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Application Proof of

DRAGON KING GROUP HOLDINGS LIMITED
龍皇集團控股有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability

WARNING

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If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

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

Dragon King Group Holdings Limited
龍皇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED] ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF [REDACTED]

Number of [REDACTED]	**:**	**[REDACTED] Shares**
Number of [REDACTED]	**:**	**[REDACTED] Shares (including [REDACTED] [REDACTED]) (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Maximum [REDACTED]	**:**	**[REDACTED] per [REDACTED] 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 dollar and subject to refund)**
Nominal Value	**:**	**HK$0.01 per Share**
Stock Code	**:**	**[•]**

***Sole Sponsor,* [REDACTED] *and* [REDACTED]**

Frontpage Capital Limited

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A copy of this document, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VI to this document, 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 document or any other documents referred to above.

The **[REDACTED]** is expected to be determined by agreement between our Company and the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) on the **[REDACTED]** or such later date as may be agreed by our Company and the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) but in any event no later than **[REDACTED]**. The **[REDACTED]** will be not more than **[REDACTED]** per **[REDACTED]** and is expected to be not less than **[REDACTED]** per **[REDACTED]**, unless otherwise announced. Applicants for the **[REDACTED]** are required to pay, on application, the maximum **[REDACTED]** of **[REDACTED]** for each **[REDACTED]** together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the **[REDACTED]** is lower than **[REDACTED]** per **[REDACTED]**.

The **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) may, with the consent of our Company, extend or reduce the indicative **[REDACTED]** range stated in this document and/or the number of **[REDACTED]** being offered at any time on or prior to the morning of the last day for lodging applications under the **[REDACTED]**. In such a case, a notice of the extension or reduction of the indicative **[REDACTED]** range and/or the number of **[REDACTED]** will be published in The Standard (in English) and Sing Tao Daily (in Chinese) not later than the morning of the last day for lodging applications under the **[REDACTED]**. Such notice will also be available at the website of the Stock Exchange at ***www.hkexnews.hk*** and our website at ***www.dragonkinggroup.com***. Further details are set out in the sections headed "Structure and Conditions of the **[REDACTED]**" and "How to Apply for **[REDACTED]** and **[REDACTED]**" in this document.

If, for any reason, the **[REDACTED]** is not agreed between the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and our Company on or before **[REDACTED]**, the **[REDACTED]** will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document and the **[REDACTED]**, including the risk factors set out in the section headed "Risk Factors" of this document. The obligations of the **[REDACTED]** under the **[REDACTED]** are subject to termination by the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) if certain grounds arise prior to 8:00 a.m. on the **[REDACTED]**. Such grounds are set out in the section headed "**[REDACTED]** — **[REDACTED]** arrangements and expenses — The **[REDACTED]** — Grounds for termination" and "**[REDACTED]** — **[REDACTED]** arrangements and expenses — The **[REDACTED]** — **[REDACTED]**" of this document.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

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IMPORTANT NOTICE TO INVESTORS

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

No action has been taken to permit a **[REDACTED]** *of the* **[REDACTED]** *or the distribution of this document in any jurisdiction other than Hong Kong.*

You should rely only on the information contained in this document to make your investment decision. Our Company, the Sole Sponsor, the **[REDACTED]**, *the* **[REDACTED]** *and the* **[REDACTED]** *have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the* **[REDACTED]**. *The contents on the website at* ***www.dragonkinggroup.com***, *which is the official website of our Company, do not form part of this document.*

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SUMMARY

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

There are risks associated with any investment. Some of the particular risks in investing in the **[REDACTED]** *are set out in the section headed "Risk Factors" of this document which you should read carefully before you decide to invest in the* **[REDACTED]**.

OVERVIEW

We are a Cantonese full-service restaurant group operating Cantonese cuisine restaurants under four brands. Our restaurants focus on providing quality food and services and comfortable dinning environment to our customers. Over the years, we have not only expanded our restaurants throughout Hong Kong and to Shanghai and Macau, but have also diversified our business and revenue sources by developing multiple brands which feature different dining experience and target customers.

Our restaurants operate under four self-owned brands, namely "Dragon King (龍皇)", "Dragon Seal (龍璽)", "Imperial Seal (皇璽)" and "Dragon Feast (龍宴)". As at the Latest Practicable Date, our Group operated nine Cantonese full-service restaurants of which (i) five are under the brand of "Dragon King (龍皇)", one is under the brand of "Dragon Seal (龍璽)" and one is under the brand of "Dragon Feast (龍宴)" in Hong Kong; (ii) one is under the brand of "Imperial Seal (皇璽)" in Shanghai; and (iii) one is under the brand of "Dragon King (龍皇)" in Macau. All our restaurants are strategically situated in prominent commercial areas, residential areas or shopping complexes.

The following table sets out the breakdown of our revenue from our restaurant operations by brands and by restaurants during the Track Record Period.

	For the year ended 31 December						For the five months ended 31 May					
	2015			2016			2016			2017		
Brand/Restaurant	Revenue	% of total revenue	Operating margin	Revenue	% of total revenue	Operating margin	Revenue	% of total revenue	Operating margin	Revenue	% of total revenue	Operating margin
	(HK$'000)	*(%)*	*(%)*	*(HK$'000)*	*(%)*	*(%)*	*(HK$'000)*	*(%)*	*(%)*	*(HK$'000)*	*(%)*	*(%)*
Dragon King (龍皇)												
Kwun Tong Restaurant	46,937	15.9	15.1	47,585	12.1	17.2	20,831	14.2	18.6	21,516	12.5	19.6
WTC Restaurant	51,866	17.6	11.0	51,078	13.0	12.0	21,172	14.4	9.2	20,853	12.1	12.3
San Po Kong Restaurant	46,943	16.0	13.5	46,618	11.8	11.6	19,042	13.0	11.9	19,322	11.3	13.3
Whampoa Restaurant	40,765	13.8	5.6	35,542	9.0	(1.3)	15,599	10,7	(2.7)	13,913	8.1	0.9
Wan Chai Restaurant *(Note 1)*	—	—	—	19,714	5.0	(20.4)	—	—	—	14,123	8.2	(25.1)
Macau Restaurant *(Note 2)*	—	—	—	21,045	5.4	14.0	—	—	—	17,429	10.2	12.3
Sub-total	186,511	63.3		221,582	56.3		76,644	52.3		107,156	62.4	

	For the year ended 31 December						For the five months ended 31 May					
	2015			2016			2016			2017		
Brand/Restaurant	Revenue	% of total revenue	Operating margin	Revenue	% of total revenue	Operating margin	Revenue	% of total revenue	Operating margin	Revenue	% of total revenue	Operating margin
	(HK$'000)	*(%)*	*(%)*	*(HK$'000)*	*(%)*	*(%)*	*(HK$'000)*	*(%)*	*(%)*	*(HK$'000)*	*(%)*	*(%)*
Dragon Seal (龍璽)												
ICC Restaurant	45,544	15.5	5.3	45,354	11.5	6.6	17,536	12.0	(1.3)	20,223	11.8	12.5
Imperial Seal (皇璽)												
Shanghai Restaurant	60,174	20.4	0.7	54,786	13.9	5.8	22,615	15.4	2.4	18,703	10.9	0.3
Dragon Feast (龍宴)												
Sheung Shui Restaurant *(Note 3)*	2,200	0.8	(84.4)	71,983	18.3	7.4	29,821	20.3	4.2	25,574	14.9	0.5
Total	294,429	100.0		393,705	100.0		146,616	100.0		171,656	100.0	

Notes:

(1) Wan Chai Restaurant commenced business in July 2016.

(2) Macau Restaurant commenced business in July 2016.

(3) Sheung Shui Restaurant commenced business in December 2015.

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

Brand/Restaurant	Historical operating breakeven period *(Note 1)*	Investment payback period *(Note 2)*
Dragon King (龍皇)		
Kwun Tong Restaurant	Within 1 year *(Note 3)*	2.0 years
WTC Restaurant	Within 1 year *(Note 3)*	2.2 years
San Po Kong Restaurant	2 months	3.1 years
Whampoa Restaurant	1 month	4.1 years *(Note 4)*
Wan Chai Restaurant	7 months	N/A *(Note 5)*
Macau Restaurant	1 month	N/A *(Note 5)*
Dragon Seal (龍璽)		
ICC Restaurant	4 months	2.2 years
Imperial Seal (皇璽)		
Shanghai Restaurant	12 months	9.4 years *(Note 4)*
Dragon Feast (龍宴)		
Sheung Shui Restaurant	2 months	2.1 years *(Note 4)*

Notes:

1. Operating breakeven period is the period required for a restaurant to record a positive monthly EBITDA for the first time following the month of commencement of business of the restaurant.

2. Investment payback period is the estimated period required for the investment cost of a restaurant to be fully covered by its accumulated net cash flows from operating activities since the commencement of business of the restaurant.

3. Kwun Tong Restaurant and WTC Restaurant commenced operation in 2007 and 2008, respectively. Operating breakeven period of Kwun Tong Restaurant and WTC Restaurant were calculated based on their respective statutory financial statements.

4. Shanghai Restaurant, Whampoa Restaurant and Sheung Shui Restaurant commenced operation in January 2013, June 2014 and December 2015, respectively and have yet to achieve their respective investment payback period. The figures represent the expected investment payback period of the restaurants.

5. Our Directors are of the view that Wan Chai Restaurant and Macau Restaurant share the initial investment cost. Both restaurants commenced operation in July 2016 and have yet to achieve their respective investment payback period. Our Directors expect they would be able to achieve an investment payback period of approximately 3.0 years as a whole.

CUSTOMERS

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

RAW MATERIALS AND SUPPLIERS

The major raw materials that we use in our restaurants are food ingredients, including but not limited to, vegetables and other agricultural produce, seafood, dried foods, meats, seasoning and beverages, originating from various countries, such as China, Hong Kong, Japan, Malaysia, Australia and the United States of America.

We believe that consistency in the supply and quality of our food ingredients are important to our ability in providing quality menu items in our restaurants. In order to ensure the consistency and stability in the supply of quality food ingredients, we maintain a suppliers list, that is pre-approved by our management that our restaurants may procure the supplies from. There are over 100 different pre-approved suppliers of food ingredient and beverages. These pre-approved suppliers have gone through our suppliers selection process and have been approved by our executive Directors. Food ingredient suppliers are selected carefully based on a set of selection criteria, which includes type and quality of ingredients, cost, reputation, service, flexibility, delivery efficiency and past performance.

For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, the total purchases from our Group's five largest suppliers in aggregate accounted for approximately 29.5%, 25.5% and 28.7%, respectively, and its largest supplier accounted for approximately 8.7%, 7.9% and 8.6%, respectively, of our Group's total purchases. On average, the five largest suppliers for the year ended 31 December 2016 have approximately 3 years of business relationship with us.

PRICING POLICY

In deciding the price of each menu item, our Group takes into account factors such as costs of raw materials and food ingredients, seasonal factors, target operating profit margins, general market trends, purchasing power of our target customers and prices set by competitors. Our head chefs and management periodically review and change items on the menu. Our Directors believe that even in times of cost pressures, our Group will be capable of adjusting the ingredients used, with a view to maintaining the taste, portion size and quality of food. Our Directors believe that the pricing policy we adopted helps to create an attractive price-value proposition typically favoured by customers. Our Group allows for limited price adjustments in the menu items in response to special menus or promotion events launched by each restaurant.

COMPETITIVE STRENGTHS

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

- Diversification of our customer base through our multi-brand business model
- Our restaurants are strategically located
- We are creative in deciding our Cantonese cuisine
- Experienced chefs, senior management and well-trained employees

BUSINESS STRATEGIES

We have formulated the following business strategies to strengthen our position as a Cantonese full-service restaurant group:

- Further enhance our brand recognition
- Expansion in Hong Kong with multi-brand strategy
- Enhancement of existing restaurant facilities

THE CANTONESE FULL-SERVICE RESTAURANT INDUSTRY IN HONG KONG

According to the Ipsos Report, the revenue of the Cantonese full-service restaurant industry in Hong Kong experienced a growth from HK$16,812.9 million in 2011 to HK$17,461.7 million in 2016, representing a CAGR of approximately 0.8%. The Ipsos Report also expects Cantonese full-service restaurants in Shanghai and Macau to continue to experience growth at a CAGR of 3.2% and 2.6% in terms of revenue from 2017 to 2020 and 2016 to 2020, respectively. It is expected that the increasing demand for Cantonese full-service restaurant industry and downward adjustment of the rental prices would probably bring more opportunities for the expansion of Cantonese full-service restaurants. In view of the expected increase in GDP per capita and average annual household disposable income in Hong Kong and the increasing popularity of Cantonese full-service restaurant among local citizens and preference to dine out during festivals, family celebrations and after long hours of work and school, the estimated revenue of the Cantonese restaurant industry is expected to increase at a CAGR of approximately 2.4% during the forecast period from 2017 to 2020.

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

RISK FACTORS

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

- As we lease all of the properties on which our restaurants operate, we are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs
- The future growth of our Group relies on its ability to open and profitably operate new restaurants, and our Group's new restaurants may not operate as successfully as our Group has anticipated
- Our operations are susceptible to increases in purchase costs for food ingredients, which could adversely affect our margins and results of operations
- Any failure to maintain effective quality control systems of our Group's restaurants could have a material adverse effect on its reputation, business and operations
- Any failure of our suppliers to deliver food and other supplies in a timely manner could materially and adversely impact our Group
- Some holders of the liquor licence of our restaurants in Hong Kong were employees of our Group

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in this document, and investors should read the entire section before deciding to invest in the **[REDACTED]**.

NON-COMPLIANCE

Save as disclosed in the section headed "Business — Non-compliance", our Group has complied in all material respects with the applicable laws and regulations in Hong Kong, Shanghai and Macau during the Track Record Period and up to the Latest Practicable Date.

RECENT DEVELOPMENT

Pursuant to the Brazil meat scandal in March 2017, it was found that several Brazil meat-packing plants had been selling rotten and substandard chilled and frozen meat products. The relevant safety authorities in Hong Kong has recalled all meat products imported from implicated 21 Brazil companies. During the first quarter of 2017, our Group does not rely heavily on Brazilian frozen meat products, which amounted to only approximately 5.0% and approximately 0.8% of our Group's meat purchase and total purchase, respectively. Our Directors confirm that there was no recall of frozen meat products, supplied to our Group by the relevant authorities in Hong Kong. To reduce the chance of possible procurement of problematic Brazilian meat products and ensure the quality of frozen meat procured by our Group, we have reviewed our suppliers list and ensure that we procure frozen meat products only from our authorised suppliers, which are requested to provide us with the relevant export certificates to demonstrate the frozen meat supplied to our Group are not sourced from the implicated meat plants, whose meat products are recalled by the relevant authorities in Hong Kong. In addition, we have identified suitable alternative frozen meat products from several regions, such as U.S. and China, with affordable price as contingencies in case products from other Brazilian meat plants are found to be problematic. In view of the above, our Directors consider that the Brazil meat scandal does not impose any material impacts on our business operations and financial performance.

COMBINED STATEMENTS OF PROFIT OR LOSS

	For the year ended 31 December		For the five months ended 31 May	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	294,429	393,705	146,616	171,656
Cost of inventories consumed	(92,388)	(127,337)	(46,476)	(52,980)
Gross profit (Note)	202,041	266,368	100,140	118,676
Other income and gains, net	2,597	4,283	997	960
Staff costs	(92,723)	(122,963)	(49,312)	(55,680)
Depreciation of items of property, plant and equipment	(14,609)	(18,327)	(6,957)	(7,451)
Rental and related expenses	(46,867)	(62,306)	(22,541)	(30,012)
Other operating expenses	(43,925)	(55,009)	(19,574)	(24,211)
Finance costs	(4,380)	(4,232)	(1,835)	(1,076)
[REDACTED]	—	**[REDACTED]**	—	**[REDACTED]**
PROFIT/(LOSS) BEFORE TAX	2,134	3,689	918	(4,591)
Income tax expense	(939)	(2,475)	(848)	(1,204)
PROFIT/(LOSS) FOR THE YEAR/PERIOD	1,195	1,214	70	(5,795)
Attributable to:				
Owners of our Company	1,880	1,128	159	(5,723)
Non-controlling interests	(685)	86	(89)	(72)
	1,195	1,214	70	(5,795)

Note: The gross profit represents revenue less cost of inventories consumed.

COMBINED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	133,910	116,409	111,154
Current assets	70,484	86,872	71,690
Current liabilities	151,553	134,121	120,217
Net current liabilities	(81,069)	(47,249)	(48,527)
Total assets less current liabilities	52,841	69,160	62,627
Net assets	48,698	64,756	59,073

Our Group recorded a net current liabilities position as at 31 December 2015 and 2016 and 31 May 2017, primarily due to the large amount of capital expenditure invested in our restaurants as reported under our non-current assets being funded by bank borrowings with a repayment on demand clause which were reported under our current liabilities. Please refer to paragraph headed "Net current liabilities" in the section headed "Financial Information" to this document for details.

Our Directors consider that the certain equipment, furniture, utensils and rental deposits of the Wan Chai Restaurant and the Macau Restaurant, which were acquired from Tang Palace Group in July 2016, do not impose material impact on our Group's total net asset as at 31 December 2016 and 31 May 2017, respectively as a whole. If the net asset of these two restaurants are excluded, our Group would record a net asset value of approximately HK$64,686,000 and HK$62,665,000 as at 31 December 2016 and 31 May 2017, respectively.

SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December		For the five months ended 31 May	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Operating cash flows before working capital changes	20,976	25,447	9,782	3,947
Net cash flows from/(used in) operating activities	20,895	11,713	9,208	(2,262)
Net cash flows (used in)/from investing activities	(26,419)	1,767	1,807	845
Net cash flows (used in)/from financing activities	(718)	(3,834)	(12,736)	11,274
Net (decrease)/increase in cash and cash equivalents	(6,242)	9,646	(1,721)	9,857
Cash and cash equivalents at the beginning of the year/period	11,012	5,355	5,355	15,490
Effect of foreign exchange rate changes, net	585	489	319	190
	5,355	15,490	3,953	25,537
Cash and cash equivalents as stated in the combined statements of financial position	5,985	15,497	4,451	25,541
Bank overdrafts	(630)	(7)	(498)	(4)
Cash and cash equivalents as stated in the combined statements of cash flows	5,355	15,490	3,953	25,537

Our Directors consider that the acquisition of certain equipment, furniture, utensils and rental deposits of the Wan Chai Restaurant and the Macau Restaurant from Tang Palace Group in July 2016 does not impose material impact on our cashflow during the Track Record Period as a whole. If the cash flows from operating activities before the changes in working capital generated by these two restaurants are excluded, our Group would record cash flows from operating activities before the changes in working capital of approximately HK$25,352,000 and HK$6,068,000 for the years ended 31 December 2016 and the five months ended 31 May 2017, respectively. Our Directors confirmed that our Group would have been able to meet the minimum cash flow requirement under the Rule 11.12A(1) of the GEM Listing Rules even if the financial results of these two restaurants were excluded.

SELECTED KEY FINANCIAL RATIOS

	For the year ended or as at 31 December		For the five months ended or as at 31 May
	2015	2016	2017
Profitability ratios			
Return on assets[(note 1)]	0.6%	0.6%	N.A.
Return on equity[(note 2)]	3.8%	1.7%	N.A.
Liquidity ratios			
Current ratio[(note 3)]	0.47	0.65	0.60
Quick ratio[(note 4)]	0.40	0.56	0.52
Capital adequacy ratios			
Gearing ratio[(note 5)]	75.2%	65.1%	61.7%
Interest coverage[(note 6)]	1.5 times	1.9 times	N.A.

Notes:

1. Return on assets is calculated based on the profit for the year divided by the total assets at the end of the respective year, multiplied by 100% for year the years ended 31 December 2015 and 2016; or multiplied by 365/151 and then multiplying the resulting value by 100% for the five months ended 31 May 2017.

2. Return on equity is calculated based on the profit attributable to the owners of our Company for the year divided by the total equity attributable to the owners of our Company at the end of the respective year, multiplied by 100% for the years ended 31 December 2015 and 2016; or multiplied by 365/151 and then multiplying the resulting value by 100% for the five months ended 31 May 2017.

3. Current ratio is calculated based on the total current assets at the end of the year/period divided by the total current liabilities at the end of the respective year/period.

4. Quick ratio is calculated based on the total current assets (less inventories) at the end of the year/period divided by the total current liabilities at the end of the respective year/period.

5. Gearing ratio is calculated based on the net debt at the end of the year/period divided by capital plus net debt at the end of the respective year/period. Net debt represents interest-bearing bank and other borrowings, an amount due to a director, amounts due to related companies, trade payables, other payables and accruals, obligations under finance leases and a derivative financial instrument, less cash and cash equivalents. Capital represents the equity attributable to owners of our Company.

