and 1 January 2017	—	219,547	219,547	40,168	259,715
Profit and total comprehensive income for the period					
<u>Transactions with shareholders</u>	—	22,391	22,391	1,606	23,997
Dividends (Note 11)	—	(35,247)	(35,247)	—	(35,247)
Dividend declared to non-controlling interests	—	—	—	(5,778)	(5,778)
Investment from non-controlling interests	—	—	—	1,980	1,980
Acquisition of non-controlling interests (Note 25)	—	(27,064)	(27,064)	(34,246)	(61,310)
Deemed distributions to the then shareholders of the Company (Note 24(A))	—	(78,115)	(78,115)	(3,730)	(81,845)
Capital contribution by the then shareholders of the Company (Note 24(A))	—	99,990	99,990	—	99,990
Issuance of share capital at the date of incorporation (Note 29)	—	—	—	—	—
At 31 December 2017	—	201,502	201,502	—	201,502

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December		
		2015	2016	2017
		HK\$'000	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from operations	26(a)	96,376	69,016	64,946
Interest received		23	115	126
Hong Kong profits tax paid, net		(10,679)	(12,076)	(10,416)
Net cash flows generated from operating activities		<u>85,720</u>	<u>57,055</u>	<u>54,656</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment		(32,363)	(49,872)	(73,338)
Proceeds from disposal of property, plant and equipment	26(b)	155	92	359
Payments for obtaining franchises		(1,476)	(2,029)	—
Repayment from a shareholder		—	—	1,068
Interest received		34	62	63
Net cash flows used in investing activities		<u>(33,650)</u>	<u>(51,747)</u>	<u>(71,848)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Listing expenses paid		—	—	(4,196)
Interests paid		(2)	—	—
Repayments to shareholders		—	(1,340)	(42,770)
Dividend paid	11	—	(3,409)	(35,247)
Dividend paid to non-controlling interests		—	(360)	(5,778)
Investment from non-controlling interests		—	—	1,980
Acquisition of non-controlling interests	25	—	(3,111)	(61,310)
Deemed distribution to the then shareholders of the Company	24(A)	—	—	(81,845)
Capital contribution by shareholders of the Company	24(A)	—	—	99,990
Net cash flows used in financing activities		<u>(2)</u>	<u>(8,220)</u>	<u>(129,176)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
		52,068	(2,912)	(146,368)
Cash and cash equivalents at the beginning of the year		<u>167,202</u>	<u>219,270</u>	<u>216,358</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20	<u><u>219,270</u></u>	<u><u>216,358</u></u>	<u><u>69,990</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganisation and basis of presentation

1.1 General information

The Company was incorporated in the Cayman Islands on 9 June 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged as full-service restaurants operator serving Chinese and Asian cuisine including Japanese and Korean cuisine in Hong Kong (the "Listing Business").

Immediately prior to the reorganisation as detailed in Note 1.2 and during the Track Record Period, management of the Listing Business directed the economic activities of the Listing Business as a single business through the Operating Subsidiaries which were mainly the then subsidiaries of Lucky House Group (Management) Limited ("Lucky House Group (Management)"), King Dragon International Investment Limited ("King Dragon") and Lucky House Restaurant Group Co. Ltd. ("Lucky House Restaurant Group").

Lucky House Group (Management) and King Dragon were owned by 7 shareholders as to 100% and each of the 7 shareholders is also one of the Ultimate Shareholders. Lucky House Restaurant Group was owned by 5 shareholders as to 83.33% and each of 5 shareholders is also one of the 7 shareholders and the Ultimate Shareholders.

Upon the completion of the reorganisation as detailed in Note 1.2, the Operating Subsidiaries, which operate the Listing Business, are transferred to and held by the Company. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under Lucky House Restaurant Group, King Dragon and Lucky House Group (Management).

The ultimate holding company of the Company is LHG Holdings Limited ("LHG Holdings") which was directly owned by 9 shareholders, namely Mr. Wong Kit Lung, Simon ("Mr. Simon Wong"), Mr. Wong Yiu Hung ("Simon's Father" or "Mr. Wong"), Mr. Ko Cheuk Kuen ("Grace's Father" or "Mr. Ko"), Mr. Liu Chi Hung Peter ("Mr. Peter Liu"), Mr. Liu Cheung ("Mr. Liu"), Mr. Lau Kwong Kwan ("Mr. Lau"), Hop Kwan Holdings Limited ("Hop Kwan"), Ms. Ko Sau Chee, Grace ("Ms. Grace Ko") and Draconis Investment Limited ("Draconis"), which is owned by Mr. Wong and Mr. Simon Wong as to 50% and 50% respectively, (together, the "Ultimate Shareholders") as to 11.99%, 11.99%, 11.99%, 11.99%, 11.99%, 11.99%, 11.99%, 8.03% and 8.03% (the "Respective Shareholdings"), respectively.

On 28 February 2018, the shareholdings of LHG Holdings held by Mr. Simon Wong, Simon's Father and Draconis were reallocated and changed to 29.03%, 2.99% and Nil (the "Intra-Family Transfer").

Upon completion of the Intra-Family Transfer, the Company is ultimately held by 8 shareholders, namely Mr. Simon Wong, Simon's Father, Mr. Ko, Mr. Peter Liu, Mr. Liu, Mr. Lau, Hop Kwan and Ms. Grace Ko as to 29.03%, 2.99%, 11.99%, 11.99%, 11.99%, 11.99%, 11.99% and 8.03%, respectively.

1.2 Reorganisation

During the Track Record Period, the Listing Business is operated by Lucky House Group (Management), King Dragon, Lucky House Restaurant Group and certain of their subsidiaries as a single business.

In preparation for the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, a group reorganisation (the "Reorganisation") was undertaken pursuant to which the Operating Subsidiaries engaged in and conducted the Listing Business were transferred to the Company.

The Reorganisation mainly involved the following:

1.2.1 Incorporation of the intermediate holding company of the Company by the Ultimate Shareholders and incorporation of the Company

On 9 June 2017, LHG Holdings was incorporated in the British Virgin Islands (the "BVI"). On 20 June 2017, 99,990 shares were allotted and issued at par to each of the Ultimate Shareholders based on the Respective Shareholdings.

On 9 June 2017, the Company was incorporated in the Cayman Islands with 1 subscriber share allotted and issued. On 20 June 2017, the subscriber share of the Company was transferred at par to LHG Holdings. Since then, the Company is a direct wholly owned subsidiary of LHG Holdings.

1.2.2 Incorporation of intermediate holding companies of the Group, namely, LHG CHINESE CATERING LIMITED ("LHG Chinese Catering"), LHG MANAGEMENT LIMITED ("LHG Management"), LHG PROCUREMENT LIMITED ("LHG Procurement"), MOU MOU HOLDINGS LIMITED ("Mou Mou Holdings"), HOTPOT PNP HOLDINGS LIMITED ("Hotpot PNP Holdings") and KABUSHIKIGAISHA HOLDINGS LIMITED ("Kabushikigaisha Holdings") (collectively, the "Holding Companies") by the Company

On 9 and 12 June 2017, the Holding Companies were incorporated in the BVI. On 20 June 2017, 1 share of each of the Holding Companies was allotted and issued at par to the Company. Since then, the Holding Companies are direct wholly owned subsidiaries of the Company.

1.2.3 Acquisition of Triple Brilliant Development Limited ("Triple Brilliant") by LHG Procurement

On 21 June 2017, LHG Procurement acquired 100% equity interest in Triple Brilliant from Lucky House Restaurant Group and 2 independent shareholders at a consideration of HK\$113,544,000. Since then, Triple Brilliant is an indirect wholly-owned subsidiary of the Company.

1.2.4 Acquisition of Tremendous Luck Restaurant Limited ("Tremendous") by LHG Chinese Catering

On 21 June 2017, LHG Chinese Catering acquired 100% equity interest in Tremendous from Lucky House Restaurant (Tin Shui Wai) Limited at a consideration of HK\$15,336,000. Since then, Tremendous is an indirect wholly-owned subsidiary of the Company.

1.2.5 Acquisition of Lucky House Group Limited by LHG Management

On 21 June 2017, LHG Management acquired 100% equity interest in Lucky House Group Limited from Lucky House Restaurant Group at a consideration of approximately HK\$4,000 to an independent shareholder and 103,515 shares of LHG Holdings. Since then, Lucky House Group Limited is an indirect wholly-owned subsidiary of the Company.

1.2.6 Acquisitions of the Operating Subsidiaries (other than Triple Brilliant, Tremendous and Lucky House Group Limited) through share swap

On 21 June 2017, the Holding Companies acquired the Operating Subsidiaries (other than Triple Brilliant, Tremendous and Lucky House Group Limited) at a consideration of issuing and allotting 796,395 shares of LHG Holdings to the Ultimate Shareholders based on the Respective Shareholdings. Since then, these Operating Subsidiaries are subsidiaries of the Company.

1.2.7 Capital contribution by the then shareholder of the Company

On 21 June 2017, the Ultimate Shareholders of the Group contributed capital of HK\$99,999,000 for the completion of the Reorganisation.

After the completion of the Reorganisation steps as described above, the Company became the holding company of the Operating Subsidiaries through the Holding Companies.

After the completion of the Reorganisation steps as described above, the Company became the holding company of the subsidiaries now comprising the Group.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Name	Place of incorporation and kind of legal entity	Date of incorporation	Issued and fully paid share capital	Effective interest held as at			Principal activities and place of operation	Notes
				31 December 2015	31 December 2016	31 December 2017		
Directly held subsidiaries:								
KABUSHIKIGAISHA HOLDINGS LIMITED	BVI	12 June 2017	US\$11,990	N/A	N/A	100%	100%	Investment holding (i)
LHG CHINESE CATERING LIMITED	BVI	9 June 2017	US\$1	N/A	N/A	100%	100%	Investment holding (i)
LHG MANAGEMENT LIMITED	BVI	9 June 2017	US\$1	N/A	N/A	100%	100%	Investment holding (i)
LHG PROCUREMENT LIMITED	BVI	9 June 2017	US\$1	N/A	N/A	100%	100%	Investment holding (i)
Indirectly held subsidiaries:								
FAMECO (H.K.) LIMITED	Hong Kong	2 March 2006	HK\$1,000	100%	100%	100%	100%	Restaurant operation in Hong Kong (ii)(iii)
FIRST BENEFIT (SHA TIN) LIMITED	Hong Kong	22 September 2016	HK\$500,000	N/A	100%	100%	100%	Restaurant operation in Hong Kong (v)
GOAL YIELD LIMITED (formerly known as NANJING DONG LU (CB) LIMITED)	Hong Kong	4 December 2012	HK\$1	100%	100%	100%	100%	Restaurant operation in Hong Kong (ii)(iii)
HERITAGE CAPITAL LIMITED	Hong Kong	15 July 2011	HK\$1	100%	100%	100%	100%	Restaurant operation in Hong Kong (ii)(iii)
HONG KONG FOOD CULTURE LIMITED	Hong Kong	30 July 2014	HK\$1	99.79%	100%	100%	100%	Inactive (ii)(iii)
HOTPOT PNP HOLDINGS LIMITED	BVI	9 June 2017	US\$1	N/A	N/A	100%	100%	Investment holding (i)

Name	Place of incorporation and kind of legal entity	Date of incorporation	Issued and fully paid share capital	Effective interest held as at			Principal activities and place of operation	Notes (iii)
				31 December 2015	31 December 2016	31 December 2017		
KABU (DEVELOPMENT) LIMITED	Hong Kong	16 February 2016	HK\$1	N/A	100%	100%	100%	Property holding
KABU (HR) LIMITED	Hong Kong	3 June 2010	HK\$1	99.79%	100%	100%	100%	Provision of management service in Hong Kong
KABU (NEW SHOP) LIMITED	Hong Kong	11 August 2016	HK\$1	N/A	100%	100%	100%	Inactive (v)
KABU KOWLOON BAY LIMITED (formerly known as LH GROUP LIMITED)	Hong Kong	11 May 2017	HK\$1	N/A	N/A	100%	100%	Inactive (v)
KABUSHIKIGAISHA LIMITED	Hong Kong	4 August 2008	HK\$28,000,000	99.79%	100%	100%	100%	Investment holding and provision of management service in Hong Kong
KEEN WISE (MONG KOK) LIMITED	Hong Kong	2 March 2017	HK\$1	N/A	N/A	100%	100%	Restaurant operation in Hong Kong
KING DRAGON INTERNATIONAL INVESTMENT LIMITED	Hong Kong	10 April 2006	HK\$7	100%	100%	N/A (viii)	N/A (viii)	Investment holding
KOREAN CATERING LIMITED	Hong Kong	14 April 2015	HK\$10,000	99.79%	100%	100%	100%	Investment holding
LHG CATERING LIMITED	Hong Kong	23 January 2008	HK\$1	100%	100%	100%	100%	Provision of management service in Hong Kong
LUCKY HOUSE GROUP (MANAGEMENT) LIMITED	Hong Kong	5 July 2007	HK\$7	100%	100%	N/A (viii)	N/A (viii)	Investment holding
LUCKY HOUSE GROUP LIMITED	Hong Kong	29 October 1996	HK\$2	83.33%	83.33%	100%	100%	Provision of management service in Hong Kong

Name	Place of incorporation and kind of legal entity	Date of incorporation	Issued and fully paid share capital	Effective interest held as at			At the date of this report	Principal activities and place of operation	Notes
				31 December 2015	31 December 2016	31 December 2017			
Lucky House Restaurant Group Co. Ltd	Cayman Islands	6 January 1994	HK\$59,262,000	83.33%	83.33%	N/A (viii)	N/A (viii)	Investment holding (vi)	
LUCKY HOUSE RESTAURANT (TIN SHUI WAI) LIMITED (formerly known as GROWN KOON LIMITED)	Hong Kong	14 September 1990	HK\$10,000	83.33%	83.33%	N/A (viii)	N/A (viii)	Restaurant operation in Hong Kong (ii)(iv)	
MAX FLOW (EAST CITY) LIMITED	Hong Kong	20 October 2016	HK\$1	N/A	100%	100%	100%	Restaurant operation in Hong Kong (v)	
MAX GRANDS LIMITED	Hong Kong	11 January 2018	HK\$500,000	N/A	N/A	N/A	100%	Restaurants operation in Hong Kong (v)	
MAX MAX LIMITED	Hong Kong	11 January 2018	HK\$1	N/A	N/A	N/A	100%	Restaurants operation in Hong Kong (v)	
Mou Mou Club (Fanling) Limited (formerly known as MOU MOU CLUB (MK) LIMITED)	Hong Kong	22 October 2010	HK\$1	99.79%	100%	100%	100%	Restaurant operation in Hong Kong (ii)(iii)	
MOU MOU CLUB (HH) LIMITED	Hong Kong	23 March 2011	HK\$1	99.79%	100%	100%	100%	Restaurants operation in Hong Kong (ii)(iii)	
MOU MOU CLUB (KB) LIMITED	Hong Kong	26 June 2014	HK\$1	99.79%	100%	100%	100%	Restaurant operation in Hong Kong (ii)(iii)	
MOU MOU CLUB (KF) LIMITED (formerly known as UNIVERSAL FOOD SAFETY CONSULTING COMPANY LIMITED)	Hong Kong	19 February 2009	HK\$2	99.79%	100%	100%	100%	Restaurants operation in Hong Kong (ii)(iii)	
MOU MOU CLUB (LF) LIMITED	Hong Kong	27 August 2010	HK\$1	99.79%	100%	100%	100%	Restaurants operation in Hong Kong (ii)(iii)	
Mou Mou Club (No 9) Limited (formerly known as XMG (CB) Limited)	Hong Kong	1 April 2010	HK\$1	99.79%	100%	100%	100%	Restaurants operation in Hong Kong (ii)(iii)	