6. Interest coverage is calculated based on the profit before interest and tax for the respective year/period divided by the interest expenses for the respective year/period.

DIVIDEND

During the Track Record Period, one of our Group members declared and paid dividends of approximately HK$27,293,000 to the then shareholder during the year ended 31 December 2016.

There is no expected or predetermined dividend payout ratio after the **[REDACTED]**. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Pursuant to certain financial covenants contained in our bank borrowings, dividend with payout ratio of more than 50% of the specific subsidiaries shall be subject to prior consent from the relevant bank. For the details of the financial covenants contained in our bank borrowings, please refer to the paragraph headed "Indebtedness" in the section headed "Financial Information" in this document. Any final dividend for a financial year will be subject to Shareholders' approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up on the Shares.

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

[REDACTED]

Our estimated **[REDACTED]** primarily consist of legal and professional fees, including **[REDACTED]** commission, in relation to the **[REDACTED]**. Assuming the **[REDACTED]** of **[REDACTED]** per **[REDACTED]**, being the mid-point of the indicative range of the **[REDACTED]** stated in this document, the **[REDACTED]** are estimated to be approximately **[REDACTED]**, of which approximately **[REDACTED]** is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately **[REDACTED]** and **[REDACTED]** was charged to the combined statements of profit or loss for the year ended 31 December 2016 and the five months ended 31 May 2017 and approximately **[REDACTED]** is expected to be incurred after the Track Record Period. The estimated **[REDACTED]** are subject to adjustments based on the actual amount incurred or to be incurred.

The estimated **[REDACTED]** are subject to adjustments based on the actual amount incurred or to be incurred. In the circumstances, we expect that the expenses in connection with the **[REDACTED]** will have a negative effect on our results of operations and financial condition for the year ending 31 December 2017.

MATERIAL ADVERSE CHANGE

The impact of the **[REDACTED]** on the profit or loss accounts has posted a material adverse change in the financial or trading position or prospect of our Group since 31 May 2017 (being the date of the latest audited combined financial statements were made up). Prospective investors should be aware that our Group may incur a loss for the year ending 31 December 2017 as a result of incurrence of **[REDACTED]**. In addition, our Directors anticipate that the increasing rental expenses upon the renewal of existing leases which will expire in 2017 and the increase in statutory minimum wage in Hong Kong from HK$32.5 per hour to HK$34.5 per hour starting from 1 May 2017 will also impose pressure on our operations, and our profitability for the year ending 31 December 2017 may be adversely affected.

Save as disclosed above, our Directors confirmed that, up to the date of this document, there has been no material adverse change in our Group's financial or trading positions or prospect of our Company or its subsidiaries since 31 May 2017 (being the date of which our Group's latest audited combined financial statements were made up as set out in the Accountants' Report in Appendix I to this document) and there had been no event since 31 May 2017 which would materially affect the information shown in the Accountants' Report in Appendix I to this document.

REASONS FOR THE [REDACTED]

Despite the considerable expenses for the **[REDACTED]**, our Directors decide to proceed with this form of equity financing for the purpose of our business expansion instead of solely obtaining debt financing because our Directors are of the view that maintaining a lower level of borrowings would benefit our Group and Shareholders as a whole. Given that the uncertain interest rate movement going forward (which may expose to increasing borrowing costs in the future via debt financing), our Directors believe that our Group's financial performance and liquidity may be negatively affected due to the principal and interest payments if we proceed with debt financing to fund all of our business expansion.

According to the Ipsos Report, the Cantonese full-service restaurant industry is comparatively competitive in Hong Kong, Shanghai and Macau. Our Directors believe that the **[REDACTED]** will allow us to stand out from other competitors, and can further enhance the profile and recognition of our Group and products and hence further strengthen our existing and potential suppliers' and customers' confidence in us, enable us to attract and retain quality personnel in this competitive market, and enhance our internal corporate governance. In addition, the **[REDACTED]** and the **[REDACTED]** could enhance our capital base and provide our Company with additional avenues to raise capital to strengthen our financial position and enable us to implement our business objectives set out in the section headed "Business Objectives and Future Plans". Furthermore, a **[REDACTED]** status on GEM will allow us to access to capital market for future corporate finance exercises, which will assist in our future business development and strengthen our competitiveness.

SHAREHOLDERS INFORMATION

Immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be allotted and issued under the exercise of any options that may be granted under the Share Option Scheme), Million Edge (which is wholly-owned by Mr. Wong WC) will hold more than 30% of our Company's issued share capital. For the purpose of the GEM Listing Rules, Mr. Wong WC and Million Edge (an investment holding company wholly owned by Mr. Wong WC) are our Controlling Shareholders.

[REDACTED]

Based on the **[REDACTED]** of **[REDACTED]** per **[REDACTED]**, being the mid-point of the indicative **[REDACTED]** range of **[REDACTED]** to **[REDACTED]** per **[REDACTED]**, we will receive gross **[REDACTED]** of **[REDACTED]**. All expenses (including **[REDACTED]** fees) in connection with the **[REDACTED]** to our Group are estimated to be approximately **[REDACTED]**. Consequently, we should receive **[REDACTED]**, after deducting all related expenses (including **[REDACTED]** fees), of approximately **[REDACTED]** from the **[REDACTED]**. Our Directors intend to apply such **[REDACTED]** as follows:

	From the Latest Practicable Date to 31 December 2017	From 1 January 2018 to 30 June 2018	From the 1 July 2018 to 31 December 2018	From 1 January 2019 to 30 June 2019	From the 1 July 2019 to 31 December 2019	Total	Approximate percentage
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(%)*
Expansion in Hong Kong with multi-brand strategy	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhancement of existing restaurant facilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhancement of marketing and promotions	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Repayment of bank and other borrowings	[REDACTED]0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working Capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Please refer to the section headed "Business Objectives and Future Plans" in this document for details.

Our expansion plans for opening new restaurants

We currently expect to open a new Cantonese full-service restaurant under the name of "Dragon King (龍皇)" in Kwai Chung in the fourth quarter of 2017. Further, we plan to open a new restaurant under the name of "Dragon Feast (龍宴)" in the Kwai Tsing District and a new restaurant under the name of "Dragon King (龍皇)" in the Eastern District in mid-2018 and mid-2019, respectively. A breakdown of our expected capital expenditure required for the three new restaurants for the period indicated is set forth below:

Restaurant location	**For the year ending**		
	2017	**2018**	**2019**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Dragon King (龍皇)			
Kwai Chung	12,200	—	—
Eastern District	—	—	13,000
Dragon Feast (龍宴)			
Kwai Tsing District	4,000	11,000	2,500
	16,200	11,000	15,500

We intend to fund the above planned capital expenditure partially by the **[REDACTED]** of the **[REDACTED]** and the remaining by internal resources generated from the operation of our Group.

Having considered that (i) despite the staff costs and rental expenses having been continuously rising in the past few years, our restaurants can still generally generate operating profits and even improving operating margins; (ii) the estimated payback period is approximately two to three years, which is reasonable and will be shorter than the lease terms of the lease agreements expected to be signed; (iii) based on our past experiences, our Directors are of the view that our Group would normally be able to renew the lease agreements upon the expiry of their respective first lease term, and therefore only minimum renovation and refurbishment is required to continue our operations, which could further improve the profitability of our restaurants after the high start up cost is recovered; (iv) our Group can enjoy economics of scale upon our restaurant networks expansion and a considerable fixed portion of our costs, mainly the expenses incurred by our central offices, warehouse and management team, could be shared, and that the net profitability of our Group could be further improved as a whole; (v) expanding our restaurant networks could further enhance our brand awareness and image and increase our market share, better terms from suppliers, landlords and creditors may also be obtained; and (vi) the Cantonese full-service restaurant industry in Hong Kong is expected to have stable growth in the near future driven by the expected increase in average annual household disposal income and the increasing popularity of Cantonese full-service restaurant in Hong Kong as stated in the Ipsos Report, therefore our Directors believe that there is sufficient demand and rationale to justify our expansion plans of opening new restaurants.

[REDACTED] STATISTICS

[REDACTED] Statistics

Market **[REDACTED]** at **[REDACTED]** *(Note 1)*	:	**[REDACTED]** million to **[REDACTED]** million
[REDACTED]	:	**[REDACTED]** of the enlarged issued share capital of our Company
[REDACTED] per **[REDACTED]**	:	**[REDACTED]** to **[REDACTED]**
Number of **[REDACTED]**	:	**[REDACTED]** Shares
Number of **[REDACTED]**	:	**[REDACTED]** Shares (subject to reallocation)
Number of **[REDACTED]**	:	**[REDACTED]** Shares (including **[REDACTED]** **[REDACTED]**) (subject to reallocation)
[REDACTED]	:	**[REDACTED]** Shares
Unaudited pro forma adjusted net tangible assets per Share *(Note 2)*	:	**[REDACTED]** based on an **[REDACTED]** of **[REDACTED]** per **[REDACTED]**; and **[REDACTED]** based on an **[REDACTED]** of **[REDACTED]** per **[REDACTED]**

Notes:

1. The calculation of the market **[REDACTED]** of the Shares is based on **[REDACTED]** Shares in issue immediately after completion of the **[REDACTED]** and the **[REDACTED]**.

2. The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments referred to under the paragraph headed "Unaudited pro forma adjusted net tangible assets" in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this document and on the basis of **[REDACTED]** Shares in issue at the respective **[REDACTED]** of **[REDACTED]** and **[REDACTED]** per Share immediately following completion of the **[REDACTED]** and the **[REDACTED]**.

DEFINITIONS

In this document, the following terms shall have the meanings set forth below unless the context otherwise requires.

"Able Ascent"	Able Ascent Limited (毅陞有限公司), a company incorporated in Hong Kong on 29 May 2009 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"affiliate"	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
"All Best Harvest"	All Best Harvest Limited (全豐收有限公司), a company incorporated in Hong Kong on 5 October 2010 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
[REDACTED]	**[REDACTED]**
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company adopted on 15 November 2017, which will become effective upon the **[REDACTED]**, and as amended from time to time, a summary of which is set out in the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix IV to this document
"Audit Committee"	the audit committee of our Board
"Best Merit"	Best Merit Holdings Limited (卓績控股有限公司), a company incorporated in the BVI on 25 January 2016 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Board"	the board of Directors

DEFINITIONS

"Business Day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
[REDACTED]	the issue of **[REDACTED]** Shares to be made upon **[REDACTED]** of part of the amount standing to the credit of the share premium account of our Company referred to in the paragraph headed "A. Further information about our Company — 3. Written resolutions of our existing Shareholders passed on 15 November 2017" in Appendix V to this document
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person or persons admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Centurion Treasure"	Centurion Treasure Limited, a company incorporated in Samoa on 3 January 2013 with limited liability and is wholly-owned by Mr. Wee
"Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented and/or modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented and/or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
"Company" or "our Company"	Dragon King Group Holdings Limited (龍皇集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 8 August 2016
"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company, means the controlling shareholders of our Company, namely Million Edge and Mr. Wong WC
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules
"DCO"	the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
"DCR"	the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
"Deed of Indemnity"	the deed of indemnity dated 15 November 2017 and entered into by our Controlling Shareholders in favour of our Company (for our Company and as trustee for our subsidiaries), the details of which are set out in the paragraph headed "F. Other information — 1. Tax and other indemnities" in Appendix V to this document
"Deed of Non-competition"	the deed of non-competition undertakings dated 15 November 2017 and entered into by our Controlling Shareholders in favour of our Company (for our Company and as trustee for our subsidiaries), particulars of which are set out in the section headed "Relationships with Our Controlling Shareholders — Non-competition undertaking" in this document
"DEP"	the Director of Environmental Protection

"DFEH"	the Director of Food and Environmental Hygiene
"Director(s)"	the director(s) of our Company
"Dragon Eagle King"	Dragon Eagle King Limited, a company incorporated in the BVI on 8 July 2016 with limited liability and is wholly-owned by Centurion Treasure
"Dragon Feast"	Dragon Feast Restaurant (龍宴), the brand name used by our Group to operate the Sheung Shui Restaurant
"Dragon King BVI"	Dragon King Holdings Limited (龍皇控股有限公司), a company incorporated in the BVI on 19 November 2007 with limited liability, which shall be a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Dragon King HK"	Dragon King Restaurant Group Limited (龍皇酒家飲食集團有限公司), a company incorporated in Hong Kong on 28 June 2007 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Dragon King Macau"	Dragon King Restaurant (Macau) Limited (龍皇餐飲(澳門)一人有限公司 (formerly known as Golden Jaguar Food and Beverage Management Limited (金錢豹餐飲管理一人有限公司) and Tang's Cuisine (Macau) Limited (唐宮壹號餐飲(澳門)一人有限公司)), a company incorporated in Macau on 7 April 2010 with limited liability and acquired by our Group on 26 July 2016, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Dragon King"	Dragon King Restaurant (龍皇), the brand name used by our Group to operate the WTC Restaurant, Kwun Tong Restaurant, San Po Kong Restaurant, Whampoa Restaurant and Wan Chai Restaurant and Macau Restaurant

"Dragon King Shanghai"	Dragon King Food & Beverage Management (Shanghai) Limited (龍皇餐飲管理(上海)有限公司), a WFOE established in the PRC with limited liability on 13 October 2009 and is wholly-owned by Flyway
"Dragon Lake"	Dragon Lake Limited (龍湖有限公司), a company incorporated in Hong Kong on 5 February 2003 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Dragon Seal"	Dragon Seal Restaurant & Bar (龍璽), the brand name used by our Group to operate the ICC Restaurant
"Dragon Seal HK"	Dragon Seal Restaurant Limited (龍璽酒家有限公司), a company incorporated in Hong Kong on 24 May 2010 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Dragon Seal Shanghai"	Dragon Seal Food & Beverage Management (Shanghai) Limited (龍璽餐飲管理(上海)有限公司), a WFOE established in the PRC with limited liability on 22 March 2012, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"ECO"	the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Eligible Employee(s)"	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 an 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
"Empire Hotel Restaurant"	the restaurant located at Basement 2, Empire Hotel Hong Kong, 33 Hennessy Road, Wan Chai, Hong Kong and operated by Wealth Club under the brand name "Dragon King (龍皇)" during the period between September 2005 and July 2011
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"EO"	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"EPD"	the Environmental Protection Department of the Government
"FBR"	the Food Business Regulation (Chapter 132X of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"FDR"	the Food and Drugs (Composition and Labelling) Regulations (Chapter 132W of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"FEHD"	the Food and Environmental Hygiene Department of the Government
"FIU(F)R"	the Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations (Chapter 59V of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Flyway"	Flyway Limited (翔威有限公司), a company incorporated in Hong Kong on 9 July 2009 with limited liability and is wholly owned by an Independent Third Party
"Frontpage Capital" or "Sole Sponsor" or "**[REDACTED]**" or "**[REDACTED]**"	Frontpage Capital Limited, a licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the sole sponsor, the **[REDACTED]** and the **[REDACTED]** for the **[REDACTED]**, and an Independent Third Party
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Giant Wealth"	Giant Wealth Limited (富卓有限公司), a company incorporated in the Seychelles on 16 November 2016 with limited liability and is wholly-owned by Ms. Chan

"Gold Profit"	Gold Profit Trading Limited (金益貿易有限公司), a company incorporated in Hong Kong on 20 April 2007 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Good Vision"	Good Vision Limited, a company incorporated in Seychelles on 4 May 2016 with limited liability and is wholly owned by Tang Palace BVI
"Government"	the Government of Hong Kong
"Greater Year"	Greater Year Investments Limited (旺年投資有限公司), a company incorporated in the BVI on 4 July 2016 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
[REDACTED]	**[REDACTED]**
"Group", "our Group", "we" or "us"	our Company and its subsidiaries or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"HK$" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"HKEx website"	the internet website at ***www.hkexnews.hk*** operated by Hong Kong Exchanges and Clearing Limited

"HKFRSs"	Hong Kong Financial Reporting Standards (including Hong Kong Accounting Standards, amendments and interpretations) issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
[REDACTED]	**[REDACTED]**
"IC Consultant"	Sam K. M. Ng CPA Limited, the internal control consultant engaged by our Group to consider and comment on the design, implementation and operating effectiveness of the internal control procedures of our Group
"ICC Restaurant"	the restaurant located at Shop C on Level 101 of International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong and operated by Able Ascent under the brand name "Dragon Seal (龍璽)"
"Imperial Seal"	Imperial Seal Restaurant & Bar (皇璽), the brand name used by our Group to operate the Shanghai Restaurant
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is or are independent of and not connected (within the meaning of the GEM Listing Rules) with any of the Directors, chief executive or substantial shareholder(s) of our Company, its subsidiaries or any of their respective associate(s)
"Ipsos" or "Market researcher"	Ipsos Limited, an independent market research and consulting company commissioned by our Company for preparing the Ipsos Report

"Ipsos Report"	an independent market research report on market landscape and competitive analysis for the Cantonese full-service restaurant industry in Hong Kong, Shanghai and Macau, as prepared by Ipsos, details of which are set out in the section headed "Industry Overview" of this document
"King Bright"	King Bright Group Limited (景耀集團有限公司), a company incorporated in the Seychelles on 17 November 2016 with limited liability and is wholly-owned by Mr. Ngai
"King Harbour"	King Harbour Limited (啓港有限公司), a company incorporated in Hong Kong on 13 July 2006 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Kwai Chung Restaurant"	the restaurant located at 9th Floor, KCC, Nos. 72–76 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong and [will operate by Dragon Seal HK under the brand name "Dragon King (龍皇)"]
"Kwun Tong Restaurant"	the restaurant located at 2nd Floor, Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong and operated by King Harbour under the brand name "Dragon King (龍皇)"
"Latest Practicable Date"	20 August, 2017, being the latest practicable date prior to the printing of this document for ascertaining certain information contained herein
"Legal Counsel"	Mr. Chan Chung, barrister-at-law in Hong Kong, who is an Independent Third Party
[REDACTED]	the **[REDACTED]** of the Shares on GEM
"**[REDACTED]**"	the date on which **[REDACTED]** in the Shares on GEM first commence
"**[REDACTED]**"	the **[REDACTED]** of the Stock Exchange
"LLB"	the Liquor Licensing Board of Hong Kong

"Macau"	the Macao Special Administrative Region of the PRC
"Macau Restaurant"	the restaurant located at Shop No, 2132, Level 3, Grand Canal Shoppes at the Venetian and operated by Dragon King Macau under the brand name "Dragon King (龍皇)"
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Mass Effort"	Mass Effort Limited (勁有有限公司), a company incorporated in Hong Kong on 3 January 2011 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company
"Million Edge"	Million Edge Developments Limited (萬利發展有限公司), a company incorporated in the BVI on 5 July 2016 with limited liability and is wholly-owned by Mr. Wong WC
"MOP"	Macanese pataca, the lawful currency of Macau
"Mr. Lee"	Mr. Lee Wing Sun (李榮燊)
"Mr. Man"	Mr. Man King Wah Josh (文景華)
"Mr. Ngai"	Mr. Ngai King Hung (倪敬雄)
"Mr. Wang"	Mr. Wang Kei Ming (王麒銘)
"Mr. Wee"	Mr. Wee Ho (黃浩)
"Mr. Wong WC"	Mr. Wong Wing Chee (黃永幟), an executive Director, the chief executive officer of our Company, one of the Controlling Shareholders, the brother of Mr. Wong WH and Ms. Wong Sau Yee and the spouse of Ms. Lee

"Mr. Wong WH"	Mr. Wong Wing Hong (黃永康), an executive Director and the brother of Mr. Wong WC and Ms. Wong Sau Yee
"Ms. Chan"	Ms. Chan Hoi Ching (陳海貞)
"Ms. Lee"	Ms. Lee Ching Nung Angel (李靜濃), the chairman of the Board, an executive Director, and the spouse of Mr. Wong WC
"Nomination Committee"	the nomination committee of the Board
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"PHMSO"	Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**

[REDACTED]	**[REDACTED]**
"PRC" or "China"	the People's Republic of China (中華人民共和國) which, for the purposes of this document only, and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
"PRC Legal Adviser"	Shu Jin Law Firm
"**[REDACTED]** Investment 1"	the investment in our Company by Wise Alliance pursuant to the **[REDACTED]** Investment Agreement 1, as further described in the section headed "History, Development and Reorganisation" in this document
"**[REDACTED]** Investment 2"	the investment in our Company by Dragon Eagle King pursuant to the **[REDACTED]** Investment Agreement 2, as further described in the section headed "History, Development and Reorganisation" in this document
"**[REDACTED]** Investment 3"	the investment in our Company by Rank Advance pursuant to the **[REDACTED]** Investment Agreement 3, as further described in the section headed "History, Development and Reorganisation" in this document
"**[REDACTED]** Investment 4"	the investment in our Company by Good Vision pursuant to the **[REDACTED]** Investment Agreement 4, as further described in the section headed "History, Development and Reorganisation" in this document
"**[REDACTED]** Investment Agreement 1"	the subscription agreement dated 1 August 2016 in relation to the subscription of 10% of the issued share capital of Dragon King BVI and a supplemental agreement to the subscription agreement dated 26 September 2016 entered into between Wise Alliance, Mr. Wong WC and Dragon King BVI

"**[REDACTED]** Investment Agreement 2"	the subscription agreement dated 12 August 2016 in relation to the subscription of 7% of the issued share capital of Dragon King BVI and a supplemental agreement to the subscription agreement dated 26 September 2016 entered into between Dragon Eagle King, Mr. Wong WC and Dragon King BVI
"**[REDACTED]** Investment Agreement 3"	the subscription agreement dated 19 August 2016 in relation to the subscription of 4% of the issued share capital of Dragon King BVI and a supplemental agreement to the subscription agreement dated 26 September 2016 entered into between Rank Advance, Mr. Wong WC and Dragon King BVI
"**[REDACTED]** Investment Agreement 4"	(a) the Tang Palace Sale & Purchase Agreement; (b) the Tang Palace Supplemental Agreements; and (c) the subscription agreement dated 26 September 2016 in relation to the subscription of 7% of the issued share capital of Dragon King BVI entered into between Good Vision, Mr. Wong WC and Dragon King BVI
"**[REDACTED]** Investments"	**[REDACTED]** Investment 1, **[REDACTED]** Investment 2, **[REDACTED]** Investment 3 and **[REDACTED]** Investment 4, collectively
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the laws of Hong Kong) as in force from time to time before 3 March 2014
"Premier Oriental"	Premier Oriental Limited (運力有限公司), a company incorporated in Hong Kong on 27 May 2016 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**

"Prominent Voice"	Prominent Voice Limited (譽豪有限公司), a company incorporated in Hong Kong on 2 April 2015 with limited liability, which shall be an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Rank Advance"	Rank Advance Limited (晉爵有限公司), a company incorporated in the Seychelles on 20 January 2016 with limited liability and is wholly-owned by Mr. Wang
"Regulation S"	the Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Reorganisation"	the corporate reorganisation of our Group in preparation for the **[REDACTED]** as described in the section headed "History, Development and Reorganisation — Reorganisation" in this document

"Repurchase Mandate"	the general unconditional mandate granted to our Directors by our Shareholders in relation to the repurchase of our Shares, further details of which are contained in the paragraph headed "A. Further information about our Company — 6. Repurchase of our Shares by our Company" in Appendix V to this document
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Samoa"	the Independent State of Samoa
"San Po Kong Restaurant"	the restaurant located at Shop No. 110 of the 1st Floor of Mikiki, No. 638 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong and operated by Mass Effort under the brand name "Dragon King (龍皇)"
"Seychelles"	the Republic of Seychelles
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shanghai"	Shanghai Municipality in the PRC
"Shanghai Restaurant"	the restaurant located at No. 27 Pudong Road South, Pudong New District, Shanghai and operated by Silver Everford under the brand name "Imperial Seal (皇璽)"
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
[REDACTED]	**[REDACTED]**

"Share Option Scheme"	the share option scheme conditionally adopted by our Company, a summary of the principal terms and conditions of which is set forth in the section headed "E. Share Option Scheme" in Appendix V to this document
"Sheung Shui Restaurant"	the restaurant located at Shop No. 401, 4/F, Choi Yuen Plaza, Choi Yuen Estate, Choi Yuen Road, Sheung Shui, New Territories, Hong Kong and operated by Prominent Voice under the brand name "Dragon Feast" (龍宴)"
"Silver Everford"	Silver Everford Limited (銀永發有限公司), a company incorporated in Hong Kong on 19 May 2011 with limited liability, which shall be an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation
"sq.m." or "m^2"	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tang Palace BVI"	Hong Kong Tang Palace Food & Beverage Group Company Limited (香港唐宮飲食集團有限公司) (formerly known as China Tang Palace F&B Enterprise Limited (中國唐宮飲食企業有限公司), and prior to that, Shine Light Enterprises Limited (旭明企業有限公司)), a company incorporated in the BVI on 12 November 2009 with limited liability and wholly-owned by Tang Palace (China)
"Tang Palace Group"	Tang Palace (China) and its subsidiaries

"Tang Palace Sale & Purchase Agreement"	a sale and purchase agreement dated 30 June 2016 entered into between Dragon King BVI and Premier Oriental, Tang Palace Catering (Overseas) Limited and Excellent Tang Palace Food and Beverage Group Company Limited and Mr. Wong WC in relation to the sale of (i) the entire issued share capital of Dragon King Macau and (ii) certain equipment, furniture, utensils and rental deposits
"Tang Palace Supplemental Agreements"	the supplemental agreement and the second supplemental agreement to the Tang Palace Sale & Purchase Agreement dated 26 September 2016 and 28 September 2016, respectively, pursuant to which the consideration of the Tang Palace Sale & Purchase Agreement was to be satisfied by the issue and allotment of 15 shares in Dragon King BVI to Good Vision
"Tang Palace (China)"	Tang Palace (China) Holdings Limited (唐宮(中國)控股有限公司), a company incorporated in the Cayman Islands on 11 March 2010 and listed on the Main Board of the Stock Exchange (stock code: 1181)
"TDO"	the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the financial years ended 31 December 2015 and 2016 and the five months ended 31 May 2017
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**
"US$"	United States dollars, the lawful currency of the United States of America
"U.S." or "United States" or "US"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1993 (as amended from time to time)

"Venetian"	The Venetian Macao Resort Hotel at Cotai Strip, Macau
"Wan Chai Restaurant"	the restaurant located at Shop 801 on the 8th Floor of Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and operated by Premier Oriental under the brand name "Dragon King (龍皇)"
"Wealth Club"	Wealth Club Limited (富聚有限公司), a company incorporated in Hong Kong on 13 May 2005 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Wealthy Time"	Wealthy Time Limited (富泰有限公司), a company incorporated in the Seychelles on 7 November 2016 with limited liability and is wholly-owned by Mr. Wong WH
"WFOE"	Wholly foreign owned enterprise in the PRC
"Whampoa Restaurant"	the restaurant located at Shop No. 1 on the 3rd Floor, Whampoa Gourmet Place, Site 8, Whampoa Garden, Hunghom, Kowloon, Hong Kong and operated by Wealth Club under the brand name "Dragon King (龍皇)"
[REDACTED]	**[REDACTED]**
"Wise Alliance"	Wise Alliance Limited, a company incorporated in the Seychelles on 21 June 2016 with limited liability and is wholly-owned by Mr. Lee
"WPCO"	the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"WTC Restaurant"	the restaurant located at 12th Floor of The World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong and operated by Dragon King HK under the brand name "Dragon King (龍皇)"

"Yau Ma Tei Restaurant"	the restaurant located at 41-43 Pitt Street, Yau Ma Tei, Kowloon, Hong Kong and operated by Dragon Lake under the brand name "Dragon King (龍皇)" during the period between November 2004 and August 2012
[REDACTED]	**[REDACTED]**
"%"	per cent.

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

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

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

GLOSSARY OF TECHNICAL TERMS

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

"CAGR"	compound annual growth rate
"CBD"	central business district
"CPI"	consumer price index
"dim sum"	a style of Cantonese cuisine prepared as small bite-sized portions of food traditionally served in small steamer baskets or on small plates
"full-service restaurant"	refers to the catering segment that is made up of traditional sit-down restaurants with full table service provided by waiters; and full-service restaurants generally offer food at set morning, lunch and dinner times rather than all day
"GDP"	gross domestic product
"high spending customers"	when used in the context of the Cantonese full-service restaurant sector, customers with average spending per customer above HK$400 in Hong Kong or above RMB400 in Shanghai or above MOP400 in Macau
"ISO"	International Organisation for Standardisation standards for quality management which ensure an organisation's products conform to customer requirements and applicable statutory and regulatory standards and which set requirements for what an organisation must do to manage processes influencing product quality
"low spending customers"	when used in the context of the Cantonese full-service restaurant sector, customers with average spending per customer below HK$150 in Hong Kong

GLOSSARY OF TECHNICAL TERMS

"mid spending customers"	when used in the context of the Cantonese full-service restaurant sector, customers with average spending per customer between HK$150 and HK$400 in Hong Kong
"POS system"	point of sale software system

FORWARD-LOOKING STATEMENTS

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

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

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

- the actions and developments of our competitors and our Group's ability to compete under these actions and developments;

- the effects of the global financial markets and economic crisis; and

- other factors beyond our Group's control.

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

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

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

RISKS RELATING TO OUR BUSINESS

As we lease all of the properties on which our restaurants operate, we are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs

We lease all the properties on which our restaurants operate in Hong Kong, Macau and the PRC. Accordingly, occupancy costs account for a significant portion of our operating expenses. For the two years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, our property rentals and related expenses amounted to HK$46,867,000, HK$62,306,000 and HK$30,012,000, respectively, representing 15.9%, 15.8% and 17.5% of our revenue from restaurant operations during the respective periods. Our Directors believe that, generally, rental costs for premises that are suitable for restaurant businesses in Hong Kong, Macau and the PRC may continue to increase. Our substantial operating lease obligations expose us to risks, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes. In addition, we need to compete with other restaurants for quality sites in a highly competitive market for retail premises. If we are unable to secure desirable restaurant locations or secure renewals of existing leases on commercially reasonable terms, our business, results of operations and ability to implement our growth strategy will be adversely affected.

The lease agreements for our restaurant sites typically have an initial term ranging from 3 to 11 years. Please refer to the section headed "Business — Property" for details. Some lease agreements contain an option for us to renew for an additional term. Many of our lease agreements provide that the rent will increase within the initial term or after the initial term at a fixed rate or at the then prevailing market rate. Where we do not have an option to renew a lease agreement, we must negotiate the terms of renewal with the lessor, which may insist on a significant modification to the terms and conditions of the lease agreement. If such lease agreement (or the lease agreements of our restaurants) is not renewed, or is not renewed at a reasonable rate, we will have to close or relocate the restaurant, which would eliminate the sales that the restaurant would have contributed to our revenues during the period of closure, and could subject us to relocation and other costs. In addition, the revenue and any profit generated at a relocated restaurant may be less than the revenue and profit previously generated at the closed restaurant and hence affecting our results of operations.

Our business in Wan Chai and Macau has a limited operating history, we cannot guarantee that we will generate revenue and grow our business as planned

We commenced business in Wan Chai and Macau in July 2016, respectively. As our business in Wan Chai and Macau only has a relatively short operating history, the performance of our Group during the Track Record Period may not be taken as a reference to estimate our Group's future performance. There is no assurance that our Group will be successful in meeting all challenges and addressing the risks and uncertainties as may be faced by our Group in developing its new business and our Group's operation performance can be maintained in the level similar to those in the Track Record Period. Should our Group fail to maintain such performance, our Group's financial results may be adversely affected.

Our Group recorded a net current liabilities position as at 31 December 2015, 31 December 2016, 31 May 2017 and 30 June 2017 and may experience net current liabilities position in the future

As at 31 December 2015, 31 December 2016, 31 May 2017 and 30 June 2017, our Group reported net current liabilities of approximately HK$81,069,000, HK$47,249,000, HK$48,527,000 and HK$46,651,000, respectively. The net current liabilities of our Group as at 31 December 2015, 31 December 2016, 31 May 2017 and 30 June 2017 were primarily due to the large amount of capital expenditure invested in our restaurants as reported under our non-current assets being funded by bank borrowings with a repayment on demand clause which were reported under our current liabilities. There is no assurance that our Group's operations will generate sufficient cash inflow or we could raise funds from other channels to finance all our Group's activities and cover our general working capital requirements in the future. In the event that our Group is unable to generate enough cash from our operations to finance our future development, the performance and prospects of our Group as well as our ability to implement our business plans will be adversely affected. For further details of indebtedness and liquidity, financial resources and capital structure of our Group, please refer to the section headed "Financial Information" of this document.

Seasonality factors may affect our Group's financial performance

Our Group's overall operation results can fluctuate significantly from period to period because of seasonal fluctuations. Our Group's revenue during certain holiday periods, such as the Christmas holidays and the Chinese New Year holidays, are usually higher than those for the remaining months of the year. Generally, the revenue of our Group during April to August is lower than that for the remaining months, mainly due to limited traditional Chinese festivals during such period. As such, the results of our Group's financial performance may fluctuate from period to period and any comparison of different periods may not reflect our Group's overall financial performance accurately due to seasonality. The results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

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

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

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

Our profitability depends significantly on our ability to anticipate and react to changes in purchase costs of food ingredients. The availability (in terms of variety, type and quality) and prices of food supplies can fluctuate and be volatile and are subject to factors that are beyond our control, such as seasonal fluctuations, climate conditions, natural disasters, general economic conditions, governmental regulations, each of which may affect our food costs or cause a disruption in our supply. Our suppliers may also be affected by higher costs to produce the goods and services supplied to us, rising labour costs and other expenses that they pass through to their customers, which could result in higher costs for goods and services supplied to us.

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

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

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

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

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

Any failure of our suppliers to deliver food and other supplies in a timely manner could materially and adversely impact our Group

Our ability to maintain consistent quality throughout our restaurants depends in part upon our ability to acquire fresh food products and related supplies from reliable resources in accordance with our specifications and in sufficient quantities. A disruption of our food supplies could occur for a variety of reasons, many of which are beyond our control, including adverse weather conditions, natural disasters, diseases or unexpected production shortages. Moreover, there is no assurance that our current suppliers may always be able to meet our stringent quality control requirements in the future. If any of our suppliers do not perform adequately or otherwise fail to distribute products or supplies to our restaurants in a timely manner, we cannot assure that we will be able to replace the suppliers in a short period of time on acceptable terms, and our failure to do so could result in increase in our food costs and could cause shortage of food and other supplies at our restaurants that may cause us to remove certain items from the menu of one or more restaurants. If we remove popular items from a restaurant's menu, that restaurant may experience a reduction in revenue during the time affected by the shortage and thereafter, as our guests may change their dining habits as a result.

Some holders of the liquor licence of our restaurants in Hong Kong were employees of our Group

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

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

If the relevant employee refuses to give consent to a transfer application when a transfer is required by our Group, fails to make an application in respect of illness or temporary absence or makes a cancellation application without our Group's consent, or if an application for new issue of a liquor licence is required to be made to the LLB in case of death or insolvency of the relevant employee, it may cause the relevant restaurant to suspend or cease the sale of liquor for a certain period, which may adversely affect the business and profitability of our Group.

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

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

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

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

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

Expansion with additional restaurants and enhancement of existing restaurants facilities may result in a significant increase in our depreciation charges

To cope with our expansion plan, we intend to open three additional restaurants in Hong Kong and to enhance our existing restaurants facilities in order to stay competitive in the market and to attract new and returning customers. Please refer to the section headed "Business Objectives and Future Plans" to this document for details. Following our expansion plan, additional depreciation expenses will be incurred, which may in turn adversely affect our financial condition and results of operations as a whole. The additional annual depreciation expenses to be incurred as a result of the expansion plan will be approximately HK$1,268,000 and HK$9,459,000 for the years ending 31 December 2017 and 2018, respectively. However, our Group cannot ensure that the opening of these new restaurants and renovation of existing restaurants will achieve desirable results to cover the depreciation expenses. If our Group fails to run these new or renovated restaurants profitably, our Group's financial performance may be adversely affected.

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

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

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

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

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

We believe that customer awareness and recognition of the qualities for which our Group's brands, including "Dragon King (龍皇)", "Dragon Seal (龍璽)", "Imperial Seal (皇璽)" and "Dragon Feast (龍宴)" is the key to the success of our Group's business. Our Group's ability to implement our Group's business plan successfully also depends on our ability to further build brand recognition using our Group's trademarks, proprietary know-how, recipes and other intellectual property, including our Group's brand names and logos.

In addition, to maintain competitiveness in the food and beverage industry, our Group's chefs from time to time review and modify the dishes offered in the menu and launch new dishes for our Group's restaurants to cater to ever-evolving customer tastes. Our Group did not apply for registration of any intellectual property rights for our Group's self-created dishes and our Group's competitors may imitate our Group's self-created dishes and offer them at competitive price, causing adverse effect to our Group's sales and profitability.

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

Our Group's historical results may not be indicative of our Group's future performance. Our Group's 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 Group's revenues, expenses and operating results may vary from period to period due to a variety of factors beyond our Group's control, including but not limited to general economic conditions, special events, regulations or actions pertaining to restaurants based in Hong Kong, Macau and the PRC and our Group's ability to control costs and operating expenses.

Labour shortages or increase in staff costs could affect our Group's future development, business operation, financial condition and operation results

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

For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, the staff costs accounted for approximately 31.5%, 31.2% and 32.4% of our Group's revenue. Therefore, any significant increase in staff costs could adversely affect our Group's financial condition and operation results.

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

Our success depends on our key personnel and our business may be harmed if we lose their services

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 brand. Our future success also depends heavily upon the continuing services and performance of our key management personnel, in particular Mr. Wong WC, our chief executive officer and executive Directors and other senior management personnel. We must continue to attract, retain and motivate a sufficient number of qualified management and operating personnel, restaurant general managers and chefs, to maintain consistency in the quality and atmosphere of our restaurants and meet our planned expansion requirements. If our key management personnel fails to work together successfully, or if one or more of our key management personnel is unable to effectively implement our business strategy, we may be unable to grow our business at the speed or in the manner in which we expect. If one or more of our key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily 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 know-how 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 Group's insurance coverage may be insufficient to protect our Group against potential liabilities arising during the course of operations

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

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

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

Information technology system failures or breaches of our network security could interrupt our operations and adversely affect our business

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

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

RISKS RELATING TO OUR INDUSTRY

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

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

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

We operate in a highly competitive market

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

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

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

The profitability of our business is dependent on, inter alia, a number of factors relating to the Hong Kong, the PRC and Macau market, such as the spending power of the population, the number of and the spending by tourists and other visitors, regulations and government policies in relation to our business. Furthermore, economic instability and political turmoil have certain effect on the macroeconomics conditions which would affect the consumers' desire to spend. As a result, our business may be materially affected in the event of any adverse or unforeseeable change in the economic, political and social conditions in Hong Kong, the PRC and Macau. We are unable to assure that such changes will not occur in the future.

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

RISKS RELATING TO THE [REDACTED]

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

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

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

Our Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

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

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

Our Controlling Shareholders have voluntarily undertaken to our Company that any Shares held by them will be subject to lock-up for certain period after the **[REDACTED]** in addition to the requirement under the GEM Listing Rules, unless waived by majority of our independent Shareholders. If our independent Shareholders decide to waive such voluntary lock-up undertaking, our Shares held by our Controlling Shareholders will be tradable in the market. There is also no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the **[REDACTED]**. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders, may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

Historical dividends are not indicative of our future dividends

Subsidiaries of our Group declared a dividend of approximately nil, HK$27,293,000 and nil for the years ended 31 December 2015, 2016 and the five months ended 31 May 2017, respectively. The value of dividends declared and paid in previous years should not be relied on by potential investors as a guide to the future dividend of our Group or as a reference or basis to determine the amount of dividends payable in the future. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. The amount of any dividends to be declared in the future will be subject to, among other factors, our Directors' discretion, having taken into account the substantial capital requirements of our Group in the foreseeable future, the availability of distributable profits, our earnings, working capital, financial position, capital and funding requirements, the applicable laws and other relevant factors.