Name	Place of incorporation and kind of legal entity	Date of incorporation	Issued and fully paid share capital	Effective interest held as at			Principal activities and place of operation	Notes
				31 December 2015	31 December 2016	31 December 2017		
MOU MOU CLUB (PRINCE EDWARD) LIMITED	Hong Kong	19 May 2016	HK\$300,000	N/A	100%	100%	Restaurant operation in Hong Kong	(iii)
MOU MOU CLUB (SSW) LIMITED	Hong Kong	26 June 2014	HK\$1	99.79%	100%	100%	Restaurant operation in Hong Kong	(ii)(iii)
MOU MOU CLUB (TST) LIMITED	Hong Kong	30 August 2010	HK\$300,000	99.79%	100%	100%	Restaurants operation in Hong Kong	(ii)(iii)
Mou Mou Club (TW) Limited	Hong Kong	1 April 2010	HK\$1	99.79%	100%	100%	Restaurant operation in Hong Kong	(ii)(iii)
Mou Mou Club Limited	Hong Kong	17 February 2010	HK\$1	99.79%	100%	100%	Restaurant operation in Hong Kong	(ii)(iii)
MOU MOU HOLDINGS LIMITED	BVI	9 June 2017	US\$1	N/A	N/A	100%	Investment holding	(i)
MULTI PROSPECTS LIMITED	Hong Kong	6 December 2017	HK\$500,000	N/A	N/A	100%	Restaurant operation in Hong Kong	(v)
MULTI SUCCESS (KOWLOON TONG) LIMITED	Hong Kong	15 March 2017	HK\$1,000,000	N/A	N/A	100%	Restaurants operation in Hong Kong	(v)
MULTI VICTORIES LIMITED	Hong Kong	17 January 2018	HK\$1	N/A	N/A	N/A	Restaurant operation in Hong Kong	(v)
NEKKETSU ICHIRYU LIMITED	Hong Kong	23 February 2017	HK\$10,000,000	N/A	N/A	100%	Investment holding	(v)
PEACE CUISINE (YT) LIMITED	Hong Kong	14 December 2011	HK\$1	100%	100%	100%	Restaurant operation in Hong Kong	(ii)(iii)
Shabushabu (Causeway Bay) Limited	Hong Kong	10 December 2015	HK\$1	99.79%	100%	100%	Restaurant operation in Hong Kong	(iii)
SHABUSHABU LIMITED	Hong Kong	18 February 2015	HK\$10,000	99.79%	100%	100%	Investment holding	(ii)(iii)

Name	Place of incorporation and kind of legal entity	Date of incorporation	Issued and fully paid share capital	Effective interest held as at			At the date of this report	Principal activities and place of operation	Notes
				31 December 2015	31 December 2016	31 December 2017			
Tamashii (WK) Limited	Hong Kong	13 August 2013	HK\$1	99.79%	100%	100%	100%	Restaurant operation in Hong Kong	(ii)(iii)
THE BANQUETING HOUSE (TST) CO. LIMITED	Hong Kong	9 January 2008	HK\$12,000,000	100%	100%	100%	100%	Restaurant operation in Hong Kong	(ii)(iii)
THE CHINA HOUSE (KF) LIMITED	Hong Kong	30 July 2014	HK\$1	100%	100%	100%	100%	Restaurant operation in Hong Kong	(ii)(iii)
THE CHINA HOUSE (WTS) LIMITED (formerly known as ROYAL KITCHEN CATERING LIMITED)	Hong Kong	15 November 2007	HK\$480	87.5%	87.5%	N/A (viii)	N/A (viii)	Restaurant operation in Hong Kong	(ii)(iii)
TREMENDOUS LUCK RESTAURANT LIMITED	Hong Kong	21 March 2005	HK\$1	83.3%	83.3%	100%	100%	Restaurant operation in Hong Kong	(ii)(iii)
TRIPLE BRILLIANT DEVELOPMENT LIMITED	Hong Kong	6 July 1993	HK\$10,000	50% (vii)	50% (vii)	100%	100%	Provision of procurement and logistics services and trading of ingredients in Hong Kong	(ii)(iii)
WEALTHY (TIN SHUI WAI) LIMITED	Hong Kong	14 March 2017	HK\$1	N/A	N/A	100%	100%	Restaurant operation in Hong Kong	(v)
Yakiniku (Aberdeen) Limited (formerly known as MASAMURA (HONG KONG) LIMITED)	Hong Kong	17 June 2009	HK\$1	99.79%	100%	100%	100%	Restaurant operation in Hong Kong	(ii)(iii)
Yakiniku (CB) Limited	Hong Kong	11 July 2011	HK\$1	99.79%	100%	100%	100%	Restaurant operation in Hong Kong	(ii)(iii)
Yakiniku (HK) Limited	Hong Kong	30 July 2010	HK\$1,000,000	99.79%	100%	100%	100%	Investment holding	(ii)(iii)

Name	Place of incorporation and kind of legal entity	Date of incorporation	Issued and fully paid share capital	Effective interest held as at			At the date of this report	Principal activities and place of operation	Notes
				31 December 2015	31 December 2016	31 December 2017			
YAKINIKU (KB) LIMITED	Hong Kong	3 September 2010	HK\$1	99.79%	100%	100%	100%	Restaurant operation in Hong Kong (ii)(iii)	
YAKINIKU (MK) LIMITED (formerly known as HKXMG LIMITED)	Hong Kong	2 September 2008	HK\$1	99.79%	100%	100%	100%	Restaurant operation in Hong Kong (ii)(iii)	
Yakiniku (Tai Po) Limited	Hong Kong	14 April 2015	HK\$1	99.79%	100%	100%	100%	Restaurant operation in Hong Kong (ii)(iii)	
YAKINIKU (TM) LIMITED	Hong Kong	18 October 2012	HK\$1	99.79%	100%	100%	100%	Restaurant operation in Hong Kong (ii)(iii)	
Yakiniku (TW) Limited (formerly known as XMG (TKO) Limited)	Hong Kong	1 April 2010	HK\$1	99.79%	100%	100%	100%	Restaurant operation in Hong Kong (ii)(iii)	
Yakiniku (YL) Limited	Hong Kong	30 June 2014	HK\$1	99.79%	100%	100%	100%	Restaurant operation in Hong Kong (ii)(iii)	

Notes

- (i) No audited statutory financial statements have been issued for the subsidiaries as they are newly incorporated and not required to issue audited financial statements under the statutory requirements of their place of incorporation.
- (ii) The statutory financial statements of these subsidiaries for each of the years/period ended 31 December 2015 were audited by Ronald W. F. Chan & Co., Certified Public Accountants in Hong Kong.
- (iii) The statutory financial statements of these subsidiaries for the year/period ended 31 December 2016 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong. The statutory financial statements of these subsidiaries for the year ended 31 December 2017 were yet to be issued as of the date of this report.
- (iv) The statutory financial statements of the subsidiary for the year ended 31 December 2016 were audited by Ronald W.F. Chan & Co., Certified Public Accountants in Hong Kong.
- (v) No statutory financial statements were issued for these subsidiaries as they were newly incorporated on or after 1 July 2016.
- (vi) No audited statutory financial statement has been issued for the subsidiary as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.
- (vii) 50% is calculated by the 60% owned by Lucky House Restaurant Group, in which 83.33% of Lucky House Restaurant Group is owned by the Ultimate Shareholders (Note 25(i)(b)).
- (viii) These companies have not been acquired by the Company in the Reorganisation and therefore ceased to be the Group's subsidiaries upon the completion of Reorganisation (Notes 1.3(c) and 1.3(f)).

1.3 Basis of presentation

Immediately prior to the Reorganisation and during the Track Record Period, management of the Listing Business directed the economic activities of the Listing Business as a single business through the Operating Subsidiaries which were mainly the then subsidiaries of Lucky House Group (Management), King Dragon and Lucky House Restaurant Group.

Upon the completion of the Reorganisation, the Operating Subsidiaries, which operate the Listing Business, are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a recapitalisation of the Listing Business with no change in management of such business and the ultimate shareholders of the Listing Business remain substantially the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under Lucky House Group (Management), King Dragon and Lucky House Restaurant Group. The acquisitions of the equity interests owned by the Ultimate Shareholders in the Operating Subsidiaries through cash considerations and share swaps as described in the Reorganisation steps in Note 1.2 have been accounted for as recapitalisation of the single business by pooling the interests of the Ultimate Shareholders in the Listing Business.

The non-controlling interests in the Listing Business represented equity interests other than that of the Ultimate Shareholders. During the Reorganisation, the Group acquired these non-controlling interests in the Listing Business (Note 25(i)).

For the purpose of this report:

- (a) the Historical Financial Information has been prepared and presented as a continuation of the Listing Business under Lucky House Group (Management), King Dragon and Lucky House Restaurant Group, and their subsidiaries, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business under Lucky House Group (Management), King Dragon and Lucky House Restaurant Group and their subsidiaries for all periods presented;
- (b) the excess of the cash considerations of HK\$59,330,000 over the carrying amounts of non-controlling interests acquired during the Reorganisation as described above have been accounted for as equity transactions (Note 25);
- (c) certain subsidiaries, namely Lucky House Restaurant Group, Lucky House Group (Management), King Dragon, The China House (WTS) Limited and Lucky House Restaurant (Tin Shui Wai) Limited (the "Excluded Operations") which were historically part of the Listing Business, have not been acquired by the Company due to the rationalisation of the holding structure in the Reorganisation or cessation of operation. As the Excluded Operations were historically under the same management of the Listing Business, the Directors consider that the Historical Financial Information should include the assets, liabilities and results of operations of the Excluded Operations that were historically part of the Listing Business during the Track Record Period. The net book

value of the Excluded Operations amounting to HK\$12,293,000 at the effective date of the Reorganisation has been accounted for as deemed distribution (Note 24);

- (d) the cash considerations of HK\$69,552,000 in acquiring the equity interests in Triple Brilliant and Tremendous have been accounted for as deemed distribution (Note 1.2.3, 1.2.4 and Note 24); and
- (e) the cash contribution of HK\$99,990,000 by the Ultimate Shareholders, in view of the deemed distribution described in (c) and (d) above, have been accounted for as capital contribution.
- (f) The operating profits/(losses) of these Excluded Operations that were included in the Historical Financial Information during each of the years ended 31 December 2015, 2016 and the period ended 21 June 2017 (date of completion of the Reorganisation) were profit of HK\$3,086,000, profit of HK\$3,188,000, losses of HK\$2,796,000, losses of HK\$2,926,000 and losses of HK\$371,000, respectively. The assets and liabilities of the Excluded Operations as at 21 June 2017 were summarised as follows:

	As at 21 June 2017 HK\$'000
CURRENT ASSETS	
Deposits	3
Amounts due from companies now comprising the Group	88,171
Tax recoverable	519
Cash and cash equivalents	<u>485</u>
Total assets	<u><u>89,178</u></u>
CURRENT LIABILITY	
Amounts due to companies now comprising the Group	<u>76,885</u>
Total liabilities	<u><u>76,885</u></u>
Net assets	<u><u>12,293</u></u>

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA are set out below. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

New standards and amendments to standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations have been issued but not effective during the Track Record Period and have not been early adopted by the Group in preparing these Historical Financial Information:

		Effective for annual periods beginning on or after
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-Based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKAS 40 (Amendment)	Transfer of Investment Property	1 January 2018
HK(IFRIC) Int-22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC) Int-23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021

HKFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities, there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit

risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss. HKFRS 9 also introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost, a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of trade receivables, this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more “rule-based” approach of HKAS 39.

During the Track Record Period, all the Group’s financial assets and financial liabilities were carried at amortised costs without significant provision for impairment on the former. The Group’s trade receivables mainly derive from sales settled by credit cards by restaurant customers, which are usually received from credit card companies on the next working day. Trade receivables also include sale of food ingredients, which is generally settled within one month from the sale transaction date. In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 Financial Instruments: Recognition and Measurement. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The Group assesses that adopting HKFRS 9 will not have significant impact to the Group’s results of operations and financial position.

HKFRS 15, ‘Revenue from Contracts with Customers’, replaces the previous revenue standards: HKAS 18 ‘Revenue’ and HKAS 11 ‘Construction Contracts’, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with a customer; (2) Identify separate performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to the performance obligations in the contract; and (5) Recognise revenue when (or as) the entity satisfies a performance obligation. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings process” to an “asset-liability approach” based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, licence arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

The Group's revenue recognition policies are disclosed in Note 2.21. Currently, revenue from restaurant operations and sale of food ingredients is recognised in the consolidated statements of comprehensive income at the point of (i) catering services delivered to customers; (ii) when customers redeem the awards under the customer loyalty programme/the coupons under the membership scheme; or (iii) when a group entity has delivered products to the customers, and the customers have accepted the products and the collectability of the related receivables is reasonably assured.

The Group concludes that the membership points arising from the customer loyalty programme is a separate performance obligation under HKFRS 15. The Group allocates the transaction price to restaurant sales and the membership points on a relative stand-alone selling price basis taking into account the "breakage" guidance under HKFRS 15. The Group would re-measure the breakage as at each period end to adjust the changes in expected breakage. The Group assesses there is no significant difference as compared to HKAS 18. At the end of balance sheet date, deferred revenue is recognised for the unredeemed membership points. The balances recorded as at 31 December 2015, 2016 and 2017 are approximately HK\$6,943,000, HK\$7,784,000, and HK\$10,043,000 respectively. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

HKFRS 16, 'Leases', addresses the definition of a lease, recognition and measurement of leases. The standard replaces HKAS 17 'Leases' and related interpretations. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated statement of financial position. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in right-of-use asset and an increase in financial liability in the consolidated statement of financial position. This will affect related ratios, such as increase in debt to capital ratio. In the consolidated statement of comprehensive income, leases will be recognised in the future as depreciation and amortisation and will no longer be recorded as property rental and related expenses. Interest expense on the lease liability will be presented separately from depreciation and amortisation under finance costs. As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the 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 profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the financial year 2019, including the adjustment of prior years.

The Group is a lessee of office premises, various restaurants and warehouses, the leases of which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.22. As at 31 December 2017, the Group had non-cancellable minimum operating lease commitments of HK\$325,371,000 (Note 27(a)), which are not reflected in the consolidated statements of financial position. Given that the total non-cancellable operating lease

commitments account for 224% of the total liabilities of the Group as at 31 December 2017, the directors of the Company expect that the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial positions. The Group does not intend to adopt the standard before its effective date. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2019 and that comparatives will not be restated.

HK(IFRIC) Int-22 provides guidance on how to determine the date of the transaction when applying the standard on foreign currency transactions, HKAS 21. The interpretation applies when an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation provides guidance for when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made. During the Track Record Period, the Group did not enter into any significant foreign currency-denominated contracts. Based on the assessment so far, the Group considers the initial application of HK(IFRIC) Int-22 will not have a significant impact on the Group's results of operations and financial position. The interpretation is not expected to be applied until the financial year of 2018.

There are no other new standards and amendments to standards and interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2.2.1 Business combinations

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former shareholders of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.2.2 Changes in ownership interest in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the shareholders of the subsidiary in their capacity as shareholders. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in HK\$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Company, who make strategic decisions.

2.5 Property, plant and equipment

Land and buildings comprise mainly central processing and logistic centre and offices. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

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

— Land and buildings	Over the lease term
— Leasehold improvements	Over the shorter of lease term or 10 years
— Restaurants and kitchen equipment	Over the shorter of lease term or 5 years
— Furniture and fixtures	Over the shorter of lease term or 5 years
— Office equipment	5 years
— Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating expenses' in the consolidated statements of comprehensive income.

2.6 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment losses (Note 2.8). The cost of investment property comprises its purchase price and any directly attributable expenditure. Depreciation is calculated using the straight-line method to allocate the depreciable amounts over the lease term. The residual value and useful life of the investment property is reviewed, and adjusted as appropriate, at the end of each reporting period. The effect of any revision is included in the consolidated statements of comprehensive income when the change arises.

2.7 Intangible assets

Franchises

Separately acquired franchises are shown at historical cost. Franchises have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of franchises over the franchise term of 10 years.

2.8 Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its

recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'deposits and other receivables', 'amounts due from related companies', 'loan to a director', and 'cash and cash equivalents' in the consolidated statements of financial position (Notes 2.13 and 2.14).