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

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

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Wong Wing Chee (黃永幟)	House 2 Moritz Avenue Valais II, 33 Kwu Tung Road Sheung Shui New Territories Hong Kong	Chinese
Ms. Lee Ching Nung Angel (李靜濃)	House 2 Moritz Avenue Valais II, 33 Kwu Tung Road Sheung Shui New Territories Hong Kong	Chinese
Mr. Wong Wing Hong (黃永康)	1st Floor 74 Kam Shek New Village Tai Po New Territories Hong Kong	Chinese
Independent non-executive Directors		
Mr. Kwong Ping Man (鄺炳文)	Flat G, 29th Floor Block 2, Aqua Marine 8 Sham Shing Road Cheung Sha Wan Kowloon Hong Kong	Chinese
Mr. Lin Zhisheng (林智生)	Flat B, 1st Floor Welcome Gardens 39 Broadcast Drive Kowloon Tong Kowloon Hong Kong	Chinese

Mr. Chang Cheuk Cheung Terence (張灼祥)	Flat A, 11/F, Block 2, Villa Oceania, 8 On Chun Street, Ma On Shan, New Territories Hong Kong	Chinese

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

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**Frontpage Capital Limited** 26th Floor Siu On Centre 188 Lockhart Road Wan Chai Hong Kong *(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*
[REDACTED] and [REDACTED]	**Frontpage Capital Limited** 26th Floor Siu On Centre 188 Lockhart Road Wan Chai Hong Kong *(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*
[REDACTED]	[•] [•]

Legal advisers to our Company

As to Hong Kong law:

CFN Lawyers in association with Broad and Bright
Room 4124, 41st Floor
Sun Hung Kai Centre
30 Harbour Road
Wan Chai
Hong Kong
(Solicitors of Hong Kong SAR)

As to PRC law:

Shu Jin Law Firm
12th Floor, Taiping Finance Building
Yitian Road 6001
Futian District
Shenzhen 518017
(PRC attorneys-at-law)

As to Cayman Islands law:

Appleby
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong
(Cayman Islands attorneys-at-law)

As to Macau law:

MdME
21/F and 23/F A-B
China Law Building
409 Avenida da Praia Grande
Macau
(Macau attorneys-at-law)

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law:* **Sit, Fung Kwong & Shum** 9th Floor, York House The Landmark 15 Queen's Road Central Central Hong Kong *(Solicitors of Hong Kong SAR)* *As to PRC law:* **Yingke Law Firm** 3rd Floor, Office Tower B Rongchao Business Center No. 6003, Yitian Road Futian District Shenzhen 518026 *(PRC attorneys-at-law)*
Reporting accountants	**Ernst & Young** 22nd Floor, CITIC Tower 1 Tim Mei Avenue Central Hong Kong *(Certified Public Accountants)*
Market research consultant	**Ipsos Limited** 22nd Floor, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Property valuer	**BMI Appraisals Limited** 33rd Floor, Shui On Centre 6-8 Harbour Road Wan Chai Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Internal control consultant	**Sam K. M. Ng CPA Limited** Room 1202 Tung Chiu Commercial Centre 193 Lockhart Road Wan Chai Hong Kong
[REDACTED]	[•]

CORPORATE INFORMATION

Registered Office in the Cayman Islands	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Office A 20th Floor TG Place 10 Shing Yip Street Kwun Tong Kowloon Hong Kong
Company secretary	Mr. Chan Ka Nam (陳迦南) *(CPA)* Flat A, 13th Floor Block 1, Kam Lung Mansion Fung Kam Street Yuen Long New Territories Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Wong Wing Chee (黃永幟) House 2 Moritz Avenue Valais II, 33 Kwu Tung Road Sheung Shui New Territories Hong Kong Mr. Chan Ka Nam (陳迦南) *(CPA)* Flat A, 13th Floor Block 1, Kam Lung Mansion Fung Kam Street Yuen Long New Territories Hong Kong

CORPORATE INFORMATION

Compliance officer	Mr. Wong Wing Hong (黃永康) 1st Floor 74 Kam Shek New Village Tai Po New Territories Hong Kong
Audit committee	Mr. Kwong Ping Man (鄺炳文) *(Chairman)* Mr. Lin Zhisheng (林智生) Mr. Chang Cheuk Cheung Terence (張灼祥)
Remuneration committee	Mr. Lin Zhisheng (林智生) *(Chairman)* Mr. Wong Wing Chee (黃永幟) Mr. Kwong Ping Man (鄺炳文) Mr. Chang Cheuk Cheung Terence (張灼祥)
Nomination committee	Mr. Wong Wing Chee (黃永幟) *(Chairman)* Mr. Kwong Ping Man (鄺炳文) Mr. Lin Zhisheng (林智生) Mr. Chang Cheuk Cheung Terence (張灼祥)
Compliance adviser	**Frontpage Capital Limited** 26th Floor, Siu On Centre 188 Lockhart Road Wan Chai Hong Kong *(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*
[REDACTED]	**[REDACTED]**

CORPORATE INFORMATION

[REDACTED]	**[REDACTED]**
Principal bankers	**Hang Seng Bank Limited** Kowloon Main Brach 618 Nathan Road Hong Kong **DBS Bank (Hong Kong) Limited** 16/F, The Center 99 Queen's Road Central Central Hong Kong
Company's website	***www.dragonkinggroup.com*** *(the information contained in this website does not form part of this document)*

The information set forth in this section has been derived from the Ipsos Report. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading, and no fact has been omitted that would render such information materially false or misleading. However, the information has not been independently verified by us, the Sole Sponsor, the **[REDACTED]***, the* **[REDACTED]***, the* **[REDACTED]***, any of the respective directors, officers, employees, advisers, agents or representatives or any other party involved in the* **[REDACTED]** *and no representation is given as to its accuracy. Except as otherwise stated, all the data and forecast in this section are derived from the Ipsos Report. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report, which may qualify, contradict or have an impact on the information as disclosed in this section.*

SOURCE OF INFORMATION

We commissioned an independent professional market research company, Ipsos, to assess the industry development trends, market demand and competitive landscape of Cantonese full-service restaurant industry in Hong Kong, Shanghai and Macau, at a fee of HK$448,000 and our Directors consider that such fee reflects market rates. Ipsos is an independent market research company and consulting company which conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence and which has been engaged in a number of market assessment projects in connection with initial **[REDACTED]** in Hong Kong. Founded in Paris, France in 1975 and publicly-listed on the NYSE Euronext Paris since 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the acquisition, Ipsos became one of the largest market research and consulting companies in the world, which employs over 16,500 personnel worldwide across 88 countries.

The objective of the research is to provide an independent assessment of the industry development and competitive landscape of the Cantonese full-service restaurant industry in Hong Kong, Shanghai and Macau.

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

The following assumptions were adopted in the preparation of the Ipsos Report:

- it is assumed that the global economy remains in steady growth across the period from 2017 to 2020

- the external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the Cantonese full-service restaurant industry in Hong Kong, Shanghai and Macau from 2017 to 2020

The following parameters have been taken into account in the preparation of the Ipsos Report:

- Historical GDP and GDP growth rate in Hong Kong and Shanghai city from 2011 to 2016, in Macau from 2011 to 2015, and forecast of GDP and GDP growth rate in Hong Kong from 2017 to 2020, and Macau from 2016 to 2020.

- Population and population growth rate in Hong Kong and Shanghai city from 2011 to 2016, and Macau from 2011 to 2015, and forecast of population and population growth rate in Hong Kong from 2017 to 2020, and Macau from 2016 to 2020.

- Historical private consumption expenditure on food and non-alcoholic beverages in Hong Kong from 2011 to 2016.
- Historical private consumption expenditure on food in Shanghai city from 2011 to 2015, and Macau from 2011 to 2016.
- Historical number of tourist visits in Hong Kong from 2011 to 2016.
- Historical CPI for food ingredients in Hong Kong and Macau from 2011 to 2016, Shanghai city from 2011 to 2015.
- Historical monthly wage for employees in the Cantonese full-service restaurant industry in Hong Kong from 2011 to 2016, and Shanghai city from 2011 to 2015.
- Historical monthly wage for employees in the restaurant industry in Macau from 2012 to 2016.
- Historical monthly rent for private retail premises in Hong Kong from 2011 to 2016, in Shanghai city from 2011 to 2016.
- Historical annual rent for dining place in Macau from 2011 to 2015.
- Historical CPI for dining out in Hong Kong and Macau from 2011 to 2016, and Shanghai city from 2011 to 2015.

HONG KONG

Macro-economic environment in Hong Kong

The GDP value in Hong Kong grew from HK$1,934.4 billion in 2011 to HK$2,489.1 billion in 2016 at a CAGR of 5.2%. During the forecast period, the GDP value is estimated to rise from HK$2,589.2 billion in 2017 to HK$2,956.3 billion in 2020 at a CAGR of 4.5%, which can be mainly explained by the expected growth in export values due to the global economic recovery.

In Hong Kong, the private consumption expenditure on food and non-alcoholic beverages steadily increased from HK$179.6 billion in 2011 to HK$244.5 billion in 2016, at a CAGR of approximately 6.4%. The increase in private consumption expenditure on food and non-alcoholic beverages in Hong Kong can be attributed to the growth of household income. For instance, the median monthly household income in Hong Kong raised from approximately HK$20,000 in 2011 to approximately HK$25,200 in 2016, at a CAGR of 4.7%. In addition, they consumed food and beverages of higher quality to improve their living standard. The median monthly household income in Hong Kong is expected to increase at a CAGR of 3.4% from 2017 to 2020.

Overview of the Cantonese full-service restaurant industry in Hong Kong

Cantonese full-service restaurants serve tea, dim sum and simple dishes during the day, while proper dishes and banquets are served for events or dinner in the evening. As a type of full-service restaurant, Cantonese full-service restaurants are traditionally classified as restaurants major serving Cantonese cuisine, where service staffs provide full table services to customers. Typical table services include seating the customers, taking orders, delivering food, clearing the plates and processing bill payment. Given the provision of full table services, Cantonese full-service restaurants

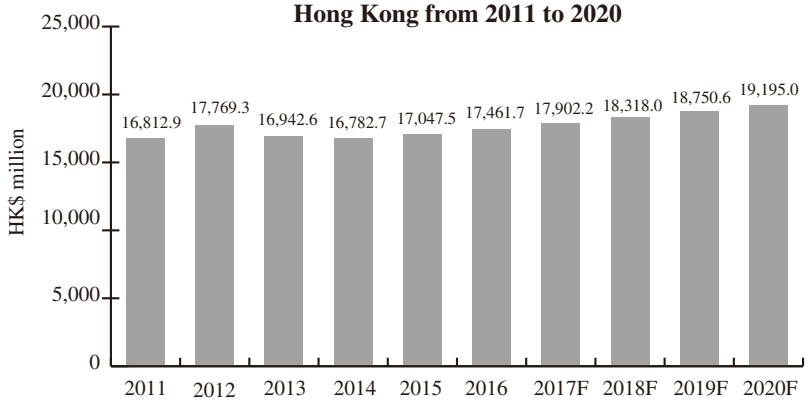
generally add a 10% service charge onto the bill. However, depending on the brand positioning and restaurant location, some Cantonese full-service restaurants may only open in the evening to serve dishes. In 2016, there were approximately 1,399 Cantonese full-service restaurants in Hong Kong.

It is expected that the increasing demand for Cantonese full-services restaurant industry and downward adjustment of the rental prices would probably bring more opportunities for the expansion of Cantonese full-service restaurants.

For instance, the downward adjustment of rental prices led to the decrease in rental costs, as the landlords reduced the rental price to keep the tenants and avoid vacancy under the relatively weak demand market. The overall decline of rental prices benefited the companies to open new restaurants in new locations with favorable prices regardless of the tenants' bargaining power, and allow the companies to extend the rental contracts with lower rental costs. Thus, the downward adjustment reduced the operation costs of restaurants, which may bring more opportunities for the expansion.

The revenue of the Cantonese full-service restaurant industry in Hong Kong experienced a growth from HK$16,812.9 million in 2011 to HK$17,461.7 million in 2016, representing a CAGR of approximately 0.8%. It can be concluded that the market is mature as the growth rate of the industry in Hong Kong is expected to be relatively stable. In view of the expected increase in GDP per capita and average annual household disposable income in Hong Kong and the increasing popularity of Cantonese full-service restaurant among local citizens and preference to dine out during festivals, family celebrations and after long hours of work and school in Hong Kong, the estimated revenue of the Cantonese restaurant industry is expected to increase at a CAGR of approximately 2.4% during the forecast period from 2017 to 2020. The long hours of work and school encourage more people to dine out as they have limited time to prepare meals. The revenue of the restaurant industry in Hong Kong, therefore, is expected to grow, which offers a growth opportunity to the Cantonese full-service restaurant industry in the meanwhile. In addition, as there is a trend of Cantonese full-service restaurants to provide customized set meals to fulfill different dining demands during lunch and dinner periods, it is more convenient for customers to choose Cantonese full-service restaurants no matter for special events, family feasts or casual dining with a few companions. Thus, the popularity of Cantonese full-service restaurant among local citizens increases accordingly for the conveniences. The graph below sets out the revenue generated from the Cantonese restaurants industry in Hong Kong from 2011 to 2020:

Revenue of the Cantonese full-service restaurant in Hong Kong from 2011 to 2020



Notes: The forecast of the total revenue is based on (1) the historical trend and growth momentum of the Chinese restaurant receipts in Hong Kong; (2) the historical trend and the growth momentum of the Cantonese full-service restaurants in Hong Kong; (3) historical CPI growth rate; (4) historical rental price; (5) historical wage level; (6) the projection of GDP growth rate in Hong Kong; and (7) the projection of the changes in the consumption expenditure in Hong Kong.

Source: Ipsos research and analysis

Major cost components

Food ingredients

Prices of the five key food categories grew during the past six years, with seafood having the highest CAGR and carbonated drinks and non-alcoholic beverages having the lowest CAGR during 2011 to 2016. The 2011 to 2016 CAGRs for seafood, meat, fresh vegetables, soft drinks and alcoholic drinks are 7.5%, 5.4%, 5.5%, 2.6% and 2.7%, respectively.

Staff cost

The monthly wage for employees in Cantonese full-service restaurant industry increased from HK$10,100.0 in 2011 to HK$13,200.0 in 2016, representing a CAGR of approximately 5.5%. The increase in wage was mostly caused by the Statutory Minimum Wage (SMW), which came into effect on 1 May 2011. The revised SMW rate was effective on 1 May 2015 when the minimum wage further increased from HK$30.0 per hour to HK$32.5 per hour.

Rental cost

The monthly rent for private retail premises in Hong Kong experienced an overall increase from 2011 to 2016. The overall increase in the monthly rent for private retail premises in Hong Kong can be explained by the prosperity of the retail market in Hong Kong, especially during the years from 2011 to 2014. However, given the slowdown of retail sector, the real estate market in Hong Kong experienced a downward adjustment since 2015.

Competitive analysis of the Cantonese full-service restaurant industry in Hong Kong

The Cantonese full-service restaurant industry is highly competitive with presence of several chained restaurant groups operating in the industry. Compared to other markets, such as in Shanghai and Macau, the market in Hong Kong is relatively consolidated. Ipsos has compiled the following table of the top five Cantonese restaurant operators in Hong Kong in 2016:

Rank	Name of the Company	Headquarter Location	Revenue	Market share	Number of Cantonese restaurant in Hong Kong
			(HK$ million)	*(%)*	
1	Competitor A	Hong Kong	2,571.9	14.7%	65
2	Competitor B	Hong Kong	2,568.9	14.7%	70
3	Competitor C	Hong Kong	1,572.6	9.0%	37
4	Competitor D	Hong Kong	1,498.4	8.6%	38
5	Competitor E	Hong Kong	811.8	4.6%	20
	Top 5 total		9,023.6	51.6%	

Source: Ipsos research and analysis

According to the Ipsos Report, our Group accounted for about 1.8% of the revenue in Cantonese restaurant industry in Hong Kong for the year ended 31 December 2016.

Key Factors of Competition

Location

Restaurant location is the key factor of competition in the food service industry as well as the Cantonese full-service restaurant industry in Hong Kong. A restaurant is considered to be in a prime location if it is operating at a premises with a high level of foot-traffic. Premises that are well-located in residential areas, Central Business District or areas frequented by tourists can capture a greater amount of customers. Restaurants rely on a good location to help get a higher level of visibility and exposure.

Pricing

The competition of the industry is very intense due to the large number of Cantonese full-service restaurants operating in Hong Kong. Pricing is therefore one of the strategies for restaurants to distinguish themselves from other competitors. The restaurant groups who can offer high quality food and services at reasonable prices will have a better development in the industry since they can attract customers more easily.

Quality of food and services

In the Cantonese full-service restaurant industry, the quality of food and services provided by restaurants are the most basic factors to attract customers in Hong Kong. Serving high-quality food is an enhancement to customers' dining experience. In addition, attentive and friendly services can differentiate a restaurant and also increase customer loyalty. High quality food and services can create word of mouth recommendation among customers which further builds a reputation. To conclude, restaurants who can offer high quality of food and services help to build a good brand reputation, and thus are more competitive in the market.

Market Drivers

The food service industry is supported by the government

The Hong Kong Trade Development Council (HKTDC) has consistently held events including, the Hong Kong Food Expo and Taste of Hong Kong. In recent years, more Cantonese Restaurants have taken part in such events. These events help raise public awareness of Cantonese food culture. Exhibitors and visitors from around the world also get the chance to know about Cantonese full-service restaurants and exchange cultural knowledge.

Popularity of Cantonese full-service restaurant among local citizens

Cantonese restaurant has a long history in Hong Kong to sell traditional local food. The Chinese emphasis on tradition and family means that traditional festivals and celebrations are widely held. Recently, many families choose to have their reunion dinner at restaurants rather than at home, and Cantonese full-service restaurants become a popular choice. As a result of the expected increase in average annual household disposal income in Hong Kong and the increasing preference to dine out during festivals and family celebrations, the Cantonese restaurant industry is expected to grow.

Major Threats

Declining tourism industry

The tourism industry in Hong Kong is suffering a slowdown since 2014, with the number of visitor arrivals decreased by 2.5% between 2014 and 2015 to 59.3 million in 2015 and further decreased by 4.5% to 56.7 million in 2016. The majority of the visitors are from Mainland China, accounting for 75% of total visitor arrivals in 2016. Though the number of visitors was still high compared to 41.9 million in 2011, the declining number of tourists posted a potential threat to the food service industry, especially to the Cantonese full-service restaurant industry, due to the potential decrease in demand from Chinese tourists.

Lack of talented and expertise

In order to compete, waiting staff are required to have more skills than in the past, such as language and customer service skills. Restaurants also need to provide more variety of dishes to attract customers and talented and experienced chef is under high demand. However, talented and skilled employees, especially university graduates, are unwilling to join the industry due to its long working hours, comparatively low wages and job nature-standing and being energy consuming. The median weekly working hours for Chinese restaurants in 2016 is 57.0, which is above the average median in Hong Kong of 44.3.

Entry Barriers

High start-up and operation costs required

The rental cost in Hong Kong is known to be high. The report published by the Hong Kong's Rating and Valuation Department in 2016 stated that the retail rental index for Hong Kong property has been rising since 2002 and hit an index of 180 in 2015, the retail rental index was high compared to the maximum point of 140 in 2011. Other than rental expenses, the costs of starting up a Cantonese full-service restaurant are not limited to kitchen appliances, tableware, decorations and labour. Subject to the approval of the Legislative Council, the minimum wage will be increased by HK$2 to HK$34.5 per hour effective on 1 May 2017. Furthermore, the cost on semi-finished food could be high without the benefit of economies of scale.

Large restaurant groups dominating the market

The Cantonese full-service restaurant industry is dominated by mainly five top catering groups in Hong Kong. These groups enjoy economies of scale, well developed distribution networks and good relationship with suppliers. It has created high entry barriers to new entrants. New entrants may need innovations on dishes or services and a unique selling point in order to compete.

SHANGHAI

Macro-economic environment in Shanghai

The GDP value in Shanghai grew from RMB1,919.6 billion in 2011 to RMB2,746.6 billion in 2016, at a CAGR of 7.4%. The consumption expenditure on food in Shanghai increased at a CAGR of approximately 6.0%, from RMB178.3 billion in 2011 to RMB224.9 billion in 2015.

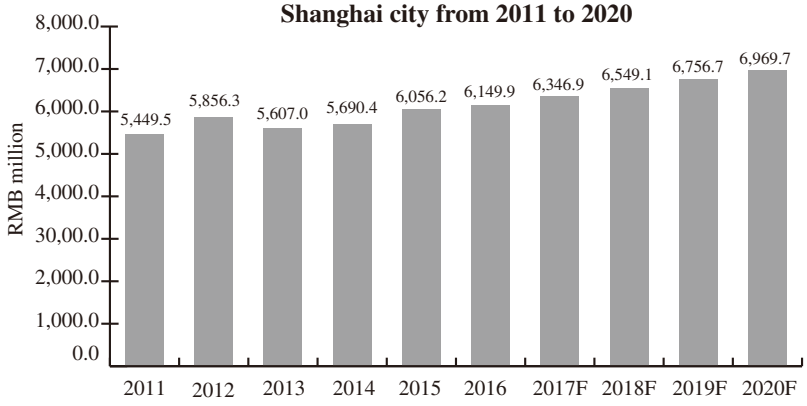
The rise in the food consumption expenditure in Shanghai can be explained by the strong economic growth in China in recent years. The rapidly growing economy in Shanghai drove up the average annual disposable income in Shanghai. For instance, the average annual disposable income per capita in Shanghai recorded an increase from RMB36,230.5 in 2011 to RMB54,305.0 in 2016, at a CAGR of approximately 8.4%. As a result, the general purchasing power of Shanghai citizens increased, stimulating the spending on food consumption.

Overview of the Cantonese full-service restaurant industry in Shanghai

The operation and services of Cantonese full-service restaurants are similar in Shanghai to Hong Kong and Macau. However, Cantonese cuisine is not a local traditional cuisine in Shanghai, so Cantonese full-service restaurant is not the priority when it comes to festival and family gathering. In 2016, there were approximately 739 Cantonese full-service restaurants in Shanghai.

The revenue of the Cantonese full-service restaurant industry in Shanghai experienced a growth from RMB5,449.5 million in 2011 to RMB6,149.9 million in 2016, representing a CAGR of approximately 2.4%. The market is fragmented but mature, since the growth rate of the industry revenue remained at a stable level. The estimated revenue will increase at a faster pace at a CAGR of approximately 3.2% during the forecast period from 2017 to 2020. The graph below sets out the revenue generated from the Cantonese restaurants industry in Shanghai from 2011 to 2020:

Revenue of the Cantonese full-service restaurant in Shanghai city from 2011 to 2020



Source: Ipsos research and analysis

Major cost components

Food ingredients

From 2011 to 2015, the CPI for food ingredients in Shanghai generally increased. The average annual growth rate of prices from 2011 to 2015 for seafood, meat and meat products, fresh vegetables, and alcoholic and non-alcoholic drinks are 3.7%, 3.9%, 7.7% and 2.0%, respectively. Fresh vegetables increased at the greatest magnitude from 2011 to 2015 among the product categories, mainly due to the decrease in supply as a result of increasing urbanisation in China.

Staff cost

The monthly wage for employees in the Cantonese full-service restaurant industry in Shanghai from 2011 to 2015 increased from RMB2,237.0 to RMB3,196.0 at a CAGR of 9.3%. The main reason to the increase was the labour shortage, especially for employees like receptionists and services staff. It was difficult for businesses to hire both local workers and foreign workers due to the negative perceptions associated with the industry, such as low payment and long working hours.

Rental cost

From 2011 to 2013, the monthly rent increased from RMB1,188.6 per m^2 to RMB1,245.0 per m^2, driven by the boom in clothing, luxury goods, accessories, entertainment, cosmetics, electrical appliances, food and personal care, as well as other industries, the private premises reached nearly the highest leasing take-up. However, the rental fee dropped in 2014 and remained a slow increase in 2015. Throughout the whole period from 2011 to 2016, the monthly rent for private retail premises in Shanghai experienced an overall drop at a CAGR of approximately -0.6%.

Competitive analysis of the Cantonese full-service restaurant industry in Shanghai

The Cantonese full-service restaurant industry is highly competitive, since there are crowded well-known chained restaurant groups operating in the industry, and many time-honoured Cantonese full-service restaurants. Similar to Hong Kong, the market in Shanghai is highly competitive and mature. Ipsos has compiled the following table of the top five Cantonese restaurant operators in Shanghai in 2016:

Rank	Name of the Company	Headquarter Location	Revenue	Market share	Number of Cantonese restaurant in Shanghai
			(RMB million)	*(%)*	
1	Competitor F	Hong Kong	486.1	7.9%	13
2	Competitor A	Hong Kong	269.2	4.4%	8
3	Competitor C	Hong Kong	180.0	2.9%	2
4	Competitor G	Shanghai	111.6	1.8%	4
5	Competitor H	Shanghai	104.3	1.7%	4
	Top 5 total		1,151.2	18.7%	

Source: Ipsos research and analysis

According to the Ipsos Report, our Group accounted for about 0.8% of the revenue in Cantonese full-service restaurant industry in Shanghai for the year ended 31 December 2016.

Key Factors of Competition

Quality of food and service

The quality of food and service is the most basic factor to attracting customers in the Cantonese full-service restaurant industry in Shanghai. Since Cantonese full-service restaurants have the flexibility to customise their menu according to the seasonality of produce and food trends, expectations of consumers are high and hence high quality of food is crucial to the competitiveness of a restaurant. Attentive and friendly service can differentiate a restaurant from the competitors and increase customer loyalty.

Brand and reputation

The high-end customers have strong requirements on the brand and reputation of restaurants. Even if the currently established high-end Cantonese full-service restaurant chains have the first mover advantage of higher market awareness, relatively easier access to financing, and greater economies of scale, it is still necessary to implement brand strategies for the sustainable expansion and growth.

Market Drivers

Increase in disposable income

The rise in disposable income is the main driver for the growth in Cantonese full-service restaurant industry in Shanghai. As household earnings increase, more importance is being put on the quality of life and dining out has become a top spending priority for consumers. The increase in disposable income is expected to lead to a rising demand for dining out, creating a larger consumer base and an increase in market size.

Increase in the number of visitors to Shanghai

Inbound visitors to Shanghai could be one of the market drivers of the food service industry since the more visitors travel to Shanghai, the more they would spend in restaurants. According to Shanghai Municipal Tourism Administration, in 2016, there were around 268 million tourists visiting Shanghai, which increased by 6.8% compared to 2015. The visitors can generally be divided into two categories — business travellers and tourists. Business travellers contribute most to high-end restaurants while tourists are a major client group for full-service restaurants in shopping malls and around tourist attractions. The growth of the number of visitors to Shanghai is expected to contribute to the overall growth in the revenue of Cantonese full-service restaurants.

Major Threat

High operational costs

Rental and labour costs contribute the most to a restaurant's operational costs. It has become a common phenomenon for landlords to raise the rental rates markedly when renewing leases with tenants. The increasing rental costs in Shanghai are increasing the financial burden of restaurants. Also, according to the Bureau of Statistics of Shanghai, the monthly wages for employees in the Cantonese full-service restaurant industry in Shanghai from 2011 to 2015 increased from RMB2,237.0 to RMB3,196.0 at a CAGR of 9.3%.

Entry Barriers

High initial capital requirements

Establishing Cantonese full-service restaurants in Shanghai requires high initial capital investment. The initial costs include but are not limited to rent, setting up a commercial kitchen, interior fit-out and recruitment of staff. Since consumer expectations are increasing, more importance is being put on the ambiance of restaurants and the quality of food and service. The growing labour costs in Shanghai translated into a high entry costs for entrants to the enter the food service industry, representing a major barrier of the industry.

Complex licence application procedure

Licences issued by the government are required in order to set up a restaurant in Shanghai. For a Cantonese full-service restaurant, the application for the operation licence involves different government departments, such as the Industry and Commerce Administration Bureau, the Health and Epidemic Prevention Station, the Food and Drug Administration, the Fire Department (for the installation of ventilation systems) and the National Tax Department. The licensing process is deemed a barrier in this industry as the application process is relatively complicated, expensive and time-consuming.

MACAU

Macro-economic environment in Macau

The GDP value in Macau increased from MOP294.3 billion in 2011 to MOP368.7 billion in 2015, representing a CAGR of approximately 5.8%. The private consumption expenditure on food in Macau recorded a robust increase from MOP5,460.0 million in 2011 to MOP9,129.0 in 2016, at a CAGR of approximately 10.8%.

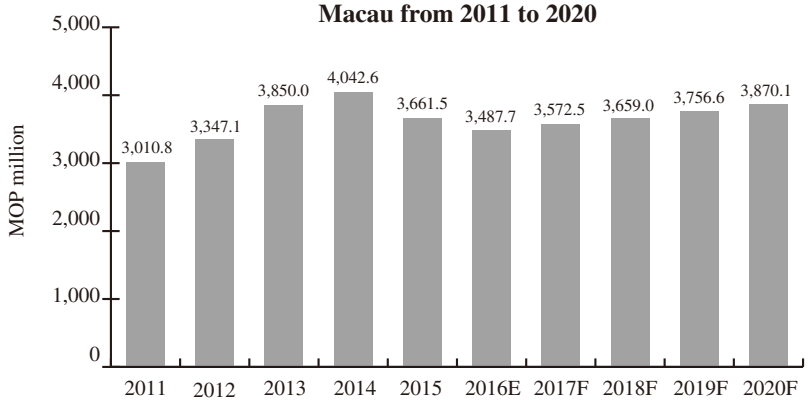
The robust increase in the private consumption expenditure on food can be largely explained by the increase in the overall employment earnings in Macau during the said period. For instance, the median monthly employment earnings in Macau increased from approximately MOP10,000 in 2011 to approximately MOP15,000 in 2016, at a CAGR of approximately 8.4%. The increase in overall employment earnings therefore supported higher spending on food from Macau citizens.

Overview of the Cantonese full-service restaurant industry in Macau

The uniqueness of Macau market lies in its developed gaming industry, which attracts large numbers of tourists to the city. Due to the limited time and familiarity to local market, tourists tend to choose restaurants based on reputation and popularity of brands, or at the nearest locations. In 2015, there were approximately 205 Cantonese full-service restaurants in Macau.

The revenue of the Cantonese full-service restaurant industry in Macau experienced a growth from MOP3,010.8 million in 2011 to MOP3,661.5 million in 2015, representing a CAGR of approximately 5.0%. The market is fragmented but relatively mature, since the growth rate of the industry revenue remained at a stable level during the forecast period. The estimated revenue will experience a moderate growth of CAGR of approximately 2.6% during the forecast period from 2016 to 2020. The graph below sets out the revenue generated from the Cantonese restaurants industry in Macau from 2011 to 2020:

Revenue of the Cantonese full-service restaurant in Macau from 2011 to 2020



Note: The 2016 data is currently not available and expected to be published in October 2017.
Source: Ipsos research and analysis

Major cost components

Food ingredients

Live and fresh seafood, meat and meat products and vegetables recorded growth in CPI across the period between 2011 and 2016, at CAGR of approximately 6.2%, 5.8% and 7.8%, respectively. Meanwhile, the CPI of beverages had smaller growth. The CPI for non-alcoholic beverages increased at a CAGR of 2.7% and the CPI for alcoholic beverages increased at a CAGR of 3.0%.

Staff cost

The monthly wage for employees in the industry of restaurants and similar activities in Macau increased from approximately MOP7,500 in 2012 to MOP9,000 in 2014, but it dropped to MOP8,500 in 2015, while it bounced to MOP9,000 in 2016. The CAGR over the period of 2012 to 2016 was at 4.7%.

Rental cost

From 2012 to 2015, the total annual rent for dining places in Macau increased from MOP569.0 million to MOP1,168.0 million, due to the growing revenue of tourist industry.

Competitive analysis of the Cantonese full-service restaurant industry in Macau

The Cantonese full-service restaurant industry is highly competitive and fragmented, since there are less than five chained restaurant groups operating in the industry. Most of the restaurant companies operate less than two restaurants in total. Compared to Hong Kong and Shanghai, the market in Macau is fragmented. Ipsos has compiled the following table of the top five Cantonese restaurant operators in Macau in 2015:

Rank	Company name	Headquarter location	Revenue	Market share	Number of Cantonese restaurant in Macau
			(MOP million)	*(%)*	
1	Company I	Macau	293.1	8.0	11
2	Company J	Macau	179.8	4.9	9
3	Company K	Macau	137.8	3.8	7
4	Company L	Macau	101.1	2.8	5
5	Company M	Macau	84.7	2.3	4
	Top 5 total		796.5	21.8	

Note: The 2016 data is currently not available and expected to be published in October 2017.

Source: Ipsos research and analysis

Our Group commenced the business of Macau Restaurant in July 2016, and did not account for any market share in the industry in Macau in 2015.

Key Factors of Competition

Location

Location is one of the most crucial factor of competition in Cantonese full-service restaurant industry in Macau. Normally, the middle to high class restaurants mostly choose to locate in or near casino areas for more customer visits.

Quality of food and service

Similar to Hong Kong and Shanghai, the quality of food and service is important for Cantonese restaurants, which is also the key element to differentiate a restaurant. In addition, attentive and friendly services can help to build service image and increase customer loyalty.

Market Drivers

Adequate customer source supported by geographic advantages

Supported by the Mainland's open passenger policy, the majority of Mainland visitors enter Macau via Zhuhai. Macau also attracts visitors from Hong Kong for its leisure atmosphere and convenient transportation.

Investment freeport with low tax rate and tax benefit packages

Macau charges a low tax fee and offer special preferential tax rates. There are annual tax benefit packages offered by government. For the restaurant industry, restaurants which meet the requirement are exempted from the tourism tax. In addition, imported commodities are tax free to Macau, which lowers raw material sourcing and import costs.

Major Threats

Business revenue highly relies on casinos, lack of outstanding brands

Over 50% of Cantonese full-service restaurants in Macau are located in or near casinos. The revenue of Cantonese full-service restaurants decreased in 2015, due to the negative impact of the decline in casinos' revenue. The impact indicates the strong relationship between the gaming industry and Cantonese full-service restaurant industry. On the other hand, since high-end Cantonese full-service restaurants are located in casino buildings, a large proportion of them are known as higher upscale dining places but without strong brand recognition.

Competition with neighbouring regions for gaining visitors and customers

The Cantonese full-service restaurant industry in Macau is competing with cities in close proximity to Macau. For example, Shunde in Guangdong is known as the origin of Cantonese cuisine and the Creative City of Gastronomy. Hong Kong, known as culinary capital for long history, has a relatively better consolidated and developed Cantonese full-service restaurant industry. However, these threats are foreseen to have less negative impact because as the Guangdong, Hong Kong, Macau governments cooperate to build an integrated economic region.

The gaming industry, which impacts the Cantonese full-service restaurant industry, faces increasing competition from neighbouring countries. Casinos are also operated in South Korea, Australia and some other countries in Southeast Asia (such as Singapore). This may divert the gambling customers who previously considered visiting Macau.

Entry Barriers

High initial capital requirements

Establishing full-service restaurants in Macau requires high initial capital investment, which includes but is not limited to rent, interior layout and recruitment of staff. The costs of rental, interior layout and staff wage are experiencing an overall increase under the growing composite CPI. The impact of interior layout cost is especially obvious to restaurants above middle levels, since the unique and superior interior environment are essential elements to attract customers and outstand themselves from other competitors. Accordingly, the higher class restaurants require more initial capital for staff recruitment to hire better quality skilled employees.

Social relationship requirements

Better personal relationship with proprietors and suppliers can help to reduce the corresponding costs. As a tourist city famous for the gaming industry which depends heavily on tourist income, restaurants tend to select locations in or near commercial centres with a large number of tourists, such as casinos and tourist attractions. However, a strong social relationship with casino proprietors is required due to the fierce competition for restaurant space in casinos.

This section summarises the principal laws and regulations of Hong Kong, Macau and the PRC which are relevant to our business.

THE LAWS AND REGULATIONS OF HONG KONG

Regulatory Regime

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

(a) a general restaurant licence granted by the FEHD;

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

(c) a liquor licence granted by the LLB.

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

Business registration certificate

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

General restaurant licence

Any person operating a restaurant in Hong Kong is required to obtain a general restaurant licence granted by the DFEH under the PHMSO and the FBR before commencing the restaurant business. A general restaurant licence permits the licensee to prepare and sell any kind of food for consumption on the premises.

It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffered to be carried on any restaurant 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 licence. The FEHD will also consult the Buildings Department and the Fire Services Department in accessing 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 requirement are considered. If their comments are such that its policy or requirements cannot be complied with, the licensing authority will refuse the application and inform the applicant of the refusal with reasons. Under section 33C of the FBR, the DFEH may grant provisional restaurant licences to new applicants who have fulfilled the basic requirements in accordance with the FBR pending completion of all outstanding requirements for the issue of a full restaurant licence. A provisional restaurant licence is valid for a period of six months or a lesser period and a full restaurant licence is valid generally for a period of 12 months, both subject to payment of the prescribed licence fees and continuous compliance with the requirements under the relevant legislation and regulations. A provisional restaurant licence is renewable on one occasion only at the absolute discretion of DFEH and a full restaurant licence is renewable annually.

As at the Latest Practicable Date, all of the restaurants of our Group in Hong Kong has obtained the general restaurant licence.

Demerit points system

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

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

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

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

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

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

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

Hygiene manager and hygiene supervisor scheme

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

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

Liquor licence

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

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

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

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

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

Water pollution control licence

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

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

Section 9(1) and 9(2) of the WPCO provides that generally a person who discharges any matter into a communal sewer or communal drain in a water control zone commits an offence and where any such matter is discharged into a communal sewer or communal drain in a water control zone from any premises, the occupier of the premises also commits an offence.

Under section 12(1)(b) of the WPCO, a person does not commit an offence under sections 8(1), 8(2), 9(1) or 9(2) of the WPCO if the discharge or deposit in question is made under, and in accordance with, a water pollution control licence.

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

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

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

Food labelling

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

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

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

Employment Ordinance

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

Minimum wage

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

Employees' compensation

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

Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 40 of the ECO, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the ECO and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the ECO to secure an insurance cover is liable on conviction to a fine of HK$100,000 and imprisonment for two years. Our Company confirms that as at the Latest Practicable Date, employee compensation insurance has been obtained for all of our employees.

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

Trade Descriptions Ordinance

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

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

— the expansion of the definition of "trade description" in respect of goods to mean any indication, direct or indirect, and by whatever means given, with respect to any goods or parts of goods such as price indication;

— the extension of the prohibition on false trade descriptions to services made in consumer transactions, and to define "services" under any consumer contract;

— the creation of new offences on practices such as misleading omissions, aggressive commercial practices, bait advertising, bait-and-switch and wrongly accepting payment; and

— an introduction of a mechanism enabling aggrieved consumers to commence civil actions to recover any loss or damage suffered in addition to criminal sanctions.

Mandatory Provident Fund Schemes

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

Occupiers liability

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

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

Occupational safety and health

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

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

(i) providing and maintaining plant and work systems that are safe and without risks to health;

(ii) making arrangement for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;

(iii) providing all necessary information, instruction, training, and supervision for ensuring safety and health;

(iv) providing and maintaining safe access to and egress from the workplaces; and

(v) providing and maintaining a working environment that is safe and without risks to health.

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

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

THE LAWS AND REGULATIONS OF PRC

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

Provisions on Foreign Investment

The establishment, operation and management of WFOE in the PRC are governed by (i) Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄(2015年修訂》)) (the "**Catalogue**"), which was amended and promulgated by the Ministry of Commerce (國家商務部) (the "**MOC**") and the National Development and Reform Commission (中華人民共和國發展和改革委員會) (the "**NDRC**") on 10 March 2015 and was effective on 10 April 2015; (ii) the Company Law of the PRC (《中華人民共和國公司法》), which was adopted by the Standing

Committee of the National People's Congress (the "**NPCSC**") on 29 December 1993 and was last amended on 28 December 2013; (iii) The Law of the People's Republic of China on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》), which was promulgated by the NPCSC on 12 April 1986 and amended on 3 September 2016; (iv) the Detailed Implementing Rules for the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法實施細則》), which was last amended on 19 February 2014; and (v) the Provisional Measures on Administration of Filing for Establishment and Change of Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), which was promulgated by the MOC on 8 October 2016 and applied to the establishment and change of foreign investment enterprises which are not subject to special administrative measures stipulated by the state since 8 October 2016.

According to those laws and regulations aforesaid, to if establishing a wholly foreign-owned enterprise to conduct the service of food and beverage which is industry permitted to foreign investment according to the Catalogue before 8 October 2016, such as Dragon Seal Shanghai, a WFOE established in 2012, the investor shall make an application to the department in charge of foreign investment under the State Council or the organs authorised by the State Council. If establishing the aforesaid WFOE after 8 October 2016, the investor shall conduct the procedures of registration via the integrated administration information system of the department in charge of foreign investment under the State Council and the foreign investor may remit abroad profits lawfully earned from the enterprise and other income and funds lawfully obtained following the liquidation of the enterprise.

Provisions on Food Production and Dining Operations

The Food Safety Law (《食品安全法》), which was amended on 24 April 2015 and came into force on 1 October 2015, and the Implementation Rules of the Food Safety Law (《食品安全法實施條例》), which came into force on 20 July 2009, were designed to guarantee food safety and to safeguard the health and safety of the public. The state set up a system of the supervision, monitoring and appraisal for food safety risks, compulsory adoption of food safety standards and operating standards for food production, food inspection, food export and import and food safety accident response. Providers for food distribution services and consumer food services shall comply with the foregoing laws and rules.

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

The Implementation Rules of the Food Safety Law, as effective on 20 July 2009, further specify the penalties for violations and the detailed measures to be taken and followed by food producers and business operators in order to ensure food safety. On 4 March 2010, the Ministry of Health (now integrated into National Health and Family Planning Commission of PRC (國家衛生和計劃生育委員會)) (the "**NHFPC**") promulgated the Administrative Measures on Food and Beverage Service Licensing (《餐飲服務許可管理辦法》) and Administrative Measures on Food Safety Supervision in Food and Beverage Services (《餐飲服務食品安全監督管理辦法》).

Both measures came into force on 1 May 2010. Pursuant to the Administrative Measures on Food and Beverage Service Licensing, providers of consumer food services are required to obtain a food service licence (《餐飲服務許可證》) (the "**Food Service Licence**") and are responsible for safety in food and beverage services.