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event")

and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statements of comprehensive income.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises invoiced cost less purchase rebates. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements of financial position. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(a) Pension obligations

In Hong Kong, the Group contributes to the mandatory provident fund scheme for eligible employees, the assets of which are held in a separate trustee-administered funds. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Long service payments

In Hong Kong, employees who have completed a required number of years of service to the Group are eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment, provided that such termination meet the circumstances specified in the Hong Kong Employment Ordinance.

(d) Provision for bonus plans

Bonus payments to employees are discretionary to management. Bonus payments are recognised in profit or loss in the period when the Group has formally announced the bonus payments to employees.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Customer loyalty programme

Sales of catering services that result in award credits for customers, under the customer membership programme of the Group, are accounted for as multiple element revenue transaction and the fair value of the consideration received or receivable is allocated between the catering services provided and the awards for which they could be redeemed/entitled. Such consideration is not recognised as revenue at the time of the initial sales transaction, but is deferred and recognised as revenue when the awards are redeemed or the Group's obligations have been fulfilled.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration of the type of customer, the type of transaction and the specifics of each arrangement.

- (a) Restaurant operations
 - (i) Sale of catering services

The Group operates a chain of restaurants. Sales is recognised when catering services have been provided to the customers.

- (ii) Sale of membership

As part of the Group's ordinary activities, memberships (which is a package with coupons and future discounts) are sold to customers in its Asian cuisine restaurants. The receipts in respect of the coupon element are deferred and recognised as "deferred revenue" in the consolidated statements of financial position based on the expected future redemption as at the financial reporting date. The Group implements a contractual expiry policy for the membership under which any unutilised coupons are fully recognised as revenue in the consolidated statements of comprehensive income upon their expiry. The receipts in respect of the discount element are recognised as revenue in the consolidated statements of comprehensive income over the term of the membership.

(b) Sale of food ingredients

Sales is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the titles are passed.

(c) Interest income

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

(d) Rental income

Rental income from investment property is recognised in the consolidated statements of comprehensive income on a straight-line basis over the term of the lease.

2.22 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease. Contingent rental arising under operating leases are recognised as an expense in the period in which they are incurred.

2.23 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the entity's shareholders or directors, where appropriate.

Dividend proposed or declared after the reporting period but before the financial statements are authorised for issue, are disclosed as a non-adjusting event and are not recognised as a liability at the end of the reporting period.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to variety financial risks: market risk (cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) Interest rate risk

The Group has no significant interest-bearing assets except for loan to a director and bank deposits, which are at variable interest rate and subject to cash flow interest rate risk. Fixed deposits are subject to fixed rates which expose the Group to fair value interest rate risk.

For each of the years ended 31 December 2015, 2016 and 2017, if interest rates on all interest-bearing bank deposits and loan to a director had been 100 basis-points higher/lower with all other variables held constant, profit after taxation for the years ended 31 December 2015, 2016 and 2017 would have increased/decreased by approximately HK\$901,000, HK\$641,000 and Nil respectively, mainly as a result of higher/lower interest income on loan to a director and variable rate bank deposits.

(b) Credit risk

The credit risk of the Group mainly arises from trade and other receivables and cash at banks. The carrying amount of these balances in the consolidated statements of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

For the trade and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of trade and other receivables based on historical settlement records and past experience. Trade receivables mainly represent receivables from financial institutions in relation to the payment settled by credit cards by customers of which the settlement is normally within 3 days from transaction date. For the remaining corporate customers in relation to sales of food ingredients, there is no concentration of credit risk as these are receivables from various counterparties.

Management considers that the Group has limited credit risk with its banks which are reputable and are assessed as having low credit risk.

(c) Liquidity risk

The Group's policy is to maintain sufficient cash to meet its liquidity and working capital requirements.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises cash and cash equivalents (Note 20) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<u>Less than one year</u>		
	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	28,947	29,488	35,787
Other payables and accruals	34,734	34,123	41,915
Amounts due to non-controlling interests	2,532	450	—
Loans from shareholders	<u>44,110</u>	<u>42,770</u>	<u>—</u>
	<u>110,323</u>	<u>106,831</u>	<u>77,702</u>

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital on the basis of the debt to capital ratio, which is expressed as a percentage of amounts due to non-controlling interests and loans from shareholders over capital. Capital represents total debts and total equity as shown on the consolidated statements of financial position.

The debt to capital ratio as at 31 December 2015, 2016 and 2017 were as follows:

	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due to non-controlling interests	2,532	450	—
Loans from shareholders	<u>44,110</u>	<u>42,770</u>	<u>—</u>
Total debts	<u>46,642</u>	<u>43,220</u>	<u>—</u>
Total equity	226,044	259,715	201,502
Total capital	<u>272,686</u>	<u>302,935</u>	<u>201,502</u>
Debt to capital ratio	<u>17.1%</u>	<u>14.3%</u>	<u>N/A</u>

3.3 Fair value estimation

The carrying values of the Group's financial assets, including trade receivables, deposits and other receivables, amounts due from related parties, loan to a director and cash and cash equivalents, and financial liabilities, including trade and other payables, amounts due to non-controlling interests and loans from shareholders, approximate to their fair values due to their short-term maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

3.4 Offsetting financial assets and financial liabilities

There is no material offsetting, enforceable master netting arrangement and similar agreements as at 31 December 2015, 2016 and 2017.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Current income taxes and deferred income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

(b) Impairment of property, plant and equipment, investment property and intangible assets

Property, plant and equipment, investment property and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. These calculations require the use of judgments and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present

value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

5 Revenue and segment information

(a) Revenue

Revenue, which is also the Group's turnover, represents amounts received and receivable from the operation of restaurants and sales of food ingredients in Hong Kong, net of discount. An analysis of revenue is as follows:

	<u>Year ended 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Restaurant operations	749,301	722,265	808,897
Sale of food ingredients	<u>21,867</u>	<u>20,781</u>	<u>20,255</u>
	<u>771,168</u>	<u>743,046</u>	<u>829,152</u>

(b) Segment information

The directors of the Company, who are the CODM of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the directors of the Company that are used to make strategic decisions.

The Group is principally engaged in the operation of restaurant chains and sales of food ingredients in Hong Kong. Management reviews the operating results of the business by major cuisine and sale of food ingredients which the Group operates under to make decisions about resources to be allocated.

The Group has the following reporting segments:

- | | | | |
|-----|-------------------------------------|---|--|
| (a) | Chinese cuisine — self owned brands | - | Operation of Chinese restaurants under the self-established “Banqueting House”, “China Hall”, “Peace Cuisine” and “Pot Master” brands, offering Chinese cuisine and wedding reception services |
| (b) | Asian cuisine — franchised brands | - | Operation of Asian cuisine restaurants under the franchised “Gyu-Kaku”, “On-Yasai” and “Yoogane” brands |
| (c) | Asian cuisine – self-owned brands | - | Operation of Asian cuisine restaurants under self-owned brands, including “Mou Mou Club”, “Sushi Dai” and “Tamashii” |
| (d) | Sale of food ingredients | - | Sale of food ingredients to related parties (Note 19) and external third parties |

Segment revenue and segment profit are the measures reported to the directors for the purpose of resources allocation and performance assessment. Segment profit, which is a measure of adjusted profit before tax, is measured consistently with the Group's profit before tax except that finance income, finance cost and unallocated cost are excluded from this measurement.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, trade receivables, prepayments, deposits and other receivables. They exclude property, plant and equipment and prepayments, deposits and other receivables and cash and cash equivalents for general use, investment property, deferred income tax assets, amounts due from related companies, loan to a director and tax recoverable.

Segment liabilities consist primarily of trade payables and other payables and accruals. They exclude other payables and accruals for general use, amounts due to non-controlling interests, loans from shareholders for general use, tax payables, deferred income tax liabilities and provision for reinstatement costs.

The major operating entities of the Group are domiciled in Hong Kong. All of the Group's revenue are derived in Hong Kong during the Track Record Period. As at 31 December 2015, 2016 and 2017, all of non-current assets of the Group are located in Hong Kong.

An analysis of the Group's revenue, profit before taxation and depreciation and amortisation for the years ended 31 December 2015, 2016 and 2017 and segment assets and liabilities as at 31 December 2015, 2016 and 2017 is as follows:

	For the year ended 31 December 2015				
	Chinese restaurants — self-owned brands HK\$'000	Asian cuisine — franchised brands HK\$'000	Asian cuisine — self-owned brands HK\$'000	Sale of food ingredients HK\$'000	Total HK\$'000
Segment revenue					
Revenue	349,699	199,639	199,963	139,160	888,461
Inter-segment revenue	—	—	—	(117,293)	(117,293)
External revenue	<u>349,699</u>	<u>199,639</u>	<u>199,963</u>	<u>21,867</u>	<u>771,168</u>
Segment profit	<u>40,370</u>	<u>30,711</u>	<u>30,921</u>	<u>3,550</u>	<u>105,552</u>
Depreciation and amortisation	<u>(11,520)</u>	<u>(9,522)</u>	<u>(8,535)</u>	<u>—</u>	<u>(29,577)</u>
Segment profit					105,552
Unallocated depreciation and amortisation					(1,854)
Unallocated cost					(47,984)
Unallocated finance income, net					88
Profit before taxation					<u>55,802</u>
Segment assets	<u>112,499</u>	<u>69,459</u>	<u>89,167</u>	<u>49,964</u>	<u>321,089</u>
Segment liabilities	<u>(44,735)</u>	<u>(28,065)</u>	<u>(18,944)</u>	<u>(16,223)</u>	<u>(107,967)</u>

A reconciliation of segment assets to the Group's total assets is as follows:

	As at 31 December 2015 HK\$'000
Segment assets	321,089
Unallocated assets	78,318
	<u>399,407</u>

A reconciliation of segment liabilities to the Group's total liabilities is as follows:

	As at
	31 December
	2015
	<i>HK\$'000</i>
Segment liabilities	107,967
Unallocated liabilities	65,396
	<u>173,363</u>

	For the year ended 31 December 2016				
	Chinese	Asian	Asian	Sale of	
	restaurants —	cuisine —	cuisine —	food	
	self-owned	franchised	self-owned	ingredients	Total
	brands	brands	brands	ingredients	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue					
Revenue	292,971	250,672	178,622	125,750	848,015
Inter-segment revenue	—	—	—	(104,969)	(104,969)
External revenue	<u>292,971</u>	<u>250,672</u>	<u>178,622</u>	<u>20,781</u>	<u>743,046</u>
Segment profit	<u>31,822</u>	<u>31,883</u>	<u>29,626</u>	<u>3,108</u>	<u>96,439</u>
Depreciation and amortisation	<u>(7,888)</u>	<u>(13,529)</u>	<u>(7,867)</u>	<u>—</u>	<u>(29,284)</u>
Segment profit					96,439
Unallocated depreciation and amortisation					(2,404)
Unallocated cost					(45,060)
Unallocated finance income, net					178
Profit before taxation					<u>49,153</u>
Segment assets	<u>111,239</u>	<u>79,161</u>	<u>83,216</u>	<u>54,974</u>	<u>328,590</u>
Segment liabilities	<u>(38,453)</u>	<u>(32,260)</u>	<u>(19,980)</u>	<u>(15,766)</u>	<u>(106,459)</u>

A reconciliation of segment assets to the Group's total assets is as follows:

	As at
	31 December
	2016
	<i>HK\$'000</i>
Segment assets	328,590
Unallocated assets	100,277
	<u>428,867</u>

A reconciliation of segment liabilities to the Group's total liabilities is as follows:

	As at
	31 December
	2016
	<i>HK\$'000</i>
Segment liabilities	106,459
Unallocated liabilities	<u>62,693</u>
	<u>169,152</u>

For the year ended 31 December 2017

	Chinese restaurants — self-owned brands	Asian cuisine — franchised brands	Asian cuisine — self-owned brands	Sale of food ingredients	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue					
Revenue	290,234	319,694	198,969	142,783	951,680
Inter-segment revenue	—	—	—	(122,528)	(122,528)
External revenue	<u>290,234</u>	<u>319,694</u>	<u>198,969</u>	<u>20,255</u>	<u>829,152</u>
Segment profit	<u>18,457</u>	<u>41,960</u>	<u>26,129</u>	<u>3,178</u>	<u>89,724</u>
Depreciation and amortisation	<u>(10,475)</u>	<u>(17,648)</u>	<u>(11,459)</u>	—	<u>(39,582)</u>
Segment profit					89,724
Unallocated depreciation and amortisation					(3,931)
Unallocated cost					(53,756)
Unallocated finance income, net					187
Profit before taxation					<u>32,224</u>
Segment assets	<u>91,413</u>	<u>70,082</u>	<u>56,572</u>	<u>35,757</u>	<u>253,824</u>
Segment liabilities	<u>(39,700)</u>	<u>(38,542)</u>	<u>(17,675)</u>	<u>(12,569)</u>	<u>(108,486)</u>

A reconciliation of segment assets to the Group's total assets is as follows:

	As at
	31 December
	2017
	<i>HK\$'000</i>
Segment assets	253,824
Unallocated assets	<u>93,135</u>
	<u>346,959</u>

A reconciliation of segment liabilities to the Group's total liabilities is as follows:

	As at 31 December 2017
	<i>HK\$'000</i>
Segment liabilities	108,486
Unallocated liabilities	<u>36,971</u>
	<u>145,457</u>

6 Other income and gains

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Forfeiture of deposits received from customers	414	467	654
Rental income	91	102	105
Management fee income (Note 19(b))	846	868	531
Sponsorship income	133	252	561
Sundry income	<u>1,398</u>	<u>1,194</u>	<u>726</u>
	<u>2,882</u>	<u>2,883</u>	<u>2,577</u>

7 Finance income, net

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense	(2)	—	—
Interest income	<u>90</u>	<u>178</u>	<u>187</u>
	<u>88</u>	<u>178</u>	<u>187</u>

8 Profit before taxation

Profit before taxation is stated after charging/(crediting) the following:

	Note	Year ended 31 December		
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Depreciation of property, plant and equipment	13	31,248	31,493	43,266
Depreciation of investment property	14	25	25	25
Amortisation of intangible assets	15	158	170	222
Lease payments under operating leases in respect of land and buildings:				
Minimum lease payments		93,329	94,280	111,135
Contingent rental		7,057	6,034	6,195
		<u>100,386</u>	<u>100,314</u>	<u>117,330</u>
Employee benefit expenses (excluding directors' remuneration (Note 9)):				
Wages and salaries		205,374	201,766	222,098
Discretionary bonuses		14,623	14,000	9,703
Retirement benefit scheme contributions		9,857	9,620	10,964
Staff welfare		9,413	8,508	8,389
Provision for untaken annual leave		308	293	425
Provision for/(reversal of provision for) long service payment		675	797	(674)
		<u>240,250</u>	<u>234,984</u>	<u>250,905</u>
Auditors' remuneration				
— Audit services		974	750	750
— Non-audit services		47	550	350
(Gain)/loss on disposal of property, plant and equipment		(7)	1	(170)
Foreign exchange differences, net		<u>(377)</u>	<u>20</u>	<u>89</u>

9 Benefits and interests of Directors

(a) Directors' emoluments

The remuneration of every director for each of the years ended 31 December 2015, 2016 and 2017 were as follows:

	Fees	Salaries	Discretionary bonuses	Retirement benefit scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2015					
Executive directors					
Ms. Grace Ko	—	2,672	144	48	2,864
Mr. Ho Chi Wai	—	674	310	25	1,009
Mr. Simon Wong	—	4,232	553	38	4,823
Non-executive director					
Mr. Peter Liu(vii)	—	2,160	370	57	2,587
	—	9,738	1,377	168	11,283
Year ended 31 December 2016					
Executive directors					
Ms. Grace Ko	—	2,588	630	49	3,267
Mr. Ho Chi Wai	—	722	177	20	919
Mr. Simon Wong	—	3,946	400	38	4,384
Non-executive director					
Mr. Peter Liu(vii)	—	1,980	270	56	2,306
	—	9,236	1,477	163	10,876
Year ended 31 December 2017					
Executive directors					
Ms. Grace Ko	—	2,288	654	49	2,991
Mr. Ho Chi Wai	—	796	199	18	1,013
Mr. Simon Wong	—	2,931	917	38	3,886
Non-executive director					
Mr. Peter Liu(vii)	—	420	250	22	692
	—	6,435	2,020	127	8,582

- (i) The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the Operating Subsidiaries and no directors waived and agreed to waive any emolument during each of the years ended 31 December 2015, 2016 and 2017.
- (ii) No director fees were paid to these directors in their capacity as directors of the Company or the Operating Subsidiaries and no emoluments were paid by the Company or the

Operating Subsidiaries to the directors as an inducement to join the Company or the Operating Subsidiaries, or as compensation for loss of office during each of the years ended 31 December 2015, 2016 and 2017.