Before 30 September 2015, catering providers should obtain a Food Service Licence (《餐飲服務許可證》) according to the Administrative Measures on Food and Beverage Service Licensing. On 31 August 2015, the Administrative Measures for the Licensing of Operating Food (《食品經營許可管理辦法》) (the "**Operation Food Licence Measures**") was promulgated by the China Food and Drug Administration (《國家食品藥品監督管理總局》) and became effective on 1 October 2015. Pursuant to the Operation Food Licence Measures, any entity or individual who engages in selling or providing food and beverage services within China Mainland shall obtain a Food Operation Licence. Further, according to The Announcement on Using the Food Operation Licences (關於啟用《食品經營許可證》的公告) which was promulgated by the China Food and Drug Administration (國家食品藥品監督管理總局) on 30 September 2015, Food Service Licence was replaced by Food Operation Licence (《食品經營許可證》) (the "**Food Operation Licence**"). Therefore, catering providers only need to obtain a Food Operation Licence since 1 October 2015.

On 22 September 2014, the Administrative Measures for Operation of the Dining Industry (Trial) (《餐飲業經營管理辦法(試行)》) was jointly promulgated by the MOC and the National Development and Reform Commission (國家發展和改革委員會), and implemented on 1 November 2014. Pursuant to the Administrative Measures for Operation of the Dining Industry (Trial), the dining operators must not sell the food which does not comply with the state standards of the food quality and hygiene; the dining operators must not dispose of the dining waste randomly; the dining operators shall mark the price of food and services in accordance with the regulations promulgated by the Administration of Commodity Price of the State Council (國務院價格主管部門); the dining operators must not set any minimum consuming amount. In the event of sales promotion, the dining operators shall expressly explain the promotion information, including reasons, methods, rules, duration, the scope of promoted goods, and the relevant restrictions. When a dining operator fails to comply with the administrative measures, it may be subject to administrative penalties such as warnings, order of correction within a prescribed period of time, and fines.

As at the Latest Practicable Date, our Shanghai Restaurant in the PRC has obtained the Food Operation Licence.

Provisions on Public Hygiene

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

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

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

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

Provisions on Consumer Protection

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

Provisions on Liquor Circulation

The Administrative Measures for Liquor Circulation (《酒類流通管理辦法》) (the "**Liquor Circulation Measures**") promulgated on 7 December 2005 and implemented on 1 January 2006 stipulated that "liquor circulation" includes business operations like the wholesale, retail and storage and transport of liquor. The liquor operators should make the archival filing and registration formalities in the competent department of commerce before they operate their business. In addition, the process of the liquor circulation required the Attached Document of Liquor Circulation (《酒類流通隨附單》) recording details about the products and the producers. Pursuant to The Decision on Abolishing Some Administrative Rules (《商務部關於廢止部分規章的決定》) promulgated by the Ministry of Commerce of the PRC on 3 November 2016, the Liquor Circulation Measures had been abolished. Thus, the liquor operators no longer have to make the archival filing and registration, and the Attached Document of Liquor Circulation was cancelled at the same time.

The Administration Provisions of Shanghai on the Production and Trade of the Liquors (《上海市酒類商品產銷管理條例》) promulgated on 1 January 1998 and amended on 17 September 2010 stipulates that the production, retail and wholesale of the liquors within Shanghai shall obtain licence. Therefore, the liquor operators shall acquire the Liquor Production/Wholesale/Retail Licence (《酒類商品生產／批發／零售許可證》) from the related administration department of liquor.

As at the Latest Practicable Date, our Shanghai Restaurant as a liquor retailer, has obtained the Liquor Retail Licence (《酒類商品零售許可證》).

Provision on Foreign Trade Business

The Measures for the Archival Filing and Registration of Foreign Trade Business Operators (《對外貿易經營者備案登記辦法》) were promulgated by the MOC on 25 June 2004 and became effective on 1 July 2004. According to The Measures for the Archival Filing and Registration of Foreign Trade Business Operators, any foreign trade business operator undertaking the import or export of goods or technology shall go through the filing registration to the MOC or other relevant authorised departments, save as otherwise stipulated by the laws and regulations. The foreign trade business operator shall also complete the aforesaid filing registration before going through the relevant formalities as required for carrying out foreign trade by the customhouse, inspection and quarantine department and foreign exchange department.

The business scope of Dragon Seal Shanghai includes import and export of food, liquor and aquatic product. As confirmed by the PRC Legal Adviser, Dragon Seal Shanghai had made the filing registration and other relevant necessary formalities and had imported liquor in compliance with the aforesaid formalities.

Provisions on Taxation

Enterprise Income Tax

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

On 1 January 2008, the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) promulgated by the National People's Congress was officially implemented and was amended on 24 February 2017. The Income Tax Law of Foreign-invested Enterprises and Foreign Enterprises was repealed concurrently. Income derived from the PRC by enterprises or other organisations shall be charged enterprise income tax at the rate of 25%.

Business Tax

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

Value-added tax

The Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例》) (the "**VAT Provisional Regulations**") was officially implemented on 1 January 1994 and amended on 6 February 2016. The VAT Provisional Regulations stipulate that value-added tax is payable on the sale or import of goods and the provision of processing, repair and labour replacement services in the PRC. The value-added tax rate is generally levied at 17%, however, a tax rate of 13% is applicable to the sale or import of certain categories of necessities. Exports are exempted from value-added tax.

Since 1 January 1994, business tax and value-added tax are implemented together upon different sorts of business incomes. From 1 January 2012, State Administration of Tax and Ministry of Finance（國家税務總局及財政部）had promulgated several notices on including more industries on switching from business tax to value-added tax.

On 23 March 2016, State Administration of Tax and Ministry of Finance promulgated Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》(財税[2016]36號)), according to which the pilot program of replacing business tax with value-added tax shall be implemented nationwide effective from 1 May 2016 and all business tax payers in construction industry, real estate industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot program and pay value-added tax instead of business tax. The tax rate of general tax activities (excluding the provision of services in transportation, postal services, basic telecommunications, construction or real property lease, the sale of real property or the transfer or land use right, the provision of tangible personal property lease services, the cross-border taxable activities, etc.) applied to general tax payers will be 6%.

The value-added tax is now applying to Dragon Seal Shanghai accordingly.

Provisions relating to Foreign Exchange

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

Provisions on Environmental Protection

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

The PRC Environmental Impact Evaluation Method (《中華人民共和國環境影響評價法》) implemented on 1 September 2003 and amended on 2 July 2016, and the Reply Regarding Environmental Impact Evaluation Systems Which Should be Implemented by Newly Constructed Food and Beverage and Entertainment Facilities (《關於新建飲食娛樂服務設施應當執行環境影響評價制度的覆函》) implemented on 20 January 1999 stipulate that the new construction, renovation and expansion construction of dining service facilities and the conversion of leased buildings into dining service facilities must be registered with and approved by local environmental protection administrative authorities.

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

The Law of Water Pollution Prevention and Control of the People's Republic of China (《中華人民共和國水污染防治法》) implemented on 1 November 1984 and amended on 15 May 1996 and 28 February 2008, respectively, and the Notice on Issues Concerning Strengthening the Levying of Pollutant Discharge Fees on Village and Township Enterprises and Food and Beverage and Entertainment Service Industries issued by the State Administration for Environmental Protection (《國家環境保護局關於加強鄉鎮企業和餐飲娛樂服務業排污收費有關問題的通知》) implemented on 12 December 1996 stipulate that dining service enterprises that directly discharge pollutants into a water body shall pay pollutant discharge fees according to the type and quantity of the water pollutants discharged and the standard scale of collecting pollutant discharge fees.

Provisions on Fire Prevention

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

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

Provisions on Labour Services

The Labour Law of the PRC (《中華人民共和國勞動法》) (the "**Labour Law**") was promulgated by the NPCSC and was implemented on 1 January 1995 and amended on 27 August 2009. The Labour Law stipulates that workers are entitled to have equal opportunities in employment, selection of occupations, receiving wages and remuneration, rest days and holidays, protection of occupational safety and health, the rights to social insurance and welfare, etc.

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

On 14 December 1994, The Regulation for Approval of Enterprises Adopt Non-fixed Working Hour Rules and Comprehensive Working Hour Rules (《關於企業實行不定時工作制和綜合計算工時製作的審批辦法》) was promulgated by the Ministry of Labour (now integrated into the Ministry of Human Resources and Social Security of the PRC (國家人力資源和社會保障部)) which stipulates that Enterprises adopting the non-fixed working hour rules or Comprehensive Working Hour Rules shall acquire approval from the administrative department of labour. The non-fixed working hour rules means the enterprises cannot follow the standard of regular working hour and provide regular rest time for the labourer. The Comprehensive Working Hour Rules means the enterprises cannot implement standard working hour rules and arrange their employees to work continuously due to the characteristic of the work or the limits of the weather. Therefore, the enterprises compute the working hours of their employees in weeks, months, quarters or years. For example, an employee works more than 8 hours on a particular day but his average working hours are within 8 hours per day in a week.

As at the Latest Practicable Date, our Shanghai Restaurant in the PRC has obtained approval from the administrative department of labour for permitting to adopt the non-fixed working hour rules and Comprehensive Working Hour Rules in specific labour positions.

On 1 October 2005, The Provisions on the Administration of the Employment of Taiwan, Hong Kong and Macao Residents in the Mainland (《台灣香港澳門居民在內地就業管理規定》) was implemented by the Ministry of Labour and Social Security (now integrated into the Ministry of Human Resources and Social Security of the PRC, stipulating that the employment of the persons from Taiwan, Hong Kong and Macao in the Mainland shall be subject to the employment permit system. In case an employing entity plans to hire the persons from Taiwan, Hong Kong and Macao or accept the assigned persons from Taiwan, Hong Kong and Macao, it shall apply for Employment permits for Persons from Taiwan, Hong Kong and Macao (《台港澳人員就業證》).

As at the Latest Practicable Date, our Shanghai Restaurant in the PRC has applied and completed the Employment permits for Persons from Taiwan, Hong Kong and Macao for their employees from Hong Kong.

The Interim Provisions on Labour Dispatch (《劳務派遣暫行規定》) promulgated on 24 January 2014 and becoming effective on 1 March 2014 stipulate that the employer shall strictly control the number of dispatched workers employed which shall not exceed 10% of the total number of its workers. In addition, employers may employ dispatched workers in temporary, auxiliary or substitutable positions only.

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

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

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

THE LAWS AND REGULATIONS OF MACAU

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

Licensing

Restaurants have a recognised importance to the image of the tourism industry in Macau and its operation is subject to specific licensing in addition to the general requirement of registration of the operating entity with the Macau Commercial and Moveable Assets Registry.

The Decree-Law no. 16/96/M dated 1 April 1996 (the "**Legal Regime of Hotel Industry and Similar Industries**"), as amended by Decree-Law no. 40/99/M dated 3 August 1999, sets out the administrative rules for the licensing and inspection of tourism related activities, such as restaurants.

Under the Legal Regime of Hotel Industry and Similar Industries, a restaurant, i.e., the premises in which food or beverage is provided for public consumption within the premises, can only be opened to the public after a licence has been granted by the Macao Government Tourism Office (the "**MGTO**") which is the governmental entity competent to licence and inspect restaurants, ensuring compliance with minimum internationally recognised quality standards. Incompliance with licensing requirements is punishable with a fine ranging from MOP30,000 to MOP60,000.

Restaurants are categorised as deluxe, 1st class or 2nd class in accordance with their characteristics and location, quality of the premises and of the services.

Before issuing a restaurant licence, the MGTO must first consult entities with specific competence in urbanistic, sanitary and fire safety matters — the Land, Public Works and Transport Bureau, the Civic and Municipal Affairs Bureau, the Macau Health Bureau, and the Fire Services Bureau — and then conduct an inspection of the premises to ensure compliance with all the applicable licensing, safety and hygiene requirements and to ascertain the conformity of the premises with the approved project and with the category requested. Any modification to the project approved by MGTO or of the general conditions of the restaurant's premises, requires prior authorisation from MGTO. Infringement is punishable with a fine ranging from MOP7,500 to MOP15,000.

The restaurant licence is valid for a period of one year and must be renewed within every October. The licence lapses and is cancelled if the restaurant is closed for a period equal to or exceeding one year or if its renewal is not requested for two consecutive years.

As at the Latest Practicable Date, the restaurant of our Group in Macau has obtained a 1st class restaurant licence.

Hygiene and Safety

The Order no. 83/96/M dated 1 April 1996 as amended by Order no. 173/97/M dated 21 July 1997 and Administrative Order no. 7/2002 dated 4 March 2002 (the "**Regulations of Hotel Industry and Similar Industries**"), sets out the general and specific requirements that restaurants shall comply with in matters of hygiene and safety, amongst other matters.

A licensed restaurant may be punished with fines ranging from MOP15,000 to MOP35,000 for non-compliance with matters of sanitation, food hygiene and cleanliness, such as in the following non-exhaustive situations:

a) Food products not properly protected or kept, or which have exceeded the respective validity dates;

b) Smoking, eating, spitting or coughing in areas for handling and preparation of food;

c) Handling and preparation of food without appropriate vests or in contact with the pavement;

d) Use of water other than that from the public water supply;

e) Removal of siphons from wash basins, kitchen sinks, and toilets;

f) Accumulation of debris and garbage;

g) Lack of bins for garbage collection, or existence of bins without cover;

h) Storage of dinnerware and utensils in places which do not provide appropriate hygiene conditions;

i) Objects of personal use in contact with the areas for preparation or storage of food;

j) Poor conservation and cleanliness of the installations, equipment and utensils;

k) Using oxidising utensils;

l) Using broken or cracked dinnerware or glasses;

m) Defective airing, ventilation and lighting;

n) Defective operation of the system for collection and exhaust of smokes and smells;

o) Infestation by rodents or insects;

p) Lack of disposable towels or hand dryers, as well as of the necessary articles of personal hygiene in sanitary installations; and

q) Poor condition of flushing water tanks.

Offences in matters of fire safety are punishable with a fine between MOP15,000 and MOP35,000. The following non-exhaustive situations are offences under applicable law:

a) Insufficient number of fire extinguishers;

b) Existence of fire extinguishers beyond the validity date;

c) Lack of exit signs;

d) Lack of or defective safety emergency lighting;

e) Blockage of exits or of windows or balconies;

f) Occupation of escape routes;

g) Use of decorative materials, namely wood, without protection against fire;

h) Storage of fuels beyond the limits set or of a non-approved type; and

i) Exceeding the capacity of the restaurant.

Repeated offences may determine a temporary closure of a restaurant. Permanent closure is considered when the restaurant's operations pose a risk for customers, third parties or damage to the image of the tourism industry.

Certain hygiene and safety obligations are also set out in The Legal Regime of Hotel Industry and Similar Industries, such as the obligation to keep the installations, furniture, machinery and other restaurant equipment in proper conditions of presentation, operation and cleanliness and to promptly repair any deterioration. A breach is punishable with a fine ranging from MOP2,500 to MOP7,500.

Food Safety

Law no 5/2013 (the "**Food Safety Law**") became effective in 20 October 2013 in order to protect public health and safety. The Civic and Municipal Affairs Bureau (the "**IACM**") is the key government agency in charge of implementing and enforcing the Food Safety Law, with the assistance and surveillance of the MGTO, the Macao Economic Services and the Health Bureau.

The Food Safety Law is applicable to food production and food business operation and all the food and ingredients that are involved in these activities, requiring food operators to set up effective food safety control systems and keep trade records for traceability purposes. Food operators are generally required to comply with food safety standards, which include standards for pathogenic microorganisms, pesticides, veterinary drugs, heavy metals, radioactive substances and other substances hazardous to human health, food additives, sanitary requirements and food safety requirements.

Food standards in general are to be introduced by means of regulations under the framework of the Food Safety Law. Relevant food standards developed so far pertain to maximum veterinary medicinal products residue limits (Administrative Regulation no. 13/2013), maximum radionuclide limits (Administrative Regulation no. 16/2014), list of prohibited food substances (Administrative Regulation no. 6/2014) and maximum mycotoxin limits in food (Administrative Regulation no. 13/2016).

The IACM is empowered to take precautionary food safety control measures, suspend operations and initiate food recalls and disposals. Violations are punishable with criminal fines ranging from MOP250 and MOP9,000,000 and/or compulsory judicial winding-up of the operating entity, without prejudice of other accessory sanctions. In detail, violations occur when food is found:

a) to contain non-food raw materials or chemical substances other than food additive;

b) to be subject to improper use of food additives;

c) to contain prohibited, rejected or out of date raw food materials;

d) to contain pathogenic micro-organisms, pesticide residues, veterinary drug residues, heavy metals, radioactive substances or other substances harmful to human health;

e) to contain meat or products derived from animals that have died from disease or intoxication or for unknown reasons;

f) to contain substances not inspected in cases legally subject to mandatory inspection, or that have not passed mandatory inspection;

g) to be falsified, corrupted or deteriorated; or

h) to have been subject to a process of removal of any ingredient or component, decreasing its nutritional value.

Food Labelling

Food labelling requirements are set out in Decree-Law no. 50/92/M dated 17 August 1992 as amended by Decree-Law no. 56/94/M dated 21 November 1994 (the "**Food Labelling Law**"). It stipulates that food products, whether or not pre-packaged, should be labelled in a clear manner and include, at least, the name of the product, manufacturer's name and address, list of ingredients, indication of "best before" or "use by" date (except for bread, fruits and vegetables), lot reference, additives (if any), alcohol content and weight and volume in Portuguese and/or Chinese. Fresh non pre-packaged products and alcoholic beverages with an alcohol content over 5% by volume are not subject to the Food Labelling Law. There is no statutory definition of "fresh products" in Macau.

Consumer Protection

Under Law no. 12/88/M (the "**Consumer Defence Law**") the consumers have the right to receive complete information regarding the essential characteristics of the goods and services received. The Macau Consumer Council has published a non-compulsory "Code of Practice" for food and beverage outlets. Under said guidelines, food operators should list the measuring units, the retail prices, service charges and any additional charges on the menu; ensure that the food served matches the menu description; ensure the source and quality of the ingredients and that the food served is safe for human consumption; ensure the hygienic conditions of the food premises; ensure that all employees understand and follow basic food hygiene and safety practices; keep all the cooking utensils and tableware clean and store them properly to prevent contamination; respect consumers' choice and provide them with sauces or tissue papers and other services upon their request and have any relevant charges listed clearly; provide receipts or invoices upon consumers' request; update promotional information timely and ensure the contents are accurate and current; and, finally, support the sustainable development of the environment.

Environmental Protection

The guidelines and fundamental principles governing environmental policy in Macau are set out in Law no. 2/91/M (the "**Macau Environmental Law**"), according to which violations of the environmental legislation in various fields such as air, soil, light, water and noise pollutions, hygiene of technologies and food, and use of chemical products, will be punished with civil liability, administrative fines or criminal liability, depending on the severity of the violation. The regulatory authority in charge of monitoring environmental protection matters is the Environment Protection Services Bureau.

Decree Law no. 46/96/M dated 19 August 1996 defines occupational safety and health measures and the technical conditions that must be satisfied in order to ensure the global functioning of the public water distribution system, the preservation of public health, and the safety of firefighting water installations. It expressly prohibits the placement on the drainage waste water system of any food leftovers, fats and other food related debris, which may obstruct or damage the drainage system or render the water treatment process unfeasible. Decree Law no. 35/97/M provides for the protection

of the marine environment from pollution and prohibits the discharge of any solid or liquid residues, in particular petroleum or chemical substances, which may contaminate marine water or coastal areas and affect their flora and fauna wildlife. Failure to comply is subject to a fine between MOP1,000 and MOP200,000.

Labour

Law no. 7/2008 (the "**Labour Relations Law**") sets out the general framework governing employment relations in Macau. The Labour Relations Law establishes the minimal labour conditions acceptable in all Macau labour situations and its guiding principle is that of "favour laboris" — i.e. employers may not contractually offer lower working terms and conditions than those minimum terms provided by statute, and any discrepancy therewith should be interpreted in favour of the employee.

Employment contracts are, by rule, without term, unless the specific nature or scope of the services to be performed requires otherwise or if the relevant employee is non-resident. Any termination of contract that is not grounded on just cause may entitle the employee to severance compensation. There are statutory minimums in respect of daily and weekly working hours, as well as in respect of annual leave.

In accordance with Administrative Regulation no. 17/2004 (the "**Illegal Work Regulation**"), non-residents of Macau are not permitted to work unless a proper work permit has been issued by the Labour Affairs Bureau, which is valid for a fixed term of up to two years and subject to re-approval upon expiration. Non-compliance with the Illegal Work Regulation is criminally punishable and subject to fines between MOP5,000 and MOP50,000, without prejudice to other accessory sanctions, such as prohibition of entry in Macau. The employment of foreign employees is subject to strict regulations included in Law no. 21/2009 (the "**Employment of Non-Resident Employees Law**"), which sets forth the terms for granting and renewing work permits for non-resident employees, determines measures to ensure the equal treatment of Macau resident and non-resident employees and establishes minimum contract terms and limits on the duration of employment contracts with non-resident employees. Non-compliance with the rules included in the Employment of Non-Resident Employees Law may constitute administrative offences, sanctioned with fines and accessory sanctions of revocation of all or part of the authorisations to employ non-resident employees along with the prohibition to request new authorisations for a period of six months to two years, and/or criminal offences related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory sanctions of (i) revocation of all or part of the authorisations to employ non-resident employees and the prohibition for a period of six months to two years to request new authorisations; (ii) prohibition, for a period of six months to two years, to participate in public tenders related to public works or public concessions; and (iii) prohibition, for the period of six months to two years, to receive any subsidies or benefits conferred by Macau public entities.