- (iii) During each of the years ended 31 December 2015, 2016 and 2017, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services.
- (iv) During each of the years ended 31 December 2015, 2016 and 2017, other than those disclosed in Note 19, no significant transactions, agreements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had material interest, whether directly or indirectly, subsisted at the end of each of the years ended 31 December 2015, 2016 and 2017.
- (v) During each of the years ended 31 December 2015, 2016 and 2017, other than those disclosed in Note 19, there were no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors.
- (vi) Mr. Ho Chi Wai, Ms. Grace Ko, Mr. Peter Liu and Mr. Simon Wong, were appointed as the Company's directors on 20 June 2017. The directors' emoluments are presented as if the directors had been appointed throughout the Track Record Period.
- (vii) Mr. Peter Liu resigned on 25 August 2017 as non-executive director of the Company. He has confirmed that there is no disagreement between himself and the Board.

(b) Five highest paid individuals

3, 3 and 3 of the highest paid individuals were directors of the Company for the years ended 31 December 2015, 2016 and 2017, respectively.

Details of the remuneration of the remaining 2, 2 and 2 highest paid individuals for the years ended 31 December 2015, 2016 and 2017, respectively, who are not directors of the Company, are analysed below:

	<u>Year ended 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	<u>5,150</u>	<u>4,690</u>	<u>2,351</u>

The emoluments of the remaining individuals fell within the following bands:

	<u>Year ended</u> <u>31 December</u>		
	2015	2016	2017
Nil to HK\$1,000,000	—	—	1
HK\$1,000,001 to HK\$2,000,000	—	—	1
HK\$2,000,001 to HK\$3,000,000	<u>2</u>	<u>2</u>	<u>—</u>

10 Income tax expense

Hong Kong profits tax has been provided on the estimated assessable profits at a rate of 16.5% for each of the years ended 31 December 2015, 2016 and 2017.

The major components of the income tax expense are as follows:

	<u>Year ended 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax			
Current income tax	9,987	10,732	11,248
Under-provision in prior years	—	224	—
Deferred income tax (Note 23)	<u>(867)</u>	<u>(2,354)</u>	<u>(3,021)</u>
Total tax charge for the year	<u>9,120</u>	<u>8,602</u>	<u>8,227</u>

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	<u>Year ended 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>55,802</u>	<u>49,153</u>	<u>32,224</u>
Tax at the statutory tax rates of 16.5%	9,207	8,110	5,317
Income not subject to tax	(15)	(29)	(81)
Under-provision in prior years	—	224	—
Expenses not deductible for tax	268	618	3,471
Tax rebate	<u>(340)</u>	<u>(321)</u>	<u>(480)</u>
Income tax expense	<u>9,120</u>	<u>8,602</u>	<u>8,227</u>

For each of the years ended 31 December 2015, 2016 and 2017, the weighted average applicable tax rate was 16.3%, 17.5% and 25.5% respectively. The weighted average applicable tax rate approximates to the statutory tax rate of 16.5% for each of the year ended 31 December 2015, 2016 and 2017. The increase in weighted average applicable tax rate for the year ended 31 December 2017 was mainly due to the non-deductible listing expenses of HK\$16,143,000.

11 Dividends

Dividends disclosed during each of the years ended 31 December 2015, 2016 and 2017 represented dividends declared and paid or payable by the Operating Subsidiaries and the Company to Ultimate Shareholders based on their then respective shareholdings. The rates for dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

(a) Group

	<u>Year ended 31 December</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends paid	<u>—</u>	<u>3,409</u>	<u>35,247</u>

(b) Company

	<u>Year ended 31 December</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends paid	<u>—</u>	<u>—</u>	<u>1,500</u>

In July 2017, the Company declared and paid a dividend of HK\$1,500,000 per share.

In February 2018, the Company declared and paid a dividend of HK\$2,100,000 per share. On 4 May 2018, the Company declared and paid a dividend of HK\$800,000 per share.

The aforementioned dividends declared and paid in 2018 have not been reflected as dividend payable in the consolidated statement of financial position as at 31 December 2017.

12 Earnings per share attributable to shareholders of the Company

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2015, 2016 and 2017.

	<u>Year ended 31 December</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Profit attributable to shareholders of the Company (HK\$'000)	41,913	36,281	22,391
Weighted average number of shares in issue	<u>10</u>	<u>10</u>	<u>10</u>
Basic earnings per share (HK\$'000)	<u>4,191</u>	<u>3,628</u>	<u>2,239</u>

The weighted average number of shares in issue for the years ended 31 December 2015, 2016 and 2017 for the purpose of earnings per share computation has been retrospectively adjusted for the effect of the 1 share issued on 9 June 2017 (the date of incorporation) and the share subdivision on 22 August 2017 whereby each ordinary share was subdivided into 10 ordinary shares (Note 29). The earnings per share has not taken into account the proposed capitalisation issue pursuant to the written resolution of the shareholders passed on 4 May 2018 (Note 11) because the proposed capitalisation issue has not become effective as at the date of this report.

(b) Diluted

Diluted earnings per share for the years ended 31 December 2015, 2016 and 2017 are the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

13 Property, plant and equipment

	Land and buildings	Leasehold improvements	Restaurants and kitchen equipment	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015							
Cost	13,653	102,394	76,009	13,274	1,213	2,490	209,033
Accumulated depreciation	(6,216)	(64,842)	(51,254)	(11,671)	(540)	(2,252)	(136,775)
Accumulated impairment	—	(925)	(893)	(2)	—	—	(1,820)
Net carrying amount	<u>7,437</u>	<u>36,627</u>	<u>23,862</u>	<u>1,601</u>	<u>673</u>	<u>238</u>	<u>70,438</u>
Year ended 31 December 2015							
Opening net carrying amount	7,437	36,627	23,862	1,601	673	238	70,438
Additions	—	25,846	11,631	1,199	820	904	40,400
Disposals	—	—	(146)	(2)	—	—	(148)
Depreciation	(254)	(17,055)	(11,978)	(1,118)	(426)	(417)	(31,248)
Closing net carrying amount	<u>7,183</u>	<u>45,418</u>	<u>23,369</u>	<u>1,680</u>	<u>1,067</u>	<u>725</u>	<u>79,442</u>
At 31 December 2015							
Cost	13,653	119,863	83,881	13,513	2,033	2,989	235,932
Accumulated depreciation	(6,470)	(73,520)	(59,619)	(11,831)	(966)	(2,264)	(154,670)
Accumulated impairment	—	(925)	(893)	(2)	—	—	(1,820)
Net carrying amount	<u>7,183</u>	<u>45,418</u>	<u>23,369</u>	<u>1,680</u>	<u>1,067</u>	<u>725</u>	<u>79,442</u>
Year ended 31 December 2016							
Opening net carrying amount	7,183	45,418	23,369	1,680	1,067	725	79,442
Additions	15,202	21,022	10,318	1,501	171	595	48,809
Disposals	—	—	(93)	—	—	—	(93)
Depreciation	(377)	(18,326)	(10,851)	(968)	(603)	(368)	(31,493)
Closing net carrying amount	<u>22,008</u>	<u>48,114</u>	<u>22,743</u>	<u>2,213</u>	<u>635</u>	<u>952</u>	<u>96,665</u>
At 31 December 2016							
Cost	28,855	137,378	92,513	14,616	2,204	3,337	278,903
Accumulated depreciation	(6,847)	(88,339)	(68,877)	(12,401)	(1,569)	(2,385)	(180,418)
Accumulated impairment	—	(925)	(893)	(2)	—	—	(1,820)
Net carrying amount	<u>22,008</u>	<u>48,114</u>	<u>22,743</u>	<u>2,213</u>	<u>635</u>	<u>952</u>	<u>96,665</u>
Year ended 31 December 2017							
Opening net carrying amount	22,008	48,114	22,743	2,213	635	952	96,665
Additions	—	45,071	24,087	1,539	117	1,765	72,579
Disposals	—	—	—	—	—	(189)	(189)
Depreciation	(747)	(26,473)	(13,564)	(1,218)	(752)	(512)	(43,266)
Closing net carrying amount	<u>21,261</u>	<u>66,712</u>	<u>33,266</u>	<u>2,534</u>	<u>—</u>	<u>2,016</u>	<u>125,789</u>
At 31 December 2017							
Cost	28,855	171,074	105,497	13,850	2,321	4,230	325,827
Accumulated depreciation	(7,594)	(103,437)	(71,338)	(11,314)	(2,321)	(2,214)	(198,218)
Accumulated impairment	—	(925)	(893)	(2)	—	—	(1,820)
Net carrying amount	<u>21,261</u>	<u>66,712</u>	<u>33,266</u>	<u>2,534</u>	<u>—</u>	<u>2,016</u>	<u>125,789</u>

14 Investment property

	Land and building <i>HK\$'000</i>
At 1 January 2015	
Cost	1,005
Accumulated depreciation	<u>(185)</u>
Net carrying amount	<u>820</u>
Year ended 31 December 2015	
Opening net carrying amount	820
Depreciation	<u>(25)</u>
Closing net carrying amount	<u>795</u>
At 31 December 2015	
Cost	1,005
Accumulated depreciation	<u>(210)</u>
Net carrying amount	<u>795</u>
Year ended 31 December 2016	
Opening net carrying amount	795
Depreciation	<u>(25)</u>
Closing net carrying amount	<u>770</u>
At 31 December 2016	
Cost	1,005
Accumulated depreciation	<u>(235)</u>
Net carrying amount	<u>770</u>
Year ended 31 December 2017	
Opening net carrying amount	770
Depreciation	<u>(25)</u>
Closing net carrying amount	<u>745</u>
At 31 December 2017	
Cost	1,005
Accumulated depreciation	<u>(260)</u>
Net carrying amount	<u>745</u>

- (a) Amounts recognised in the consolidated statements of comprehensive income for investment property

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	91	102	105
Direct operating expenses from property that generated rental income	<u>(17)</u>	<u>(18)</u>	<u>(14)</u>
	<u>74</u>	<u>84</u>	<u>91</u>

- (b) As at 31 December 2015, 2016 and 2017, the Group had no unprovided contractual obligations for future repairs and maintenance.
- (c) The Group's investment property was valued at 31 December 2015, 2016 and 2017 by management of the Company using the direct comparison approach with reference to market price per square foot of comparable properties in close proximity.

Fair value hierarchy

The following table analyses the investment property carried at fair value, by valuation method.

	Fair value measurement using significant other observable inputs (Level 2)		
	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Recurring fair value measurements			
Investment property	<u>3,863</u>	<u>3,316</u>	<u>4,400</u>

15 Intangible assets

	Franchise <i>HK\$'000</i>
At 1 January 2015	
Cost	1,000
Accumulated amortisation	<u>(425)</u>
Net carrying amount	<u>575</u>
Year ended 31 December 2015	
Opening net carrying amount	575
Addition	1,476
Amortisation	<u>(158)</u>
Closing net carrying amount	<u>1,893</u>
At 31 December 2015	
Cost	2,476
Accumulated amortisation	<u>(583)</u>
Net carrying amount	<u>1,893</u>
Year ended 31 December 2016	
Opening net carrying amount	1,893
Addition	2,029
Amortisation	<u>(170)</u>
Closing net carrying amount	<u>3,752</u>
At 31 December 2016	
Cost	4,505
Accumulated amortisation	<u>(753)</u>
Net carrying amount	<u>3,752</u>
Year ended 31 December 2017	
Opening net carrying amount	3,752
Amortisation	<u>(222)</u>
Closing net carrying amount	<u>3,530</u>
At 31 December 2017	
Cost	4,505
Accumulated amortisation	<u>(975)</u>
Net carrying amount	<u>3,530</u>

16 Inventories

	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Food and consumables for restaurant operations	<u>18,904</u>	<u>19,836</u>	<u>25,884</u>

17 Trade receivables

Trade receivables mainly represent receivables from financial institutions in relation to the payment settled by credit cards by customers of which the settlement period is normally within 3 days from transaction date. Generally, there is no credit period granted to customers, except for certain corporate customers in relation to sales of food ingredients, which credit period of 30 days is granted by the Group.

	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
External customers	5,126	11,101	12,682
Related companies (Note 19)	<u>468</u>	<u>375</u>	<u>—</u>
	<u>5,594</u>	<u>11,476</u>	<u>12,682</u>

An ageing analysis of the trade receivables as at 31 December 2015, 2016 and 2017, based on the invoice date, is as follows:

	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	4,825	7,105	8,882
31 — 60 days	590	2,145	1,856
61 — 180 days	<u>179</u>	<u>2,226</u>	<u>1,944</u>
	<u>5,594</u>	<u>11,476</u>	<u>12,682</u>

The Group's trade receivables are denominated in HK\$. The carrying value of trade receivables approximate their fair values due to their short-term maturities.

As of 31 December 2015, 2016 and 2017, trade receivables of HK\$4,825,000, HK\$10,604,000 and HK\$10,170,000 were fully performing. The Group's trade receivables balance does not contained impaired assets.

As of 31 December 2015, 2016 and 2017, trade receivables of HK\$769,000, HK\$872,000 and HK\$2,512,000 were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
31 – 60 days	590	773	606
61 – 180 days	<u>179</u>	<u>99</u>	<u>1,906</u>
	<u>769</u>	<u>872</u>	<u>2,512</u>

The maximum exposure to credit risk at 31 December 2015, 2016 and 2017 is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

18 Prepayments, deposits and other receivables

The Group

	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	6,339	9,881	13,702
Prepaid listing expenses	—	—	5,449
Rental and utilities deposits	54,862	52,737	72,006
Other receivables	317	153	170
	<u>61,518</u>	<u>62,771</u>	<u>91,327</u>
Less: non-current portion			
— Rental and utilities deposits	(39,853)	(42,062)	(57,800)
— Prepayments for property, plant and equipment	—	(152)	—
Current portion	<u>21,665</u>	<u>20,557</u>	<u>33,527</u>

The Company

	<u>As at</u>
	<u>31 December</u>
	2017
	<i>HK\$'000</i>
Prepaid listing expenses	<u>5,449</u>

At 31 December 2015, 2016 and 2017, the balances of deposits and other receivables were neither past due nor impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.

The maximum exposure to credit risk as at 31 December 2015, 2016 and 2017 was the carrying value of each class of receivable mentioned above. The Company and Group did not hold any collateral as security. The carrying amounts of prepayments, deposits and other receivables approximate to their fair values and are denominated in HK\$.

19 Related parties balances and transactions

For the purposes of this Historical Financial Information, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following individuals and companies were related parties that had transactions or balances with the Group during the years ended 31 December 2015, 2016 and 2017:

Name of related parties	Relationship with the Group
Mr. Lam Kwan Ying	Controlling shareholder of Hop Kwan
Ms. Chan Wai Chun	The spouse of Mr. Lam Kwan Ying
Mr. Chan Kam Cheung	Non-controlling interests of the Group
Ms. Chik Yuk	Non-controlling interests of the Group
Mr. Chong Kwong Ip	The son-in-law of Mr. Wong
Mr. Lau Chi Wai, Mr. Lau Ka Leung and Mr. Lau Ka Fai	The sons of Mr. Lau
Mr. Wai Kam Chiu	Non-controlling interests of the Group
Ms. Wong Shu Ming, Quinn	The daughter of Mr. Wong
All Global Development Limited	Non-controlling interests of the Group
Cheong Fat Industrial Limited	Entity controlled by Mr. Liu
Century Hong Kong Investments Limited	Entity is significantly influenced by Mr. Ko, Mr. Liu, Mr. Peter Liu, Mr. Lau and Mr. Wong
Fortune Eagle Enterprises Limited and Rich Hero International Enterprises Limited	Entities significantly influenced by Ms. Chan Wai Chun, Mr. Chong Kwong Ip and Ms. Wong Shu Ming, Quinn
Gainlot Industrial Limited	Entity significantly influenced by Mr. Ko, Mr. Wong, Mr. Peter Liu and Mr. Lau
Long Capital Catering Limited	Entity controlled by Mr. Lau Chi Wai, Mr. Lau Ka Leung, Mr. Lau Ka Fai and Mr. Lau
Hop Kwan Cold Meat Company Limited and Hop Kwan Enterprises Limited	Entities controlled by Mr. Lam Kwan Ying and his family
Kingdom Restaurant Company Limited	Entity controlled by Mr. Ko, Mr. Liu, Mr. Peter Liu, Mr. Lau and Mr. Wong
Kwong Hong Investments Limited	Entity controlled by Mr. Wong
Long View Chinese Cuisine Limited	Entity jointly controlled by Mr. Lau and two independent parties
Union Ford Properties Limited	Non-controlling interests of the Group
Wise Voice Investments Limited	Non-controlling interests of the Group
You Me, You Me (International) Limited	Entity controlled by Mr. Lau and an independent party

(a) Balances with related parties

	<u>As at 31 December</u>		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<u>Loan to a shareholder</u>			
Mr. Lau	1,067	1,068	—
<u>Amounts due from related companies</u>			
Gainlot Industrial Limited	116	157	—
Kingdom Restaurant Company Limited	1,200	1,200	—
Others	32	11	—
	<u>1,348</u>	<u>1,368</u>	<u>—</u>
<u>Loans from shareholders</u>			
Draconis	(5,510)	(5,510)	—
Hop Kwan	(5,510)	(5,510)	—
Mr. Ko	(6,210)	(6,210)	—
Mr. Lau	(6,210)	(6,210)	—
Mr. Liu	(6,210)	(6,210)	—
Mr. Peter Liu	(6,210)	(6,210)	—
Mr. Wong	(6,210)	(6,210)	—
Shareholders of the Group	<u>(42,070)</u>	<u>(42,070)</u>	<u>—</u>
Mr. Wai Kam Chiu	(170)	—	—
All Global Development Limited	(1,000)	—	—
Mr. Chan Kam Cheung	(170)	—	—
Ms. Chik Yuk	(700)	(700)	—
Non-controlling interests	<u>(2,040)</u>	<u>(700)</u>	<u>—</u>
Total	<u>(44,110)</u>	<u>(42,770)</u>	<u>—</u>

	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Amounts due to non-controlling interests</u>			
Wise Voice Investments Limited	(1,408)	(450)	—
Union Ford Properties Limited	(1,124)	—	—
	<u>(2,532)</u>	<u>(450)</u>	<u>—</u>
<u>Trade receivables from related companies (Note 17)</u>			
Fortune Eagle Enterprises Limited	76	47	—
Long Capital Catering Limited	199	269	—
Long View Chinese Cuisine Limited	56	—	—
You Me, You Me (International) Limited	36	54	—
Others	<u>101</u>	<u>5</u>	<u>—</u>
	<u>468</u>	<u>375</u>	<u>—</u>
<u>Trade payables to related companies (Note 21)</u>			
Hop Kwan Cold Meat Company Limited	(171)	(40)	—
Hop Kwan Enterprises Limited	<u>(45)</u>	<u>(19)</u>	<u>—</u>
	<u>(216)</u>	<u>(59)</u>	<u>—</u>

The loan to a director is unsecured, repayable on demand and carries interest at prime rate+1%. The amount was fully settled on 28 June 2017.

The maximum outstanding balances due from a director during the years ended 31 December 2015, 2016 and 2017 are as follows:

	<u>Year ended 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loan to a director	<u>1,067</u>	<u>1,068</u>	<u>—</u>

The amounts due from/(to) non-controlling interests and related companies and loans from shareholders are unsecured, interest-free and repayable on demand. The amounts due from related companies were non-trade in nature. The loan to a director and amounts due from related companies were neither past due nor impaired. The carrying amounts of the loan to a director, loans from shareholders and amounts due from/(to) non-controlling interests and related companies approximate to their fair values and are denominated in HK\$.

(b) Related party transactions

In addition to the transactions disclosed elsewhere in this report, the Group had the following transactions with related parties in the ordinary course of business:

	<u>Year ended 31 December</u>		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<u>Interest income receivable from (i)</u>			
— Mr. Lau	<u>67</u>	<u>63</u>	<u>32</u>
<u>Motor vehicle rental expenses paid and payable to (ii)</u>			
— Cheong Fat Industrial Limited	240	240	120
— Kwong Hong Investments Limited	<u>120</u>	<u>120</u>	<u>—</u>
<u>Purchases of food ingredients from (iii)</u>			
— Hop Kwan Cold Meat Company Limited	2,168	783	141
— Hop Kwan Enterprises Limited	<u>444</u>	<u>377</u>	<u>149</u>
<u>Management fee income received and receivable from (iv)</u>			
— Gainlot Industrial Limited	315	318	203
— Wise Voice Investments Limited	124	125	74
— Others	<u>407</u>	<u>425</u>	<u>254</u>
<u>Sales of food ingredients to (v)</u>			
— Century Hong Kong Investments Limited	715	719	—
— Fortune Eagle Enterprises Limited	1,107	1,319	1,199
— Long Capital Catering Limited	843	841	338
— Long View Chinese Cuisine Limited	273	—	—
— Rich Hero International Enterprises Limited	61	39	6
— You Me, You Me (International) Limited	133	118	65
— Others	<u>175</u>	<u>78</u>	<u>175</u>

- (i) Interest income is received in accordance with interest rates mutually agreed by the relevant parties.
- (ii) Motor vehicle rental expenses are paid in accordance with terms mutually agreed by the relevant parties.
- (iii) Purchases of food ingredients are conducted at terms mutually agreed by the relevant parties.
- (iv) Management fee income is received in relation to administrative services provided by employees of the Group to related companies.
- (v) Sales of food ingredients are conducted at terms mutually agreed by the relevant parties.

(c) Key management compensation

Key management includes executive directors and the senior management of the Group.

Compensation of key management personnel of the Group, including directors' remuneration as disclosed in Note 9 to the Historical Financial Information, is as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other short-term employee benefits	10,244	10,233	9,236
Discretionary bonuses	2,213	2,098	2,561
Retirement benefit scheme contribution	196	193	194
	<u>12,653</u>	<u>12,524</u>	<u>11,991</u>

20 Cash and cash equivalents

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash on hand	3,877	3,846	4,748
Cash in banks	126,393	149,486	65,242
Time deposits with initial maturity period up to three months	89,000	63,026	—
Cash and cash equivalents	<u>219,270</u>	<u>216,358</u>	<u>69,990</u>

Note:

As at 31 December 2015, 2016 and 2017, all of the Group's cash and cash equivalent are solely denominated in HK\$.

As at 31 December 2015, 2016 and 2017, the maximum exposure to credit risk of the Group is cash in banks amounting to HK\$215,393,000, HK\$212,512,000 and HK\$65,242,000 respectively.

Cash in banks earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21 Trade payables

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
External suppliers	28,731	29,429	35,787
Related companies (Note 19)	216	59	—
	<u>28,947</u>	<u>29,488</u>	<u>35,787</u>

An ageing analysis of the trade payables as at 31 December 2015, 2016 and 2017, based on the invoice date, is as follows:

	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	20,062	19,889	26,238
31-60 days	2,615	2,499	8,025
61-180 days	5,422	6,516	877
Over 180 days	848	584	647
	<u>28,947</u>	<u>29,488</u>	<u>35,787</u>

The trade payables are non-interest-bearing with payment terms of 30-60 days in general.

22 Other payables and accruals

The Group

	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Advances from customers	24,502	20,059	14,802
Rent payable	1,076	930	707
Provision for effective rental	5,511	6,334	11,628
Accrued employee benefit expenses	23,808	24,546	20,016
Provision for long service payment	2,470	2,470	1,657
Provision for untaken annual leave	3,418	3,711	4,071
Provision for reinstatement costs (Note (a))	14,879	14,893	18,464
Accrued listing expenses	—	—	5,670
Deferred revenue	6,943	7,784	10,043
Other accrued expenses	5,032	6,266	10,367
Payables for purchase of property, plant and equipment	4,591	2,227	5,086
Others payables	227	154	69
	<u>92,457</u>	<u>89,374</u>	<u>102,580</u>
Less: non-current portion			
— Provision for reinstatement costs (Note (a))	(10,466)	(11,082)	(14,825)
Current portion	<u>81,991</u>	<u>78,292</u>	<u>87,755</u>

The Company

	<u>As at</u>
	<u>31 December</u>
	2017
	<i>HK\$'000</i>
Accrued listing expenses	<u>5,670</u>

As at 31 December 2015, 2016 and 2017, the carrying amounts of other payables and accruals approximate to their fair values, as the impact of discounting is not significant, and are mainly denominated in HK\$.

Note:

- (a) Provision for reinstatement costs

Movements in the Group's provision for reinstatement costs are as follows:

	<u>Year ended 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	15,708	14,879	14,893
Additional provision during the year	565	1,453	4,928
Settlements	<u>(1,394)</u>	<u>(1,439)</u>	<u>(1,357)</u>
At the end of the year	<u>14,879</u>	<u>14,893</u>	<u>18,464</u>

23 Deferred income tax

The movement in the deferred income tax account is as follows:

	<u>Year ended 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	4,385	5,252	7,606
Credited to the consolidated statements of comprehensive income (Note 10)	<u>867</u>	<u>2,354</u>	<u>3,021</u>
At the end of the year	<u>5,252</u>	<u>7,606</u>	<u>10,627</u>

The movements in deferred income tax assets and liabilities for each of the years ended 31 December 2015, 2016 and 2017 without taking into consideration the offsetting of balances within the same jurisdiction, are as follows:

Deferred income tax assets

	Decelerated tax depreciation	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2015	3,418	4,155	7,573
Credited to the consolidated statements of comprehensive income	<u>198</u>	<u>2,339</u>	<u>2,537</u>
At 31 December 2015 and 1 January 2016	3,616	6,494	10,110
Credited to the consolidated statements of comprehensive income	<u>357</u>	<u>490</u>	<u>847</u>
At 31 December 2016 and 1 January 2017	3,973	6,984	10,957
Credited to the consolidated statements of comprehensive income	<u>780</u>	<u>1,031</u>	<u>1,811</u>
At 31 December 2017	<u><u>4,753</u></u>	<u><u>8,015</u></u>	<u><u>12,768</u></u>

Deferred income tax liabilities

	Accelerated tax depreciation
	<i>HK\$'000</i>
At 1 January 2015	3,188
Charged to the consolidated statements of comprehensive income	<u>1,670</u>
At 31 December 2015 and 1 January 2016	4,858
Credited to the consolidated statements of comprehensive income	<u>(1,507)</u>
At 31 December 2016 and 1 January 2017	3,351
Credited to the consolidated statements of comprehensive income	<u>(1,210)</u>
At 31 December 2017	<u><u>2,141</u></u>

As at 31 December 2015, 2016 and 2017, there is no significant unrecognised deferred income tax. Deferred income tax assets are recognised for tax loss carry-forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. Tax losses amounting to HK\$39,358,000, HK\$42,327,000 and HK\$48,582,000 as at 31 December 2015, 2016 and 2017, respectively, have no expiry date.

There are no income tax consequences attaching to the payment of dividends by the companies now comprising the Group to their then respective shareholders.

24 Reserves

(A) Group

	Retained Earnings	Other Reserves (Note d)	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2015	111,954	33,854	145,808
Profit and total comprehensive income for the year	<u>41,913</u>	<u>—</u>	<u>41,913</u>
At 31 December 2015 and 1 January 2016	153,867	33,854	187,721
Profit and total comprehensive income for the year	36,281	—	36,281
Dividends (Note 11)	(3,409)	—	(3,409)
Acquisition of non-controlling interests (Note a)	<u>—</u>	<u>(1,046)</u>	<u>(1,046)</u>
At 31 December 2016 and 1 January 2017	186,739	32,808	219,547
Profit and total comprehensive income for the year	22,391	—	22,391
Dividends (Note 11)	(35,247)	—	(35,247)
Acquisition of non-controlling interests (Note a)	—	(27,064)	(27,064)
Deemed distribution to the then shareholders of the Company (Note b)	—	(78,115)	(78,115)
Capital contribution by the then shareholders of the Company (Note c)	<u>—</u>	<u>99,990</u>	<u>99,990</u>
At 31 December 2017	<u><u>173,883</u></u>	<u><u>27,619</u></u>	<u><u>201,502</u></u>

(a) *Acquisition of non-controlling interests*

The movements during the years ended 31 December 2016 and 2017 represented the difference between the fair value of the consideration paid and the carrying amount of net assets attributable to the additional interest in subsidiaries acquired from non-controlling interests (refer to Note 25(i)).

(b) *Deemed distribution to the then shareholders of the Company*

Deemed distribution to Ultimate Shareholders during the year ended 31 December 2017 represented:

- (i) the HK\$12.8 million consideration paid by the Group to Mr. Wong, Mr. Ko, Mr. Peter Liu, Mr. Liu and Mr. Lau in acquiring 83.33% of the net assets of Tremendous as Tremendous has been consolidated into the Group from the beginning of the Track Record Period (refer to Note 1.2.4 for the Reorganisation steps underwent in the Track Record Period by the Group);
- (ii) the HK\$56.8 million consideration paid by the Group to Mr. Wong, Mr. Ko, Mr. Peter Liu, Mr. Liu and Mr. Lau in acquiring 50% of the net assets of Triple Brilliant as Triple Brilliant has been consolidated into the Group from the beginning of the Track Record Period (refer to Note 1.2.3 for the Reorganisation steps underwent in the Track Record Period by the Group); and

(iii) the assets and liabilities of Excluded Operations attributable to the Ultimate Shareholders (100% of Lucky House Group (Management), 100% of King Dragon, 87.5% of The China House (WTS) Limited, 83.33% of Lucky House Restaurant Group and 83.33% of Lucky House Restaurant (Tin Shui Wai) Limited) with carrying amount of HK\$8.6 million accounted for as a distribution to the Ultimate Shareholders at the effective date of the Reorganisation (refer to Note 1.3).

(c) *Capital contribution by the then shareholders of the Company*

Capital contribution by the then shareholders of the Company represents the shareholders' fund provided by the Ultimate Shareholders of the Group.

(d) As at 31 December 2017, other reserves mainly represented the excess of the aggregated capital of the companies now comprising the Group over the deemed distribution in respect of the non-controlling interest acquired during the Reorganisation.

(B) Company

	<u>Capital reserve</u>
	<i>HK\$'000</i>
At 9 June 2017 (date of incorporation)	—
Contribution surplus (a)	189,764
Dividends	<u>(1,500)</u>
At 31 December 2017	<u>188,264</u>

(a) As at 31 December 2017, capital reserve of the Company represents the excess of the aggregate net assets values of the subsidiaries acquired by the Company over the nominal consideration payable by the Group for the acquisition of subsidiaries pursuant to the Reorganisation as described in Note 1.2.