The Labour Affairs Bureau is, in general, the regulatory authority competent to supervise the compliance with the labour and immigration laws and regulations.

Regarding the working environment and safety, an employer must comply with the rules provided under Decree Law no. 37/89/M (the "**General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishments**") in order to provide a safe and clean working environment for its employees. It standardises a series of safety and hygiene standards, in related to the general conditions of workplace, air, lighting, sanitary, fire protection and so forth. Since these stipulations are mandatory provisions and should be executed compulsorily, both of the employer and employee have no rights to minify or to abandon the fundamentals. Failure to comply with those rules may result in the application of fines between MOP1,000 and MOP30,000 to the employer, according to the provisions set out by Decree Law no. 13/91/M (the "**Sanctions for non-compliance with the general regulation of working safety and hygiene of office, service and commercial establishments**").

All employers of all service industries are required to transfer liability for work related injuries and occupational diseases to an insurance company authorised to operate in Macau in accordance with Decree Law no. 40/95/M dated 14 August 1995 (the "**Legal Regime of Compensation of Damages Caused by Work-Related Accidents and Occupational Diseases**") as amended by Law no. 6/2015 (the "**Legal Regime of Compensation of Damages Caused by Work-Related Accidents and Occupational Diseases**"). If an employer fails to provide employee compensation insurance for its employees, fines between MOP1,000 and MOP17,500 may be applied to the employer as legal sanction. The regulatory authority in charge of insurance matters is the Monetary Authority of Macau, however, compliance with the aforesaid regulations is supervised by the Labour Affairs Bureau.

Pursuant to Law no. 4/2010, employers are required to contribute to the Macau Social Security Fund account for each employee at their service. Non-compliance is subject to fines between MOP200 and MOP1,000 for each employee.

Foreign exchange, dividend distribution and repatriation of funds

The Macau Pataca is freely convertible and there are no restrictions affecting the remittance or repatriation of funds, namely, the repatriation of dividends. There are no currency control regulations, no currency control restrictions or approval requirements applicable to any outbound foreign currency transfers. Unless otherwise stated in the respective articles of association, the shareholder of a Macau company is entitled to dividends in the proportion of its relevant shareholdings, as approved on the annual general meeting of the company and upon approval of the annual accounts of the previous financial year. Distributable dividends are calculated on the basis of the profit of the company for each financial year, determined in accordance with the Macau accounting standards and regulations, which exceeds the aggregate of its share capital and the sums that shall integrate the mandatory and voluntary reserves on that financial year. A Macau company may pay dividends before or after taxes.

Taxation

All companies engaging in commercial activities in Macau, including those dedicated to restaurant operation and management, are liable to pay Complementary Tax and should be registered with the Macau Finance Services Bureau for tax purposes.

Complementary Tax is imposed on a company's profits, which consist of business income, interest income and realised capital gains and is levied at progressive rates ranging from 9% to 12%. Normal business expenses may be deducted in computing taxable income. Dividends received from another Macau company are exempt of complementary tax if the dividends are paid out after-tax profits.

Under Law no. 19/96/M, restaurants are also liable to pay Tourism Tax, which is levied at 5% of the amounts charged to customers. If a restaurant fails to pay Tourism Tax or does not keep the relevant customer invoices for a period of five years becomes liable for a fine ranging from MOP4,000 to MOP40,000.

Other taxes include industrial tax, real property tax, motor-vehicle tax and stamp duty on transactions. The Customs and Excise Department in Macau is responsible for the collection of consumer tax on limited dutiable commodities which includes certain types of liquors, vermouths, wines and spirits with an alcoholic strength equal or superior to 30% by volume measured at a temperature of 20ºC. For dutiable liquors, duty is payable at a rate of 10% of their import value.

THE CORPORATE HISTORY

The history of our restaurant business can be traced to 2004 when Mr. Wong WC and Mr. Wong WH operated our Group's first restaurant, the Yau Ma Tei Restaurant, under the brand "Dragon King (龍皇)" with the vision of providing high quality Cantonese cuisine to our customers.

Over the years, we launched various restaurants in Hong Kong under our self-owned brands of "Dragon King (龍皇)", "Dragon Seal (龍璽)", "Imperial Seal (皇璽)" and "Dragon Feast (龍宴)" with the aim of expanding our business and operations. Since 2004, we have opened the Empire Hotel Restaurant in September 2005, the Kwun Tong Restaurant in April 2007, the WTC Restaurant in January 2008, the ICC Restaurant in January 2011, the San Po Kong Restaurant in September 2011, the Whampoa Restaurant in June 2014, the Sheung Shui Restaurant in December 2015 and the Wan Chai Restaurant in July 2016 in Hong Kong. The Empire Hotel Restaurant and the Yau Ma Tei Restaurant were closed down in 2011 and 2012, respectively, due to the expiry of the lease agreements of the relevant premises. In 2013, we decided to further develop our business and diversify our restaurant portfolio by entering into the PRC market. We opened our first restaurant in the PRC, the Shanghai Restaurant, which is located in the Pudong New District of Shanghai under the brand name of "Imperial Seal (皇璽)" in January 2013. In July 2016, our Group established our first restaurant in Macau, the Macau Restaurant, under the brand "Dragon King (龍皇)". As at the Latest Practicable Date, we owned and operated nine Cantonese full-service restaurants.

IMPORTANT BUSINESS MILESTONES

The following illustrates certain key milestone and achievements in the business development of our Group:

Year	Event
November 2004	Our first restaurant, namely the Yau Ma Tei Restaurant, was operated by Mr. Wong WC and Mr. Wong WH under the brand "Dragon King (龍皇)" in Yau Ma Tei, Hong Kong
September 2005	Our Empire Hotel Restaurant was opened in Wan Chai, Hong Kong
April 2007	Our Kwun Tong Restaurant was opened
January 2008	Our flagship restaurant for the brand "Dragon King (龍皇)", namely the WTC Restaurant, was opened in Causeway Bay, Hong Kong

Year	Event
January 2011	Our first restaurant under the brand "Dragon Seal (龍璽)", namely the ICC Restaurant, was opened in Tsim Sha Tsui, Hong Kong
September 2011	Our San Po Kong Restaurant was opened
January 2013	Our first restaurant under the brand "Imperial Seal (皇璽)", namely the Shanghai Restaurant was opened in Pudong New District, Shanghai, the PRC
June 2014	Our Whampoa Restaurant was opened in Hung Hom, Hong Kong
December 2015	Our first restaurant under the brand "Dragon Feast (龍宴)", namely the Sheung Shui Restaurant, was opened in Sheung Shui, Hong Kong
July 2016	Our Wan Chai Restaurant was opened
July 2016	Our first restaurant in Macau, namely the Macau Restaurant, was opened at the Venetian

OUR GROUP

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

OUR COMPANY

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 August 2016 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of par value HK$0.01 each. On 8 August 2016, one fully-paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was subsequently transferred to Million Edge on the same day.

On 15 November 2017, our Company further allotted and issued 5,359, 2,200, 1,000, 700, 400, 100, 80, 80 and 80 fully-paid Shares to Million Edge, Good Vision, Wise Alliance, Dragon Eagle King, Rank Advance, Wealthy Time, Giant Wealth, King Bright and Mr. Man, respectively, in consideration for the acquisition of the entire issued share capital in Dragon King BVI. Immediately following the above allotments, the shareholding structure of our Company was as follows:

Name of shareholders	Number of Shares	Shareholding %
Million Edge	5,360	53.6%
Good Vision	2,200	22%
Wise Alliance	1,000	10%
Dragon Eagle King	700	7%
Rank Advance	400	4%
Wealthy Time	100	1%
Giant Wealth	80	0.8%
King Bright	80	0.8%
Mr. Man	80	0.8%
Total	10,000	100%

Immediately after completion of the Reorganisation and before completion of the **[REDACTED]**, our Company became the holding company of our Group with its business being conducted through the principal operating subsidiaries of our Group, the corporate history of which is set out below.

OUR SUBSIDIARIES

Able Ascent

Able Ascent was incorporated in Hong Kong with limited liability on 29 May 2009 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. Able Ascent is principally engaged in the operation and management of the ICC Restaurant and commenced business in January 2011.

On 29 May 2009, one fully-paid share of Able Ascent was allotted and issued to the initial subscriber and was subsequently transferred to Mr. Wong WC on 3 August 2009 at nominal value. On 6 May 2016, Mr. Wong WC transferred his one share to Dragon King BVI at nominal value. Able Ascent, has been a direct wholly-owned subsidiary of Dragon King BVI since 6 May 2016.

All Best Harvest

All Best Harvest was incorporated in Hong Kong with limited liability on 5 October 2010 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. All Best Harvest is an investment holding company which was set up to hold property interest of our Group.

On 5 October 2010, one fully-paid share of All Best Harvest was allotted and issued to the initial subscriber, which was subsequently transferred to Mr. Wong WC on 12 October 2010 at nominal value. On 12 October 2010, one fully-paid share of All Best Harvest was further allotted and issued to Ms. Lee at nominal value. Immediately prior to the Reorganisation, All Best Harvest was owned as to 50% and 50% by Mr. Wong WC and Ms. Lee, respectively.

Best Merit

Best Merit was incorporated in the BVI with limited liability on 25 January 2016 and is authorised to issue a maximum of 50,000 shares of one class with a par value of US$1.00 each. Best Merit is an investment holding company set up to hold intellectual property of out Group.

On 27 April 2016, one fully-paid share of Best Merit was allotted and issued to Dragon King BVI at nominal value. Best Merit has been a direct wholly-owned subsidiary of Dragon King BVI since 27 April 2016.

Dragon King BVI

Dragon King BVI was incorporated in the BVI with limited liability on 19 November 2007 and is authorised to issue a maximum of 50,000 shares of one class with a par value of US$1.00 each. Dragon King BVI is an investment holding company.

On 1 April 2008, one fully-paid share of Dragon King BVI was allotted and issued to Mr. Wong WC at a consideration of US$1.00 (equivalent to the par value in respect of such share). On 26 September 2016, Dragon King BVI allotted and issued 56, 22, 10, 7 and 4 shares to each of Million Edge, Good Vision, Wise Alliance, Dragon Eagle King and Rank Advance pursuant to the **[REDACTED]** Investments. For details, please refer to the subsection headed "Reorganisation — 5. **[REDACTED]** Investments" below. On 27 February 2017, Dragon King BVI allotted and issued a further 9,900 shares to then existing shareholders of Dragon King BVI, being 99, 5,544, 2,178, 990, 693 and 396 shares to Mr. Wong WC, Million Edge, Good Vision, Wise Alliance, Dragon Eagle King and Rank Advance, respectively.

On 28 February 2017, Million Edge transferred 100, 80, 80 and 80 shares in Dragon King BVI to Wealthy Time, Giant Wealth, King Bright and Mr. Man, respectively in consideration of which Mr. Wong WH transferred 10% of the issued share capital of each of Dragon Lake and Wealth Club and each of Ms. Chan, Mr. Ngai and Mr. Man transferred 10% of the issued share capital of Prominent Voice to Dragon King BVI.

Immediately following the above allotments and share transfers, the shareholding structure of Dragon King BVI was as follows:

Name of shareholders	Number of Shares	Shareholding %
Mr. Wong WC	100	1%
Million Edge	5,260	52.6%
Good Vision	2,200	22%
Wise Alliance	1,000	10%
Dragon Eagle King	700	7%
Rank Advance	400	4%
Wealthy Time	100	1%
Giant Wealth	80	0.8%
King Bright	80	0.8%
Mr. Man	80	0.8%
Total	10,000	100%

On 15 November 2017, our Company acquired the entire issued share capital of Dragon King BVI from Mr. Wong WC, Million Edge, Good Vision, Wise Alliance, Dragon Eagle King, Rank Advance, Wealthy Time, Giant Wealth, King Bright and Mr. Man. Immediately following the aforesaid transfer of shares, Dragon King BVI became a direct wholly-owned subsidiary of our Company.

Dragon King Macau

Dragon King Macau was incorporated in Macau with limited liability on 7 April 2010 and a paid-up capital of MOP6,000,000. Dragon King Macau is principally engaged in the operation and management of the Macau Restaurant and commenced business in July 2016.

On 26 July 2016, Dragon King BVI acquired MOP6,000,000 share capital of Dragon King Macau, being the entire issued share capital of Dragon King Macau, from Tang Palace Catering (Overseas) Limited, a wholly-owned subsidiary of Tang Palace (China). For details of the acquisition, please refer to the paragraph headed "Reorganisation — 2. Acquisition of Dragon King Macau" in this section below.

Dragon King HK

Dragon King HK was incorporated in Hong Kong with limited liability on 28 June 2007 with an authorised share capital of HK$10,000 shares divided into 10,000 shares of HK$1.00 each.

On 28 June 2007, ten fully-paid shares of Dragon King HK were allotted and issued to Mr. Wong WC and were subsequently transferred to Dragon King BVI on 1 August 2008 at nominal value. Dragon King HK has been a direct wholly-owned subsidiary of Dragon King BVI since 1 August 2008.

Dragon King HK is principally engaged in the operation and management of the WTC Restaurant and commenced business in January 2008.

Dragon Lake

Dragon Lake was incorporated in Hong Kong with limited liability on 5 February 2003 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. Dragon Lake was principally engaged in the operation and management of the Yau Ma Tei Restaurant and has no business operation since August 2012.

On 5 February 2003, two fully-paid share of Dragon Lake was allotted and issued to the initial subscribers. On 2 June 2003, one and one share was subsequently transferred to two Independent Third Parties, respectively at nominal value. On 2 June 2003, 8,999 shares and 999 shares were further allotted and issued to the two Independent Third Parties, respectively, at nominal value. On 15 November 2004, the two Independent Third Parties transferred 9,000 shares and 1,000 shares at a consideration of HK$9,000 and HK$1,000, respectively, to Mr. Wong WH. On 11 May 2006, Mr. Wong WH transferred the 9,000 shares of Dragon Lake to Kings Express International Limited (an investment holding company owned as to 70% and 30% by Mr. Wong WC and Ms. Lee) at nominal value. On 2 February 2007, Kings Express International Limited transferred its 9,000 shares at nominal value to Mr. Wong WC, who subsequently transferred his 9,000 shares to Dragon King BVI at nominal value on 1 August 2008. Immediately prior to Reorganisation, Dragon Lake was owned as to 90% and 10% by Dragon King BVI and Mr. Wong WH, respectively.

Dragon Seal HK

Dragon Seal HK was incorporated in Hong Kong with limited liability on 24 May 2010 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. Dragon Seal HK has not commenced any business operation since its incorporation.

On 24 May 2010, ten fully-paid shares of Dragon Seal HK were allotted and issued to Dragon King BVI at nominal value. Dragon Seal HK has been a direct wholly-owned subsidiary of Dragon King BVI since its incorporation.

Dragon Seal Shanghai

Dragon Seal Shanghai was established in the PRC as a company with limited liability on 22 March 2012 with a registered capital of HK$22,500,000. The registered capital of Dragon Seal Shanghai attributable to Silver Everford was fully contributed by Silver Everford in cash. Dragon Seal Shanghai is principally engaged in the operation and management of the Shanghai Restaurant and commenced business in January 2013 under the brand name of "Imperial Seal (皇璽)". Dragon Seal Shanghai has been a direct wholly-owned subsidiary of Silver Everford since 22 March 2012.

Gold Profit

Gold Profit was incorporated in Hong Kong with limited liability on 20 April 2007 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. Gold Profit is principally engaged in the central management of our Group and commenced business in April 2007.

On 20 April 2007, one fully-paid share of Gold Profit was allotted and issued to the initial subscriber and was subsequently transferred to Mr. Wong WC on 9 May 2007 at nominal value. On 9 May 2007, nine shares were further allotted and issued to Mr. Wong WC at nominal value. On 1 August 2008, Mr. Wong WC transferred the entire issued share capital of Gold Profit to Dragon King BVI at nominal value. Gold Profit has been a direct wholly-owned subsidiary of Dragon King BVI since 1 August 2008.

King Harbour

King Harbour was incorporated in Hong Kong with limited liability on 13 July 2006 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. King Harbour is principally engaged in the operation and management of the Kwun Tong Restaurant and commenced business in April 2007.

On 13 July 2006, one fully-paid share of King Harbour was allotted and issued to the initial subscriber at nominal value and was subsequently transferred to King Express International Limited on 22 August 2006 at nominal value. King Express International Limited transferred the one fully-paid share to Mr. Wong WC on 2 February 2007 at nominal value. On the same day, nine shares were further allotted and issued to Mr. Wong WC at nominal value. On 1 August 2008, Mr. Wong WC transferred the entire issued share capital of King Harbour to Dragon King BVI at nominal value. King Harbour has been a direct wholly-owned subsidiary of Dragon King BVI since 1 August 2008.

Mass Effort

Mass Effort was incorporated in Hong Kong with limited liability on 3 January 2011 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. Mass Effort is principally engaged in the operation and management of the San Po Kong Restaurant and commenced business in September 2011.

On 3 January 2011, one fully-paid share of Mass Effort was allotted and issued to the initial subscriber and was subsequently transferred to Dragon King BVI on 8 April 2011 at nominal value. On the same day, nine shares were further allotted and issued to Dragon King BVI at nominal value. Mass Effort has been a direct wholly-owned subsidiary of Dragon King BVI since 8 April 2011.

Premier Oriental

Premier Oriental was incorporated in Hong Kong with limited liability on 27 May 2016 with an initial issued share capital of HK$1.00. Premier Oriental is principally engaged in the operation and management of the Wan Chai Restaurant and commenced business in July 2016.

On 27 May 2016, one fully-paid share of Premier Oriental was allotted and issued to the initial subscriber at nominal value, which was subsequently transferred to Dragon King BVI on 7 June 2016 at nominal value. On 7 June 2016, nine shares were further allotted and issued to Dragon King BVI at nominal value. Premier Oriental has been a direct wholly-owned subsidiary of Dragon King BVI since 7 June 2016.

Prominent Voice

Prominent Voice was incorporated in Hong Kong with limited liability on 2 April 2015 with an initial issued share capital of HK$1.00. Prominent Voice is principally engaged in the operation and management of the Sheung Shui Restaurant and commenced business in December 2015.

On 2 April 2015, one fully-paid share of Prominent Voice was allotted and issued to the initial subscriber, which was subsequently transferred to Dragon King BVI on 16 June 2015 at nominal value. On 16 June 2015, six shares were further allotted and issued to Dragon King BVI at nominal value. On the same day, three shares were further allotted and issued to Ms. Lee at nominal value. On 4 December 2015, Mr. Wong WC procured Dragon King BVI to transfer the beneficial interest of one share to Mr. Ngai at a consideration of HK$2,500,000. On the same day, Ms. Lee transferred the beneficial interest of one and one share to Ms. Chan and Mr. Man at a consideration of HK$2,500,000 and HK$2,500,000, respectively. Immediately prior to the Reorganisation, Prominent Voice was beneficially owned as to 60%, 10%, 10%, 10% and 10% by Mr. Wong WC (through Dragon King BVI), Ms. Lee, Ms. Chan, Mr. Ngai and Mr. Man, respectively.

Silver Everford

Silver Everford was incorporated in Hong Kong with limited liability on 19 May 2011 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. Silver Everford is an investment holding company.

On 19 May 2011, one fully-paid share of Silver Everford was allotted and issued to the initial subscriber, which was subsequently transferred to Mr. Wong WC on 1 August 2011 at nominal value. On 28 February 2017, Mr. Wong WC transferred one share to Greater Year at a consideration of HK$1.00. Silver Everford has been a subsidiary of Dragon King BVI since 28 February 2017.

Wealth Club

Wealth Club was incorporated in Hong Kong with limited liability on 13 May 2005 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. Wealth Club is principally engaged in the operation and management of the Whampoa Restaurant and commenced business in June 2014.

On 13 May 2005, one fully-paid share of Wealth Club was allotted and issued to the initial subscriber and was subsequently transferred to Mr. Wong WH on 1 June 2005 at nominal value. On 11 May 2006, 999 shares were further allotted and issued to Mr. Wong WH at nominal value. On the same day, 9,000 shares were further allotted and issued to King Express International Limited at nominal value and were subsequently transferred to Mr. Wong WC on 2 February 2007 at nominal value. On 1 August 2008, Mr. Wong WC transferred his 9,000 shares to Dragon King BVI at nominal value. Immediately prior to the Reorganisation, Wealth Club was owned as to 90% and 10% by Dragon King BVI and Mr. Wong WH, respectively.