25 Transactions with non-controlling interests

(i) The following transactions with non-controlling interests related acquisitions of non-controlling interests as part of the Reorganisation (Note 1.3(b)):

(a) KABUSHIKIGAISHA LIMITED

On 26 September 2016, the Group acquired an additional 0.21% of the equity interest of KABUSHIKIGAISHA LIMITED for a purchase consideration of HK\$3,111,000. The carrying amount of the non-controlling interests in KABUSHIKIGAISHA LIMITED on the date of acquisition was HK\$2,065,000. The Group recognised a decrease in non-controlling interests of HK\$2,065,000 and a decrease in equity attributable to shareholders of the Company of HK\$1,046,000. The effect of changes in the ownership interest of

KABUSHIKIGAISHA LIMITED on the equity attributable to shareholders of the Company during the year is summarised as follows:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of non- controlling interests acquired	—	2,065	—
Consideration paid to non- controlling interests	—	<u>(3,111)</u>	—
Excess of consideration paid recognised within equity	<u>—</u>	<u>(1,046)</u>	<u>—</u>

(b) TRIPLE BRILLIANT DEVELOPMENT LIMITED

On 21 June 2017, the Group acquired an additional 50% of the equity interest of TRIPLE BRILLIANT DEVELOPMENT LIMITED for a purchase consideration of HK\$56,772,000 (Note 1.2.3). The carrying amount of the non-controlling interests in TRIPLE BRILLIANT DEVELOPMENT LIMITED on the date of acquisition was HK\$30,980,000. The Group recognised a decrease in non- controlling interests of HK\$30,980,000 and a decrease in equity attributable to shareholders of the Company of HK\$25,792,000. The effect of the changes in the ownership interest of TRIPLE BRILLIANT DEVELOPMENT LIMITED on the equity attributable to shareholders of the Company is summarised as follows:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of non-controlling interests acquired	—	—	30,980
Consideration paid to non-controlling interests	—	—	<u>(56,772)</u>
Excess of consideration paid recognised within equity	<u>—</u>	<u>—</u>	<u>(25,792)</u>

(c) TREMENDOUS LUCK RESTAURANT LIMITED

On 21 June 2017, the Group acquired an additional 16.67% of the equity interest of TREMENDOUS LUCK RESTAURANT LIMITED for a purchase consideration of HK\$2,554,000 (Note 1.2.4). The carrying amount of the non-controlling interests in TREMENDOUS LUCK RESTAURANT LIMITED on the date of acquisition was HK\$2,024,000. The Group recognised a decrease in non-controlling interests of HK\$2,024,000 and a decrease in equity attributable to shareholders of the Company of HK\$530,000. The effect of the changes in the ownership interest of TREMENDOUS LUCK RESTAURANT LIMITED on the equity attributable to shareholders of the Company is summarised as follows:

	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of non-controlling interests acquired	—	—	2,024
Consideration paid to non-controlling interests	—	—	(2,554)
Excess of consideration paid recognised within equity	<u>—</u>	<u>—</u>	<u>(530)</u>

(d) LUCKY HOUSE GROUP LIMITED

On 21 June 2017, the Group acquired an additional 16.67% of the equity interest of LUCKY HOUSE GROUP LIMITED for a purchase consideration of HK\$4,000 (Note 1.2.5). The carrying amount of the non-controlling interests in LUCKY HOUSE GROUP LIMITED on the date of acquisition was a deficit of HK\$344,000. The Group derecognised the non-controlling interests balance of HK\$344,000 and recognised a decrease in equity attributable to shareholders of the Company of HK\$348,000. The effect of the changes in the ownership interest of LUCKY HOUSE GROUP LIMITED on the equity attributable to shareholders of the Company is summarised as follows:

	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of non-controlling interests acquired	—	—	(344)
Consideration paid to non-controlling interests	—	—	(4)
Excess of consideration paid recognised within equity	<u>—</u>	<u>—</u>	<u>(348)</u>

(ii) After the completion of the Reorganisation, the Group entered into the following transaction with the non-controlling interests of HOTPOT PNP HOLDINGS LIMITED:

On 28 December 2017, the Group acquired an additional 19.8% of the equity interest of HOTPOT PNP HOLDINGS LIMITED for a purchase consideration of HK\$1,980,000. The carrying amount of the non-controlling interests in HOTPOT PNP HOLDINGS LIMITED on the date of acquisition was HK\$1,586,000. The Group recognised a decrease in non-

controlling interests of HK\$1,586,000 and a decrease in equity attributable to shareholders of the Company of HK\$394,000. The effect of the changes in the ownership interest of HOTPOT PNP HOLDINGS LIMITED on the equity attributable to shareholders of the Company is summarised as follows:

	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of non- controlling interests acquired	—	—	1,586
Consideration paid to non- controlling interests	—	—	(1,980)
Excess of consideration paid recognised within equity	<u>—</u>	<u>—</u>	<u>(394)</u>

26 Notes to the consolidated statements of cash flows

(a) Cash generated from operations

	Note	<u>Year ended 31 December</u>		
		2015	2016	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation		55,802	49,153	32,224
Adjustments for:				
Depreciation of property, plant and equipment	13	31,248	31,493	43,266
Depreciation of investment property	14	25	25	25
Amortisation of intangible assets	15	158	170	222
(Gain)/loss on disposal of property, plant and equipment (Note (b))		(7)	1	(170)
Finance income, net	7	(88)	(178)	(189)
		<u>87,138</u>	<u>80,664</u>	<u>75,378</u>
Changes in working capital				
Inventories		6,899	(932)	(6,048)
Trade receivables		1,395	(5,882)	(1,206)
Prepayments, deposits and other receivables		(483)	(1,101)	(24,512)
Trade payables		976	541	6,299
Other payables and accruals		567	(2,172)	14,117
Balances with related companies		23	(20)	1,368
Balances with non-controlling interests		(139)	(2,082)	(450)
Cash generated from operations		<u>96,376</u>	<u>69,016</u>	<u>64,946</u>

- (b) In the consolidated statements of cash flows, proceeds from sale of property, plant and equipment comprise:

	<u>Year ended 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net carrying amount (Note 13)	148	93	189
Gain/(loss) on disposal of property, plant and equipment	<u>7</u>	<u>(1)</u>	<u>170</u>
Proceeds from disposal of property, plant and equipment	<u>155</u>	<u>92</u>	<u>359</u>

- (c) The reconciliation of liabilities arising from financial activities is as follows:

	<u>Loan from shareholders</u>
	<i>HK\$'000</i>
As at 1 January 2015 and 31 December 2015	44,110
Cash flows	
— outflow from financing activities	<u>(1,340)</u>
As at 31 December 2016	42,770
Cash flows	
— outflow from financing activities	<u>(42,770)</u>
As at 31 December 2017	<u>—</u>

27 Operating lease and capital commitments

- (a) Operating lease rental payables — as lessee

The Group leases certain of its restaurants, office premises and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to six years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As lessees			
Within one year	79,022	89,782	119,915
In the second to fifth years, inclusive	122,040	109,782	200,897
Beyond five years	<u>—</u>	<u>—</u>	<u>4,559</u>
	<u>201,062</u>	<u>199,564</u>	<u>325,371</u>

In addition, the operating lease rentals for certain restaurants are based on the higher of a fixed rental and contingent rent based on the sales of these restaurants pursuant to the terms and

conditions as set out in the respective rental agreements. The relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table.

(b) Operating lease rental receivables — as lessor

The future minimum lease receivables under non-cancellable operating lease are as follows:

	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As lessor			
Within one year	102	94	117
In the second to fifth years, inclusive	<u>94</u>	<u>—</u>	<u>108</u>
	<u>196</u>	<u>94</u>	<u>225</u>

(c) Capital commitments

The Group had the following capital expenditure contracted but not yet incurred and provided for as follows:

	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold improvements			
Contracted but not provided for	<u>—</u>	<u>193</u>	<u>3,490</u>

28 **Financial instruments by category**

	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets as per consolidated statements of financial position			
Loans and receivables:			
— Trade receivables	5,594	11,476	12,682
— Deposits and other receivables	55,179	52,890	72,176
— Amounts due from related companies	1,348	1,368	—
— Loan to a director	1,067	1,068	—
— Cash and cash equivalents	<u>219,270</u>	<u>216,358</u>	<u>69,990</u>
Total	<u>282,458</u>	<u>283,160</u>	<u>154,848</u>

	<u>As at 31 December</u>		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Liabilities as per consolidated statements of financial position			
Financial liabilities at amortised cost:			
— Trade payables	28,947	29,488	35,787
— Other payables and accruals	34,734	34,123	41,915
— Amounts due to non-controlling interests	2,532	450	—
— Loans from shareholders	44,110	42,770	—
Total	<u>110,323</u>	<u>106,831</u>	<u>77,702</u>

29 Share capital

(a) Authorised:

	Number of shares	Nominal value <i>HK\$'000</i>
At 9 June 2017 (date of incorporation)	380,000	380
Effect on share subdivision (Note)	<u>3,420,000</u>	<u>—</u>
At 31 December 2017	<u>3,800,000</u>	<u>380</u>

(b) Issued and fully paid:

	Number of shares	Nominal value <i>HK\$</i>
At 9 June 2017 (date of incorporation) (Note 1.2(ii))	1	—
Effect on share subdivision (Note)	<u>9</u>	<u>1</u>
At 31 December 2017	<u>10</u>	<u>1</u>

Notes:

Pursuant to a resolution passed on 22 August 2017, every one share of the Company's authorised and issued shares with nominal value of HK\$1 per share have been subdivided into ten shares with nominal value of HK\$0.1 with effect from 22 August 2017.

On 4 May 2018, the authorised share capital of the Company was increased from HK\$380,000 divided into 3,800,000 shares to HK\$400,000,000 divided into 4,000,000,000 shares through the creation of an additional 3,996,200,000 shares.

30 Amounts due from/(to) subsidiaries

Amounts due from/ (to) subsidiaries are unsecured, interest-free and repayable on demand. The amounts due from subsidiaries were neither past due nor impaired. The carrying amounts of the amounts due from/ (to) subsidiaries approximate to their fair values and are denominated in HK\$.

31 Material non-controlling interests

The total non-controlling interests for the years ended 31 December 2015, 2016 and 2017 are HK\$38,323,000, HK\$40,168,000 and Nil respectively, of which HK\$35,936,000, HK\$40,102,000 and Nil are attributed to Lucky House Restaurant Group. The non-controlling interests in respect of other subsidiaries are not material.

Set out below are the summarised consolidated financial information of the subsidiary that has non-controlling interests that are material to the Group.

Summarised statements of financial position

	<u>As at 31 December</u>		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current			
Assets	142,029	146,493	—
Liabilities	(59,847)	(49,455)	—
Total net current assets	<u>82,182</u>	<u>97,038</u>	<u>—</u>
Non-current			
Assets	12,627	11,334	—
Liabilities	(866)	(686)	—
Net assets	<u>93,943</u>	<u>107,686</u>	<u>—</u>

Summarised statements of comprehensive income

	<u>Year ended 31 December</u>		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	234,634	178,080	87,846
Profit before taxation	15,524	10,237	5,580
Income tax expense	(2,724)	(1,531)	(837)
Profit and total comprehensive income for the year	<u>12,800</u>	<u>8,706</u>	<u>4,743</u>
Total comprehensive income allocated to non-controlling interests	<u>4,787</u>	<u>4,166</u>	<u>2,004</u>
Dividends paid to non-controlling interests	<u>—</u>	<u>—</u>	<u>5,778</u>

Summarised statements of cash flows

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities			
Cash generated from operations	25,207	6,176	3,488
Interest received	12	49	59
Income tax paid, net	(2,031)	(3,676)	(696)
Net cash generated from operating activities	23,188	2,549	2,851
Net cash used in investing activities	(1,625)	(1,023)	(41,349)
Net cash generated from/(used in) financing activities	26,000	—	(26,000)
Net increase/(decrease) in cash and cash equivalents	47,563	1,526	(64,498)
Cash and cash equivalents at the beginning of the year	50,357	97,920	99,446
Cash and cash equivalents at the end of the year	<u>97,920</u>	<u>99,446</u>	<u>34,948</u>

32 Subsequent events

Save as disclosed elsewhere in this report, there is no other material subsequent event undertaken by the Company or by the Group after 31 December 2017.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2017 and up to the date of this report. Save as disclosed in Note 11, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2017.

The following information does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the owners of the Company as of 31 December 2017 as if the Global Offering had taken place on 31 December 2017.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2017 or at any future dates following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to the shareholders of the Company as at 31 December 2017	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company as at 31 December 2017	Unaudited pro forma adjusted net tangible assets per Share
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Note 3)
Based on the Offer Price of HK\$1.00 per Offer Share	<u>197,972</u>	<u>179,891</u>	<u>377,863</u>	<u>0.47</u>
Based on the Offer Price of HK\$1.30 per Offer Share	<u>197,972</u>	<u>237,786</u>	<u>435,758</u>	<u>0.54</u>

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the shareholders of the Company as at 31 December 2017 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the shareholders of the Company as at 31 December 2017 of approximately HK\$201,502,000 less intangible assets attributable to the owners of the Company of approximately HK\$3,530,000 as at 31 December 2017.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$1.00 per Offer Share and HK\$1.30 per Offer Share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and other related expenses (excluding approximately listing expenses of HK\$16,143,000 which has been accounted for in the consolidated statement of comprehensive income for the year ended 31 December 2017).
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 Shares were in issue assuming that the Global Offering and the Capitalisation Issue have been completed on 31 December 2017 but take no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Post IPO Share Option Scheme or repurchased by the Company pursuant to the general mandate granted to the Directors to issue or repurchase shares as described in the section headed "Share Capital" in this prospectus.

- (4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2017. In particular, the unaudited pro forma adjusted net tangible assets of the Group has not taken into account a dividend of HK\$21.0 million paid in February 2018 and a dividend of HK\$8.0 million declared and paid on 4 May 2018. The unaudited pro forma adjusted net tangible assets per Share would have been HK\$0.44 and HK\$0.51 per Share based on the Offer Price of HK\$1.00 and HK\$1.30 per Offer Share respectively if the payment of such dividends had been accounted for.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**To the directors of LH GROUP LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of LH GROUP LIMITED (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2017, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 15 May 2018, in connection with the proposed global offering of the shares of the Company. 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.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed global offering on the Group's financial position as at 31 December 2017 as if the proposed global offering had taken place at 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 31 December 2017, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing 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 ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement 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.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Our firm applies Hong Kong Standard on Quality Control 1 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 Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing 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 accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing 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 a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 proposed global offering at 31 December 2017 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
- 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 accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, 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 by the directors of the Company 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 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 15 May 2018

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

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 Companies Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 June 2017 under the Cayman Islands Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**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 4 May 2018. A summary of certain provisions of the Articles is set out below.

(a) *Shares*

(i) **Classes of shares**

The share capital of the Company consists of ordinary shares.

(ii) **Variation of rights of existing shares or classes of shares**

Subject to the Cayman Islands Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding

(or, in the case of a shareholder being a corporation, by its duly 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; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Islands 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.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require)

interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) *Directors*

(i) **Appointment, retirement and removal**

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for 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

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

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 Cayman Islands 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

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

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 Cayman Islands 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 Cayman Islands Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Islands 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

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

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.

(c) *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.

(d) *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.

(e) *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 Cayman Islands 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

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

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 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 Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of

such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Islands Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly 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.

(f) 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 Cayman Islands Companies Law (which include all sales

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

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 Cayman Islands 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 shareholders 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 shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(g) *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.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

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 check or warrant sent through the post. Every such check 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 check 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

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

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 checks for dividend entitlements or dividend warrants by post if such checks or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a check or warrant is returned undelivered.

(h) *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.

(i) *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.

(j) *Procedures on liquidation*

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Islands 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.

(k) *Subscription rights reserve*

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Islands 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 COMPANIES LAW

The Company was incorporated in the Cayman Islands as an exempted company on 9 June 2017 subject to the Cayman Islands Companies Law. Certain provisions of Cayman Islands Companies 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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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 of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Islands Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Islands 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 Cayman Islands Companies Law, and the provisions, if any, of the company's memorandum and articles of association, 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

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW

(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

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) *Exchange control*

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) *Taxation*

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 16 August 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) *Stamp duty on transfers*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) *Loans to directors*

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Islands 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 30 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.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

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.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 9 June 2017 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 14 August 2017. We have established a place of business in Hong Kong at Unit 03, L23 Tower 1, Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong. Ms. Chan Hiu Yi who resides in Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Islands Companies Law and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

On 9 June 2017, our authorised share capital as at the date of our incorporation was HK\$380,000 divided into 380,000 Shares of HK\$1.00 each. One fully paid Share was allotted and issued at par value to an initial subscriber and such Share was subsequently transferred to LHG Holdings on 20 June 2017.

Our Company underwent a subdivision of shares on 22 August 2017 whereby each of the existing issued and unissued ordinary Shares of par value of HK\$1.00 each was subdivided into 10 ordinary Shares of par value of HK\$0.10 each, and such subdivided Shares shall carry the same rights with each other, such that after the subdivision, the authorised share capital of the Company became HK\$380,000 divided into 3,800,000 Shares of par value of HK\$0.10 each, and the issued share capital of the Company became HK\$1.00 divided into 10 Shares of par value of HK\$0.10 each.

Pursuant to the resolutions in writing of the Shareholders of our Company passed on 4 May 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each to HK\$400,000,000 divided into 4,000,000,000 Shares with a par value of HK\$0.10 each by the creation of an additional 3,996,200,000 Shares. We allotted and issued an aggregate of 599,999,990 Shares to our then existing Shareholders pursuant to the Capitalisation Issue.

Immediately following the completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme, the issued share capital of our Company will be HK\$80,000,000 divided into 800,000,000 Shares, all fully paid or credited as fully paid and 3,200,000,000 Shares will remain unissued.

Save for the aforesaid and as mentioned in the subsection headed “A. Further information about our Company — 3. Resolutions in writing of our Shareholders passed on 4 May 2018” below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of our Shareholders passed on 4 May 2018

By resolutions in writing of our Shareholders passed on 4 May 2018, among other things:

- (a) our Company approved and conditionally adopted the Articles of Association which will become effective upon the Listing Date;
- (b) our Company approved and adopted the Memorandum of Association with immediate effect;
- (c) the authorised share capital of our Company was increased from HK\$380,000 divided into 3,800,000 Shares of a par value of HK\$0.10 each to HK\$400,000,000 divided into 4,000,000,000 Shares of a per value of HK\$0.10 each by the creation of an additional of 3,996,200,000 Shares, which rank pari passu in all respects with the Shares in issue as at the date of such resolutions;
- (d) conditional further on the share premium account of the Company being credited with the proceeds of the Global Offering, the Directors be and are hereby authorised to allot and issue a total of 599,999,990 Shares, credited as fully-paid at par, to the shareholder(s) of the Company whose name(s) appear on the register of members of the Company as at the date immediately before the Listing Date (or any such other date as the Directors may direct) in proportion (as nearly as possible without involving fractions) to their then existing shareholding(s) in the Company by way of capitalisation of the sum of HK\$59,999,999 standing to the credit of the share premium account of the Company, and such Shares to be allotted and issued pursuant to the capitalisation issue (“**Capitalisation Issue**”) shall rank pari passu in all respects with the existing issued Shares; THAT the aforesaid issue and allotment of Shares pursuant to the Capitalisation Issue be and is hereby authorised; and THAT the Directors be and are hereby authorised to allot and issue the Shares under the Capitalisation Issue and to give effect to such Capitalisation and issue and allotment of Shares;
- (e) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue, Shares to be issued pursuant to the Capitalisation Issue and our Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the options which may be granted under the Post-IPO Share Option Scheme; (ii) the entering into of the agreement on the Offer Price among our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including waiver of any condition(s) by the Underwriters) and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering;

- (ii) the Over-allotment Option was approved; and
- (f) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to a specific authority granted by our Shareholders in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;
- (g) 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 approved 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 aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first; and
- (h) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted and issued or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above.

4. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganisation, please refer to the section headed “History, development and reorganisation” in this prospectus.

5. Changes in share capital of our Company’s subsidiaries

Save as disclosed in the section headed “History, development and reorganisation” of this prospectus, there are no changes in the registered capital of our Company’s subsidiaries during the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of its own securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders’ approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our Shareholders on 4 May 2018, a general unconditional mandate (the “Buyback Mandate”) was granted to our Directors authorising the repurchase of shares by our Company 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, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until 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 an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase

or, if authorised by the Articles and subject to the Cayman Islands Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium accounts of our Company, or if authorised by the Articles and subject to the Cayman Islands Companies Law, out of capital.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Islands Companies Law, out of capital and, in the case of any premium payable on the purchase, out of either or both of the profits of our Company or the share premium account of our Company or, subject to the Cayman Islands Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) Share capital

Exercise in full of the Buyback Mandate, on the basis of 800,000,000 Shares in issue immediately after the Global Offering (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Post-IPO Share Option Scheme), could accordingly result in up to 80,000,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) has notified us that he/ she /it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Post-IPO Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Buyback Mandate will be 80,000,000 Shares, being 10% of the total number of Shares based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholders will be increased to approximately 78.57% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) a reorganisation agreement dated 21 June 2017, entered into among LUCKY HOUSE GROUP (MANAGEMENT) LIMITED, DRACONIS INVESTMENT LIMITED, KO SAU

CHEE GRACE, KABUSHIKIGAISHA HOLDINGS LIMITED and LHG HOLDINGS LIMITED, pursuant to which KABUSHIKIGAISHA HOLDINGS LIMITED purchased the entire A class ordinary shares of KABUSHIKIGAISHA LIMITED from LUCKY HOUSE GROUP (MANAGEMENT) LIMITED, DRACONIS INVESTMENT LIMITED and KO SAU CHEE GRACE in consideration for LHG HOLDINGS LIMITED to allot and issue 404,955 shares to each of LUCKY HOUSE GROUP (MANAGEMENT) LIMITED, DRACONIS INVESTMENT LIMITED and KO SAU CHEE GRACE, respectively, credited as fully paid;

- (b) a reorganisation agreement dated 21 June 2017, entered into among LUCKY HOUSE GROUP (MANAGEMENT) LIMITED, DRACONIS INVESTMENT LIMITED, KO SAU CHEE GRACE, KABUSHIKIGAISHA HOLDINGS LIMITED and LHG HOLDINGS LIMITED, pursuant to which KABUSHIKIGAISHA HOLDINGS LIMITED purchased the entire ordinary shares of KABUSHIKIGAISHA LIMITED from LUCKY HOUSE GROUP (MANAGEMENT) LIMITED, DRACONIS INVESTMENT LIMITED and KO SAU CHEE GRACE in consideration for LHG HOLDINGS LIMITED to allot and issue 45,000 shares to each of LUCKY HOUSE GROUP (MANAGEMENT) LIMITED, DRACONIS INVESTMENT LIMITED and KO SAU CHEE GRACE, respectively, credited as fully paid;
- (c) a reorganisation agreement dated 21 June 2017, entered into among LUCKY HOUSE RESTAURANT GROUP CO. LTD., WISE VOICE INVESTMENTS LIMITED, UNION FORD PROPERTIES LIMITED AND LHG PROCUREMENT LIMITED, pursuant to which LHG PROCUREMENT LIMITED purchased the entire issued share capital of TRIPLE BRILLIANT DEVELOPMENT LIMITED from LUCKY HOUSE RESTAURANT GROUP CO. LTD., WISE VOICE INVESTMENTS LIMITED, UNION FORD PROPERTIES LIMITED for an aggregate cash consideration of HK\$113,544,000;
- (d) a reorganisation agreement dated 21 June 2017, entered into among LUCKY HOUSE RESTAURANT (TIN SHUI WAI) LIMITED and LHG CHINESE CATERING LIMITED, pursuant to which LHG CHINESE CATERING LIMITED purchased the entire issued share capital of TREMENDOUS LUCK RESTAURANT LIMITED from LUCKY HOUSE RESTAURANT (TIN SHUI WAI) LIMITED for an aggregate cash consideration of HK\$15,336,000;
- (e) the instrument of transfer and bought and sold notes both dated 28 December 2017 and entered into between Hotpot PNP Holdings Limited and Max Legend Holdings Limited, pursuant to which Hotpot PNP Holdings Limited acquired 990,000 shares of NEKKETSU ICHIRYU LIMITED from Max Legend Holdings Limited for a consideration of HK\$990,000;
- (f) the instrument of transfer and bought and sold notes both dated 28 December 2017 and entered into between Hotpot PNP Holdings Limited and Hong Kong Luckystars Investment Limited, pursuant to which Hotpot PNP Holdings Limited acquired 990,000 shares of NEKKETSU ICHIRYU LIMITED from Hong Kong Luckystars Investment Limited for a consideration of HK\$990,000;

- (g) the cornerstone investment agreement dated 9 May 2018, entered into between LH GROUP LIMITED, S.A.S. INVESTMENT COMPANY LIMITED, CHINA EVERBRIGHT SECURITIES (HK) LIMITED, SINOLINK SECURITIES (HONG KONG) COMPANY LIMITED, CELESTIAL CAPITAL LIMITED and CHINA EVERBRIGHT CAPITAL LIMITED, pursuant to which S.A.S. INVESTMENT COMPANY LIMITED agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of HK\$12.0 million (exclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at the Offer Price;
- (h) the cornerstone investment agreement dated 9 May 2018, entered into between LH GROUP LIMITED, CHU KAM KEUNG, CHINA EVERBRIGHT SECURITIES (HK) LIMITED, SINOLINK SECURITIES (HONG KONG) COMPANY LIMITED, CELESTIAL CAPITAL LIMITED and CHINA EVERBRIGHT CAPITAL LIMITED, pursuant to which CHU KAM KEUNG agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of HK\$10.0 million (exclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at the Offer Price;
- (i) the cornerstone investment agreement dated 9 May 2018, entered into between LH GROUP LIMITED, FREDERICK MA SI HANG, CHINA EVERBRIGHT SECURITIES (HK) LIMITED, SINOLINK SECURITIES (HONG KONG) COMPANY LIMITED, CELESTIAL CAPITAL LIMITED and CHINA EVERBRIGHT CAPITAL LIMITED, pursuant to which FREDERICK MA SI HANG agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of HK\$8.0 million (exclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at the Offer Price;
- (j) the cornerstone investment agreement dated 9 May 2018, entered into between LH GROUP LIMITED, LO MAN PUNG EDDIE, CHINA EVERBRIGHT SECURITIES (HK) LIMITED, SINOLINK SECURITIES (HONG KONG) COMPANY LIMITED, CELESTIAL CAPITAL LIMITED and CHINA EVERBRIGHT CAPITAL LIMITED, pursuant to which LO MAN PUNG EDDIE agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of HK\$8.0 million (exclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at the Offer Price;
- (k) the Deed of Non-Competition; and
- (l) the Hong Kong Underwriting Agreement.












2. Intellectual property rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group has registered the following trademarks which, in the opinion of our Directors, are material to our business:




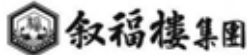
	Trademark registration number	Trademark	Registered owner	Place of registration	Class	Expiry date
1.	301516563		Kabushikigaisha Limited	Hong Kong	43	5 January 2020
2.	302431278		Kabushikigaisha Limited	Hong Kong	43	8 November 2022
3.	303848815		Kabushikigaisha Limited	Hong Kong	43	24 July 2026
4.	301564281		LHG Catering Limited	Hong Kong	43	15 March 2020
5.	302409318		LHG Catering Limited	Hong Kong	43	17 October 2022
6.	302535002		LHG Catering Limited	Hong Kong	43	28 February 2023
7.	303165958		LHG Catering Limited	Hong Kong	43	14 October 2024
8.	N/47287		Kabushikigaisha Limited	Macau	43	5 May 2024
9.	N/49239		LHG Catering Limited	Macau	43	13 September 2024

	Trademark registration number	Trademark	Registered owner	Place of registration	Class	Expiry date
10.	7978211		Kabushikigaisha Limited	PRC	43	6 April 2023
11.	8123709		LHG Catering Limited	PRC	43	6 November 2022
12.	303959885		LHG Catering Limited	Hong Kong	43	10 November 2026
13.	304080645		LHG Catering	Hong Kong	43	16 March 2027
14.	304100390		LHG Catering	Hong Kong	43	4 April 2027
15.	304106330		LHG Catering	Hong Kong	43	10 April 2027
16.	304106349		LHG Catering	Hong Kong	43	10 April 2027
17.	304080654		Kabushikigaisha Limited	Hong Kong	43	16 March 2027




	Trademark registration number	Trademark	Registered owner	Place of registration	Class	Expiry date
18.	304080672		Kabushikigaisha Limited	Hong Kong	43	16 March 2027
19.	304110939		Kabushikigaisha Limited	Hong Kong	43	17 April 2027
20.	304223150		LHG Catering Limited	Hong Kong	43	27 July 2027
21.	304110948		Kabushikigaisha Limited	Hong Kong	43	17 April 2027
22.	303959885		LHG Catering Limited	Hong Kong	43	10 November 2026
23.	N/122493		Kabushikigaisha Limited	Macau	43	22 September 2024
24.	N/122494		Kabushikigaisha Limited	Macau	43	22 September 2024
25.	N/122495		Kabushikigaisha Limited	Macau	43	22 September 2024
26.	N/122496		Kabushikigaisha Limited	Macau	43	22 September 2024
27.	N/122497		Kabushikigaisha Limited	Macau	43	22 September 2024
28.	N/122767		Kabushikigaisha Limited	Macau	43	12 October 2024

APPENDIX IV


STATUTORY AND GENERAL INFORMATION



	Trademark registration number	Trademark	Registered owner	Place of registration	Class	Expiry date
29.	N/122768		Kabushikigaisha Limited	Macau	43	12 October 2024
30.	N/122498	LHGROUP 叙福樓集團	LHG Catering Limited	Macau	43	22 September 2024
31.	N/122499		LHG Catering Limited	Macau	43	22 September 2024
32.	N/122500	御苑 皇宴 THE BANQUETING HOUSE	LHG Catering Limited	Macau	43	22 September 2024
33.	N/122765		LHG Catering Limited	Macau	43	12 October 2024
34.	N/122766		LHG Catering Limited	Macau	43	12 October 2024

As of the Latest Practicable Date, our Group has been granted licences to use the following trademarks which we believe are material in relation to our Group's business:

	Trademark registration number	Trademark	Registered owner	Place of registration	Class	Expiry date
1.	200405944		Reins International Inc.	Hong Kong	42	15 August 2019
2.	302621501		Kabushiki Gaisha Reins International (Reins International Inc.)	Hong Kong	43	27 May 2023
3.	303388140		Soon Yong Kwon	Hong Kong	35, 43	26 April 2025

As of the Latest Practicable Date, our Group has applied for registration of the following trademarks which, in the opinion of our Directors, are material to our business:

	Trademark application number	Trademark	Registered owner	Place of registration	Class	Application date
1.	23458056		Kabushikigaisha Limited	PRC	43	7 April 2017

	Trademark application number	Trademark	Registered owner	Place of registration	Class	Application date
2.	23458567		Kabushikigaisha Limited	PRC	43	7 April 2017
3.	23458708		Kabushikigaisha Limited	PRC	43	7 April 2017
4.	23458796		Kabushikigaisha Limited	PRC	43	7 April 2017
5.	23458842		Kabushikigaisha Limited	PRC	43	7 April 2017
6.	23715480		Kabushikigaisha Limited	PRC	43	21 April 2017
7.	23715756		Kabushikigaisha Limited	PRC	43	21 April 2017
8.	23457442		LHG Catering Limited	PRC	43	7 April 2017
9.	23457870		LHG Catering Limited	PRC	43	7 April 2017
10.	23458309		LHG Catering Limited	PRC	43	7 April 2017
11.	23715286		LHG Catering Limited	PRC	43	21 April 2017
12.	23715321		LHG Catering Limited	PRC	43	21 April 2017

(b) Domains

As of the Latest Practicable Date, our Group has registered the following domain names which, in the opinion of our Directors, are material to our business:

Domain name	Registered owner	Date of registration	Expiry date
www.lhg.com.hk	LHG Catering Limited	19 May 2008	22 May 2018

<u>Domain name</u>	<u>Registered owner</u>	<u>Date of registration</u>	<u>Expiry date</u>
www.Kabu.com.hk	Kabushikigaisha Limited	13 January 2010	13 January 2022
www.lhgroup.com.hk	LH GROUP LIMITED	31 January 2018	1 February 2019

Save as disclosed in this prospectus, there are no trademarks, patents or other intellectual property rights which are material in relation to the business of the Group.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of Interests — interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations*

Immediately upon completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme, the interests or short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

(i) *Interests in our Company*

<u>Name of Shareholder</u>	<u>Nature of Interest</u>	<u>Shares held immediately following the completion of the Capitalisation Issue and the Global Offering⁽¹⁾</u>	
		<u>Number</u>	<u>Percentage (approximate)</u>
LHG Holdings Limited ⁽²⁾	Beneficial Owner	600,000,000 (L)	75%
Mr. Wong Kit Lung Simon ⁽³⁾	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%
Ms. Ko Sau Chee Grace ⁽³⁾	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

- (2) LHG Holdings is an investment-holding company incorporated in the BVI and owned as to 29.03%, 2.99%, 11.99%, 11.99%, 11.99%, 11.99%, 11.99% and 8.03% by Mr. Wong Kit Lung Simon, Mr. Wong Yiu Hung, Mr. Ko Cheuk Kuen, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan Holdings Limited and Ms. Ko Sau Chee Grace.
- (3) Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan Holdings Limited, Mr. Lam Kwan Ying and Ms. Chan Wai Chun and Ms. Ko Sau Chee Grace are parties acting in concert (having the meaning ascribed to it under the Takeovers Code). Each of Mr. Lam Kwan Ying and Ms. Chan Wai Chun owns 30% and 30% of Hop Kwan Holdings Limited respectively and therefore under SFO, Mr. Lam Kwan Ying and Ms. Chan Wai Chun are deemed or taken to be interested in the shares to be held by Hop Kwan Holdings Limited after the completion of the Global Offering and the Capitalisation Issue. As such, immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme), Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan Holdings Limited, Mr. Lam Kwan Ying, Ms. Chan Wai Chun and Ms. Ko Sau Chee Grace will for the purpose of the SFO together through LHG Holdings Limited control 75% of the entire share capital of the Company.

(ii) *Interests in associated corporations of our Company*

<u>Name</u>	<u>Position in our Company</u>	<u>Name of associated corporation</u>	<u>Number of Shares held</u>	<u>Approximate percentage shareholding</u>
Mr. Wong Kit Lung Simon	Executive Director	LHG Holdings Limited	290,358	29.03%
Ms. Ko Sau Chee Grace	Executive Director	LHG Holdings Limited	80,300	8.03%

(b) *Particulars of service contracts*

Each of our executive Directors, namely Mr. Wong Kit Lung Simon, Ms. Ko Sau Chee Grace and Mr. Ho Chi Wai, has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than one month's notice in writing served by either party on the other.

Each of the independent non-executive Directors, namely Mr. Sin Yat Kin, Ms. Hung Lo Shan Lusan and Mr. Hung Wai Man, has signed a letter of appointment with our Company for a term of three years with effect from the Listing Date.

(c) *Directors' remuneration*

Each of our executive Directors is entitled to a director's fee and shall be paid a remuneration on the basis of a 12-month year. The current annual remuneration (including salaries, contributions to pension schemes, housing allowances, other allowances and benefits in kind) of our executive Directors for FY2017 (excluding any discretionary bonuses which may be paid to our executive Directors) are as follows:

<u>Name</u>	<u>Annual Director's remuneration</u> (HK\$'000)
Mr. Wong Kit Lung Simon	2,969
Ms. Ko Sau Chee Grace	2,337
Mr. Ho Chi Wai	814

Each of our independent non-executive Directors, namely Mr. Sin Yat Kin, Ms. Hung Lo Shan Lusan and Mr. Hung Wai Man, has been appointed for a term of three years. We intend to pay a director's fee of HK\$240,000 per annum to each of our independent non-executive Directors, respectively. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (including salaries, contributions to pension scheme and other allowances and benefit in kind) of our Directors for the year ending 2018 is estimated to be no more than HK\$7.3 million.

All reasonable travelling and travel-related expenses, entertainment expenses and other out-of-pocket expenses reasonably incurred by the executive Directors in the process of discharging their duties on behalf of our Group will be borne by our Company. Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Further details of the terms of the abovementioned service contracts are set out in the subsection headed "— C. Further information about our Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service contracts" above in this Appendix.

2. Substantial Shareholders

So far as is known to our Directors as of the Latest Practicable Date, immediately upon completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme, the following persons (other than our Directors and chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings or any other member of our Group:

<u>Name of Shareholder</u>	<u>Nature of Interest</u>	<u>Number of Shares⁽¹⁾</u>	<u>Approximate percentage of interest in our Company immediately following the completion of the Global Offering and the Capitalisation Issue</u>
LHG Holdings Limited ⁽²⁾	Beneficial Owner	600,000,000 (L)	75%
Mr. Wong Kit Lung Simon ⁽⁶⁾	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%

Name of Shareholder	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company immediately following the completion of the Global Offering and the Capitalisation Issue
Mr. Ko Cheuk Kuen	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%
Mr. Wong Yiu Hung ⁽⁶⁾	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%
Mr. Liu Cheung ⁽⁶⁾	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%
Mr. Liu Chi Hung Peter ⁽⁶⁾	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%
Mr. Lau Kwong Kwan ⁽⁶⁾	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%
Hop Kwan Holdings Limited ⁽³⁾⁽⁶⁾	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%
Mr. Lam Kwan Ying ⁽³⁾⁽⁴⁾⁽⁶⁾	Interest of Spouse; Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%
Ms. Chan Wai Chun ⁽³⁾⁽⁵⁾⁽⁶⁾	Interest of Spouse; Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%
Ms. Ko Sau Chee Grace ⁽⁶⁾	Interest held jointly with other persons; Interest in a controlled corporation	600,000,000 (L)	75%

Notes:

- (1) The letter "L" denotes the person's long position in our Shares.
- (2) LHG Holdings is an investment-holding company incorporated in the BVI and owned as to 29.03%, 2.99%, 11.99%, 11.99%, 11.99%, 11.99% and 8.03% by Mr. Wong Kit Lung Simon, Mr. Wong Yiu Hung, Mr. Ko Cheuk Kuen, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan Holdings Limited and Ms. Ko Sau Chee Grace.
- (3) Mr. Lam Kwan Ying and Ms. Chan Wai Chun each owns 30% and 30% of Hop Kwan Holdings Limited respectively and therefore under SFO, Mr. Lam Kwan Ying and Ms. Chan Wai Chun are deemed or taken to be interested in the Shares to be held by Hop Kwan Holdings Limited immediately after the completion of the Global Offering and the Capitalisation Issue.
- (4) Mr. Lam Kwan Ying is the spouse of Ms. Chan Wai Chun and is deemed or taken to be interested in all the Shares in which Ms. Chan Wai Chun has, or is deemed to have, an interest for the purpose of the SFO.
- (5) Ms. Chan Wai Chun is the spouse of Mr. Lam Kwan Ying and is deemed or taken to be interested in all the Shares in which Mr. Lam Kwan Ying has, or is deemed to have, an interest for the purpose of the SFO.
- (6) Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan Holdings Limited, and Ms. Ko Sau Chee Grace are parties acting in concert (having

the meaning ascribed to it under the Takeovers Code). Each of Mr. Lam Kwan Ying and Ms. Chan Wai Chun owns 30% and 30% of Hop Kwan Holdings Limited respectively and therefore under SFO, Mr. Lam Kwan Ying and Ms. Chan Wai Chun are deemed or taken to be interested in the shares to be held by Hop Kwan Holdings Limited after the completion of the Global Offering and the Capitalisation Issue. As such, immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme), Mr. Wong Kit Lung Simon, Mr. Ko Cheuk Kuen, Mr. Wong Yiu Hung, Mr. Liu Cheung, Mr. Liu Chi Hung Peter, Mr. Lau Kwong Kwan, Hop Kwan Holdings Limited, Mr. Lam Kwan Ying, Ms. Chan Wai Chun and Ms. Ko Sau Chee Grace will for the purpose of the SFO together through LHG Holdings Limited control 75% of the entire share capital of the Company.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or chief executive of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once our Shares are listed;
- (b) none of our Directors or experts referred to under the subsection headed “— E. Other information — 8. Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been 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;
- (c) none of our Directors or experts referred to under the subsection headed “— E. Other information — 8. Consents 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;
- (d) 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) taking no account of Shares which may be taken up under the Capitalisation Issue and the Global Offering, or upon the exercise of the Over-allotment Option and the Shares which may be issued pursuant to the exercise of the options which may be granted under the

Post-IPO Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Global Offering and the Capitalisation Issue, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

- (f) none of the experts referred to under the subsection headed “E. Other information — 8. Consent 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; and
- (g) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest clients or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

1. Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 4 May 2018.

(a) Purpose

The Post-IPO Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules. The Post-IPO Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group;
- (ii) motivate the Eligible Participants to strive for the future development and expansion of our Group; and
- (iii) attract and retain talent or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) *Who may join*

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisors, consultants, suppliers, clients, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company and/or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant.

(c) *Acceptance of an offer of options*

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance or payment and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial advisor as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue, being 80,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Post-IPO Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of our Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Post-IPO Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:
- (aa) the Eligible Participant's name, address and occupation;
 - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
 - (cc) the date upon which an offer for an option must be accepted;
 - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
 - (ee) the number of Shares in respect of which the option is offered;
 - (ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;
 - (gg) the date of the expiry of the option as may be determined by the Board;
 - (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and
 - (ii) other terms and conditions (including without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Post-IPO Share Option Scheme and the Listing Rules.

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Post-IPO Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.
- (g) *Granting options to a director, chief executive or substantial shareholder of our Company or any of their respective associates*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director (or any of their respective associates) (as defined in the Listing Rules)) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of options

A grant of options shall not be made after inside information has come to the knowledge of our Company until it has announced such inside information pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options shall be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date as have been first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules) and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:
- (iii) no options shall be granted 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
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) 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) Rights are personal to grantee

An option and an offer to grant an option shall be personal to the grantee and shall not be transferrable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Post-IPO Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Post-IPO Share Option Scheme

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Post-IPO Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Post-IPO Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

- (i) by any reason other than death or termination of his/her employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his/her personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee of our Group (if so determined by the Board), or has become insolvent, bankrupt or has made arrangements or compositions with his creditors generally, or on any other ground on which an employee 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 will lapse and not be exercisable after the date of termination of his/her employment.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to its 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 forthwith give notice thereof to all grantees and thereupon, each grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options (to the extent not already exercised) at any time not later than two business days prior to the proposed

general meeting of our Company referred to above 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, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any grantee may by 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 (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than 12:00 noon (Hong Kong time) on the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, 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. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting, dividend or other rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will carry the same rights in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares

subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial advisor shall certify in writing to the Board to be in their/his/her opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approved independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he has been guilty of serious misconduct, or has been convicted of any criminal offence involving his integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his creditors generally or any other ground on which an employee 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. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Post-IPO Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Post-IPO Share Option Scheme. The amended terms of the Post-IPO Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Post-IPO Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph (i).

(v) Termination of the Post-IPO Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Post-IPO Share Option Scheme and in such event no further option shall be offered but the provisions of the Post-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Post-IPO Share Option Scheme.

(w) Administration of the Board

The Post-IPO Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Post-IPO Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Condition of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Post-IPO Share Option Scheme;

- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Joint Global Coordinators (acting for and on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within two calendar months after the date the Post-IPO Share Option Scheme was conditionally adopted:

- (i) the Post-IPO Share Option Scheme shall forthwith determine;
 - (ii) any option granted or agreed to be granted pursuant to the Post-IPO Share Option Scheme and any offer of such a grant shall be of no effect; and
 - (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Post-IPO Share Option Scheme or any option granted thereunder.
- (y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Post-IPO Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) *Present status of the Post-IPO Share Option Scheme*

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Post-IPO Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Post-IPO Share Option Scheme, being 80,000,000 Shares in total.

E. OTHER INFORMATION

1. Litigation

As of the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

2. Tax and other indemnities

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the

estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares who death occur on or after 1 February 2006.

Our Directors have been advised that no material liability for estate duty under the laws of Cayman Islands and BVI is likely to fall on our Group, and the estate duty under the laws of Hong Kong has been abolished as mentioned above.

3. Sole Sponsor

The Sole Sponsor has made an application on our Company's behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all of our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of the Over-allotment Option or options which may be granted under the Post-IPO Share Option Scheme). All necessary arrangements have been made for our shares to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The sponsor fees are HK\$5,000,000 and are payable by our Company.

4. Preliminary expenses

The estimated preliminary expenses incurred and paid by our Company were approximately HK\$223,000.

5. Promoter

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares other than on transfers of Shares of companies that hold interest in land in the Cayman Islands.

(c) Consultation with professional advisors

Intending holders of our Shares are recommended to consult their professional advisors if they are in 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 the other parties involved in the Global Offering can accept 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 or exercise of any rights attaching to them.

7. Qualifications of experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinion or advice which are contained in, or referred to in this prospectus:

<u>Name</u>	<u>Qualification</u>
China Everbright Capital Limited (中國光大融資有限公司)	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Mr. Chan Chung	Barrister-at-law in Hong Kong
Frost & Sullivan Limited	Industry consultant
PricewaterhouseCoopers	Certified Public Accountants
Walkers	Legal advisor as to Cayman Islands and BVI laws

8. Consents of experts

Each of the experts named in the subsection headed “— E. Other Information — 7. Qualifications of experts” of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

9. Interests of experts in our Company

None of the persons named in the subsection headed “E. Other information — 7. Qualifications of experts” of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Miscellaneous

Save as otherwise disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) 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;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries have been issued or agreed to be issued;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in the Cayman Islands by Walkers Corporate Limited and a branch register of members of our Company will be maintained in Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register 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 to CCASS;

- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (g) our Directors have been advised that under the Cayman Islands Companies Law the use of a Chinese name by our Company does not contravene the Cayman Islands Companies Law; and
- (h) our Company has no outstanding convertible debt securities or debentures.

12. Related party transactions

Our Group engaged in the material related party transactions within the three years immediately preceding the date of this prospectus as described in Note 19 to the financial information in the Accountant's Report set out in Appendix I to this prospectus.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW, PINK** and **GREEN** Application Forms;
- (b) the written consents referred to in the subsection headed “— E. Other information — 8. Consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in the subsection headed “— B. Information about our 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 inspection at the office of King & Wood Mallesons at 13/F, Gloucester Tower, The Landmark, 15 Queen’s Road Central, 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 amended and restated Memorandum and Articles of Association;
- (b) the Cayman Islands Companies Law;
- (c) the Accountant’s Report on the historical financial information of our Group for each of the three years ended 31 December 2015, 2016 and 2017 from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (d) the report on the unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (e) the audited consolidated financial statements of our Group for the three years ended 31 December 2015, 2016 and 2017;
- (f) the legal opinion issued by Mr. Chan Chung, our Hong Kong Legal Counsel in respect of certain statements referred to in this prospectus;
- (g) the letter of advice from Walkers, our Cayman Islands legal advisor, summarising the constitution of our Company and certain aspects of Cayman Islands Companies Law in Appendix III to this prospectus;
- (h) the Frost & Sullivan Report;
- (i) the material contracts referred to in the subsection headed “— B. Information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus;

- (j) service contracts/letters of appointment with each of our Directors referred to in the subsection headed “— C. Further information about our Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service contracts” in Appendix IV to this prospectus;
- (k) the rules of the Post-IPO Share Option Scheme; and
- (l) the written consents referred to in the subsection headed “— E. Other information — 8. Consents of experts” in Appendix IV to this prospectus.



LHGROUP

叙福楼集团