REORGANISATION

In preparation for the **[REDACTED]**, our Group underwent the Reorganisation through the following major steps:

1. Incorporation of Premier Oriental

On 27 May 2016, Premier Oriental was incorporated in Hong Kong with limited liability and an initial issued share capital of HK$1.00. One fully-paid ordinary share of Premier Oriental was allotted and issued at par to the initial subscriber on 27 May 2016, and was subsequently transferred to Dragon King BVI on 7 June 2016. On 7 June 2016, nine fully-paid ordinary shares of Premier Oriental were further allotted and issued to Dragon King BVI, resulting in Dragon King BVI holding ten shares of Premier Oriental. Premier Oriental has been a direct wholly-owned subsidiary of Dragon King BVI since 7 June 2016.

2. Acquisition of Dragon King Macau

Dragon King BVI and Premier Oriental (each as purchaser), and Tang Palace Catering (Overseas) Limited ("**Tang Palace Catering**") and Excellent Tang Palace Food and Beverage Group Company Limited ("**Excellent Tang Palace**") (each a wholly-owned subsidiary of Tang Palace BVI and as vendor) and Mr. Wong WC (as guarantor) entered into the Tang Palace Sale & Purchase Agreement on 30 June 2016 at the consideration of HK$15,000,000 to be satisfied by Dragon King BVI and Premier Oriental procuring the issue and allotment of shares by Dragon King BVI to Tang Palace Catering and Excellent Tang Palace (or their nominee(s)). Following the acquisition, Dragon King Macau became a wholly-owned subsidiary of Dragon King BVI on 26 July 2016.

3. Incorporation of Greater Year

On 4 July 2016, Greater Year was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00 each. One fully-paid ordinary share of Greater Year, representing the entire issued share capital of Greater Year, was allotted and issued at par to Dragon King BVI on 20 July 2016. Greater Year has been a direct wholly-owned subsidiary of Dragon King BVI since 20 July 2016.

4. Incorporation of our Company

On 8 August 2016, our Company was incorporated in the Cayman Islands with limited liability and with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. On 8 August 2016, one fully-paid Share, representing the entire issued share capital of our Company at the relevant time, was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was subsequently transferred to Million Edge on 8 August 2016.

5. [REDACTED] Investments

Dragon King BVI and Wise Alliance entered into the **[REDACTED]** Investment Agreement 1, pursuant to which Wise Alliance agreed to subscribe for, and Dragon King BVI agreed to allot and issue to Wise Alliance, ten shares in Dragon King BVI (representing 10% of its issued share capital as at the date of completion of the **[REDACTED]** Investment Agreement 1 as enlarged by the allotment and issue of the shares under the **[REDACTED]** Investments) at a consideration of HK$10,000,000.

Dragon King BVI and Dragon Eagle King entered into the **[REDACTED]** Investment Agreement 2, pursuant to Dragon Eagle King agreed to subscribe for, and Dragon King BVI agreed to allot and issue to Dragon Eagle King, seven shares in Dragon King BVI (representing 7% of its issued share capital as at the date of completion of the **[REDACTED]** Investment Agreement 2 as enlarged by the allotment and issue of the shares under the **[REDACTED]** Investments) at a consideration of HK$7,000,000.

Dragon King BVI and Rank Advance entered into the **[REDACTED]** Investment Agreement 3, pursuant to Rank Advance agreed to subscribe for, and Dragon King BVI agreed to allot and issue to Rank Advance, four shares in Dragon King BVI (representing 4% of its issued share capital as at the date of completion of the **[REDACTED]** Investment Agreement 3 as enlarged by the allotment and issue of the shares under the **[REDACTED]** Investments) at a consideration of HK$4,000,000.

Dragon King BVI and Good Vision entered into the **[REDACTED]** Investment Agreement 4, pursuant to which Good Vision agreed to subscribe for, and Dragon King BVI agreed to allot and issue to Good Vision, an aggregate of 22 shares in Dragon King BVI (representing 22% of its issued share capital as at the date of completion of the **[REDACTED]** Investment Agreement 4 as enlarged by the allotment and issue of the shares under the **[REDACTED]** Investments) at a total consideration of HK$22,000,000. *(note 1)*

On 29 September 2016, 56 fully-paid shares of Dragon King BVI (representing 56% of its issued share capital at the relevant time) were allotted and issued at par to Million Edge.

Details of the **[REDACTED]** Investments are summarised below:

[REDACTED] Investment Agreement 1

Name of investor	:	Wise Alliance
Date of the **[REDACTED]** Investment Agreement 1	:	1 August 2016 and 26 September 2016
Amount of consideration paid	:	HK$10,000,000
Date of payment of the consideration	:	4 August 2016
Effective cost per Share paid *(note 2)*	:	Approximately **[REDACTED]**
Percentage of shareholding upon **[REDACTED]** *(note 3)*	:	**[REDACTED]** Shares, representing **[REDACTED]** of the issued share capital of our Company upon **[REDACTED]**

[REDACTED] Investment Agreement 2

Name of investor	:	Dragon Eagle King
Date of the **[REDACTED]** Investment Agreement 2	:	12 August 2016 and 26 September 2016
Amount of consideration paid	:	HK$7,000,000
Date of payment of the consideration	:	12 August 2016
Effective cost per Share paid *(note 2)*	:	Approximately **[REDACTED]**
Percentage of shareholding upon **[REDACTED]** *(note 3)*	:	**[REDACTED]** Shares, representing **[REDACTED]** of the issued share capital of our Company upon **[REDACTED]**

[REDACTED] Investment Agreement 3

Name of investor	:	Rank Advance
Date of the **[REDACTED]** Investment Agreement 3	:	19 August 2016 and 26 September 2016
Amount of consideration paid	:	HK$4,000,000
Date of payment of the consideration	:	19 August 2016
Effective cost per Share paid *(note 2)*	:	Approximately **[REDACTED]**
Percentage of shareholding upon **[REDACTED]** *(note 3)*	:	**[REDACTED]** Shares, representing **[REDACTED]** of the issued share capital of our Company upon **[REDACTED]**

[REDACTED] Investment Agreement 4

Name of investor	:	Good Vision
Date of the **[REDACTED]** Investment Agreement 4	:	30 June 2016, 26 September 2016 and 28 September 2016
Amount of consideration paid	:	HK$22,000,000 *(note 1)*
Date of payment of the consideration	:	29 September 2016
Effective cost per Share paid *(note 2)*	:	Approximately **[REDACTED]**
Percentage of shareholding upon **[REDACTED]** *(note 3)*	:	**[REDACTED]** Shares, representing **[REDACTED]** of the issued share capital of our Company upon **[REDACTED]**

Notes:

1. Pursuant to a subscription agreement dated 26 September 2016, Good Vision subscribed for 7 shares in Dragon King BVI (representing 7% of its issued share capital as at the date of completion of the **[REDACTED]** Investment Agreement 4 as enlarged by the allotment and issue of the shares under the **[REDACTED]** Investments) at a consideration of HK$7,000,000. Pursuant to the Tang Palace Supplemental Agreements, the consideration of the Tang Palace Sale & Purchase Agreement was to be satisfied by the issue and allotment of 15 shares (representing 15% of its issued share capital as at the date of completion of the **[REDACTED]** Investment Agreement 4 as enlarged by the allotment and issue of the shares under the **[REDACTED]** Investments) in Dragon King BVI to Good Vision, which, was determined at arm's length basis by reference to the valuation of Dragon King BVI at the relevant time.

2. For illustration purposes only. Based on the indicative **[REDACTED]** range, representing a discount of approximately **[REDACTED]** to **[REDACTED]** per Share, being the lower end of the stated **[REDACTED]** range, and a discount of approximately **[REDACTED]** to **[REDACTED]** per Share, being the upper end of the stated **[REDACTED]** range.

3. Assuming completion of the **[REDACTED]** and the **[REDACTED]** and without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme.

4. Good Vision, Wise Alliance, Dragon Eagle King and Rank Advance are Independent Third Parties to our Company prior to the **[REDACTED]** Investments and to each other.

The said considerations were arrived at after arm's length negotiations between the parties with reference to the valuation of Dragon King BVI at the relevant time. The **[REDACTED]** Investments were completed on 29 September 2016. Our Directors are of the view that the **[REDACTED]** Investments were entered into on normal commercial terms.

The **[REDACTED]** from the **[REDACTED]** Investments has been used for repayment of loan of our Group, general working capital and payment of professional fees incurred from the **[REDACTED]**.

Background of the [REDACTED] Investors

Wise Alliance is a limited company incorporated in the Seychelles on 21 June 2016 and its entire issued share capital is owned by Mr. Lee. The principal business activity of Wise Alliance is investment holding. Mr. Lee is a merchant in the full-service restaurant industry. Mr. Lee has known Mr. Wong WC, our Controlling Shareholder, for over 1 year in a business occasion. Upon introduction of the potential **[REDACTED]** of our Group to Mr. Lee by Mr. Wong WC, Mr. Lee expressed interests in investing in our Group. After several due diligence works were conducted, Mr. Lee is confident in our future prospect.

Dragon Eagle King is a limited company incorporated in the BVI on 8 July 2016 and its entire issued share capital is beneficially owned by Mr. Wee. The principal business activity of Dragon Eagle King is investment holding. Mr. Wee is a merchant in the food and beverage industry. Mr. Wee has known Mr. Wong WC, our Controlling Shareholder, for over 1 year in a business occasion. Upon introduction of the potential **[REDACTED]** of our Group to Mr. Wee by Mr. Wong WC, Mr. Wee expressed interests in investing in our Group. After certain due diligence works were conducted, Mr. Wee is confident in our future prospect.

Rank Advance is a limited company incorporated in the Seychelles on 20 January 2016 and its entire issued share capital is owned by Mr. Wang. The principal business activity of Rank Advance is investment holding. Mr. Wang is the chairman of the board of directors and the chief executive officer of Royal Deluxe Holdings Limited (stock code: 3789), a company listed on the Main Board of the Stock Exchange and a major subcontractor specialising in providing formwork erection and related ancillary services in Hong Kong. Mr. Wang has known Mr. Wong WC, our Controlling Shareholder, for over 1 year in a social occasion. Upon introduction of the potential **[REDACTED]** of our Group to Mr. Wang by Mr. Wong WC, Mr. Wang expressed interests in investing in our Group. After certain due diligence works were conducted, Mr. Wang is confident in our future prospect.

Good Vision is a limited company incorporated in the Seychelles on 4 May 2016 and its entire issued share capital is owned by Tang Palace BVI. The principal business activity of Good Vision is investment holding. The holding company of Tang Palace BVI, Tang Palace (China) (stock code: 1181), a company listed on the Main Board of the Stock Exchange, principally operates restaurants in the PRC and Hong Kong. Mr. Chan Man Wai, an executive director of Tang Palace (China), has known Mr. Wong WC, our Controlling Shareholder, for over ten years in a business occasion. Upon introduction of the potential **[REDACTED]** of our Group to Mr. Chan Man Wai by Mr. Wong WC, Tang Palace (China) expressed interests in investing in our Group. In order to make a sound investment decision, Tang Palace (China) has undertaken certain due diligence works, including discussion with our Directors and senior management, studying our processing stage, products and sources of our food ingredients, licence, our historical financial performance and market conditions of the industry. After such due diligence and review, Tang Palace (China) considered that our Group has good management and good industry prospect.

As advised by Tang Palace Group, Mr. Lee, Mr. Wee and Mr. Wang, they invested in our Group due to their confidence in the business prospects of the Chinese restaurant business in the Greater China area and in the management and potentials of our Group. Our Directors believe that the **[REDACTED]** Investments would strengthen the shareholder base of our Group and enhance the corporate governance practice and business network of our Group. Our Company considers that by introducing Good Vision, Wise Alliance, Dragon Eagle King and Rank Advance as additional shareholders, our Group would benefit from the insight and management experience of Tang Palace (China), Mr. Lee, Mr. Wee and Mr. Wang. A more diversified shareholding structure of our Group is expected to promote accountability of the management to shareholders, thereby facilitating and strengthening internal control.

Save as aforesaid, each of Tang Palace Group, Mr. Lee, Mr. Wee and Mr. Wang, Good Vision, Wise Alliance, Dragon Eagle King and Rank Advance is not connected (as defined in the GEM Listing Rules) with our Group or any of its connected persons (including the Controlling Shareholders).

As a result of the completion of the **[REDACTED]** Investments, the shareholding structure of our Group was as follows:

Name of shareholders	Number of Shares	Shareholding %
Mr. Wong WC	1	1%
Million Edge	56	56%
Good Vision	22	22%
Wise Alliance	10	10%
Dragon Eagle King	7	7%
Rank Advance	4	4%
Total	100	100%

Upon **[REDACTED]**, Good Vision, Wise Alliance, Dragon Eagle King and Rank Advance would be interested in **[REDACTED]**, **[REDACTED]**, **[REDACTED]** and **[REDACTED]** of the issued share capital of our Company, respectively. Considering that Good Vision will become a substantial Shareholder upon **[REDACTED]**, its shareholding in our Company will not be counted as part of the "public float" for the purpose of Rule 11.23 of the GEM Listing Rules.

Good Vision, Wise Alliance, Dragon Eagle King, Rank Advance, Tang Palace Group, Mr. Lee, Mr. Wee and Mr. Wang are not involved in the management and daily operations of our Group.

Pursuant to the **[REDACTED]** Investment Agreements, Good Vision, Wise Alliance, Dragon Eagle King and Rank Advance do not enjoy any special right in connection with the **[REDACTED]** Investments and are subject to a lock-up period of 12 months commencing from the date of **[REDACTED]**.

The Sole Sponsor is of the view that the **[REDACTED]** Investments are in compliance with the Guidance Letters HKEx-GL29-12, HKEx-GL43-12 and HKEx-GL44-12 in respect of guidance on **[REDACTED]** investments issued by the Stock Exchange, as the **[REDACTED]** Investments has been completed at least 28 clear days before the date of our Company's first submission of the **[REDACTED]** application.

6. Allotment and issue of 9,900 shares of Dragon King BVI

On 27 February 2017, Dragon King BVI allotted and issued a further 9,900 shares to the existing shareholders of Dragon King BVI, being 99, 5,544, 2,178, 990, 693 and 396 shares to Mr. Wong WC, Million Edge, Good Vision, Wise Alliance, Dragon Eagle King and Rank Advance.

7. Acquisition of 10% of the issued share capital of each of Dragon Lake and Wealth Club

On 28 February 2017, Dragon King BVI acquired 1,000 shares in Dragon Lake (representing 10% of the issued share capital of Dragon Lake) and 1,000 shares in Wealth Club (representing 10% of the issued share capital of Wealth Club) from Mr. Wong WH in consideration of which Million Edge transferred 100 shares in Dragon King BVI to Wealthy Time. Such transaction was completed and the consideration was settled on 28 February 2017.

Upon the acquisition, each of Dragon Lake and Wealth Club became a wholly-owned subsidiary of Dragon King BVI.

8. Acquisition of 40% of the issued share capital of Prominent Voice

On 28 February 2017, Ms. Lee, as transferor, and Dragon King BVI, as transferee, entered into an instrument of transfer and executed a bought and sold note whereby Ms. Lee transferred 1 share in Prominent Voice (representing 10% of the issued share capital of Prominent Voice) to Dragon King BVI at a consideration of HK$1.00. The transfer of the aforesaid shares was completed immediately after the execution of the said documents.

On 28 February 2017, Dragon King BVI transferred the legal interest of one share in Prominent Voice to Mr. Ngai and Ms. Lee transferred the legal interest of one and one share in Prominent Voice to Mr. Man and Ms. Chan, respectively. On 28 February 2017, Mr. Man, Mr. Ngai and Ms. Chan (each as a vendor) transferred the legal and beneficial interest in an aggregate of 3 shares in Prominent Voice (representing 30% of the issued share capital of Prominent Voice) to Dragon King BVI in consideration of which Million Edge transferred 80 shares in Dragon King BVI to each of Giant Wealth, King Bright and Mr. Man. Such transaction was completed and the consideration was settled on 28 February 2017.

Upon the acquisitions, each of All Best Harvest and Prominent Voice became a direct wholly-owned subsidiary of Dragon King BVI.

9. Acquisition of Silver Everford

On 28 February 2017, Greater Year acquired the entire issued share capital in Silver Everford at the consideration of HK$1.00, which was determined with reference to the unaudited net liabilities position of Silver Everford of approximately HK$3,721,000 the relevant time. Upon the acquisition, Silver Everford became a direct wholly-owned subsidiary of Greater Year and Dragon Seal Shanghai became an indirect wholly-owned subsidiary of Dragon King BVI. Such transaction was completed and the consideration was settled on 28 February 2017.

10. Acquisition of the entire issued share capital of All Best Harvest

On 7 April 2017, Ms. Lee, as transferor, and Dragon King BVI, as transferee, entered into an instrument of transfer and executed a bought and sold note whereby Ms. Lee transferred one share in All Best Harvest (representing 50% of the issued share capital of All Best Harvest) to Dragon King BVI at a consideration of HK$1.00. The transfer of the aforesaid shares was completed immediately after the execution of the said documents.

On 7 April 2017, Mr. Wong WC, as transferor, and Dragon King BVI, as transferee, entered into an instrument of transfer and executed a bought and sold note whereby Mr. Wong WC transferred one share in All Best Harvest (representing 50% of the issued share capital of All Best Harvest) to Dragon King BVI at a consideration of HK$1.00. The transfer of the aforesaid shares was completed immediately after the execution of the said documents.

11. Acquisition of Dragon King BVI

On 15 November 2017, our Company acquired the entire issued share capital in Dragon King BVI from Mr. Wong WC, Million Edge, Good Vision, Wise Alliance, Dragon Eagle King, Rank Advance, Wealthy Time, Giant Wealth, King Bright and Mr. Man (each as vendor and warrantor) in consideration of which our Company allotted and issued 5,359, 2,200, 1,000, 700, 400, 100, 80, 80 and 80 Shares, credited as fully paid, to Million Edge, Good Vision, Wise Alliance, Dragon Eagle King, Rank Advance, Wealthy Time, Giant Wealth, King Bright and Mr. Man, respectively.

After the aforesaid transactions, our Company became the holding company of our Group.

12. [REDACTED] and [REDACTED]

Subject to (i) all the Shareholders passing the necessary shareholders resolutions; and (ii) the **[REDACTED]** becoming unconditional and the share premium account of our Company having sufficient balance, our Directors were authorised to capitalise the amount of approximately **[REDACTED]** standing to the credit of the share premium account of our Company by applying such sum in paying up a total at par of **[REDACTED]** Shares for allotment and issue to the then Shareholders as at 15 November 2017 in proportion to their respective shareholdings in our Company.

Our Company will offer **[REDACTED] [REDACTED]** under the **[REDACTED]** for subscription by the public of Hong Kong and **[REDACTED] [REDACTED]** under the **[REDACTED]** for subscription by professional, institutional and other investors, representing a total of **[REDACTED]** of the enlarged issued share capital of our Company upon **[REDACTED]**.

EXCLUDED BUSINESS

Dragon King Shanghai

Dragon King Shanghai is a WFOE established in the PRC with limited liability on 13 October 2009 and has a registered share capital of HK$8,000,000. Its principal business was to operate a Cantonese restaurant under the brand "Dragon King (龍皇)" in Shanghai. Dragon King Shanghai is wholly-owned by Flyway, an investment holding company which was wholly-owned by Mr. Wong WC prior to the disposal on 19 December 2016. According to its management accounts, Dragon King Shanghai recorded net losses of approximately RMB4,843,000 and RMB2,712,000 for the year ended 31 December 2015 and the eleven months ended 30 November 2016, respectively. Dragon King Shanghai recorded net liabilities as at 31 December 2015 and 30 November 2016 of approximately RMB9,409,000 and approximately RMB12,122,000, respectively.

On 19 December 2016, pursuant to a share transfer agreement, an Independent Third Party acquired the entire issued share capital of Flyway from Mr. Wong WC at a consideration of HK$1.00, which was determined at arm's length and with reference to the then net liabilities position of Flyway and Dragon King Shanghai. The said consideration was settled and the said share capital transfer was completed on 19 December 2016.

Having considered that (i) the business of Dragon King Shanghai was disposed of by Mr. Wong WC as mentioned above; and (ii) Dragon King Shanghai had its own operational management staff independent of our Group in relation to their core business operations, Dragon King Shanghai is not included in our Group.

As confirmed by our PRC Legal Adviser, Dragon King Shanghai has been in compliance with all the applicable laws and regulations in relation to its business operations in the PRC in any material respect from 1 January 2015 up to 19 December 2016.

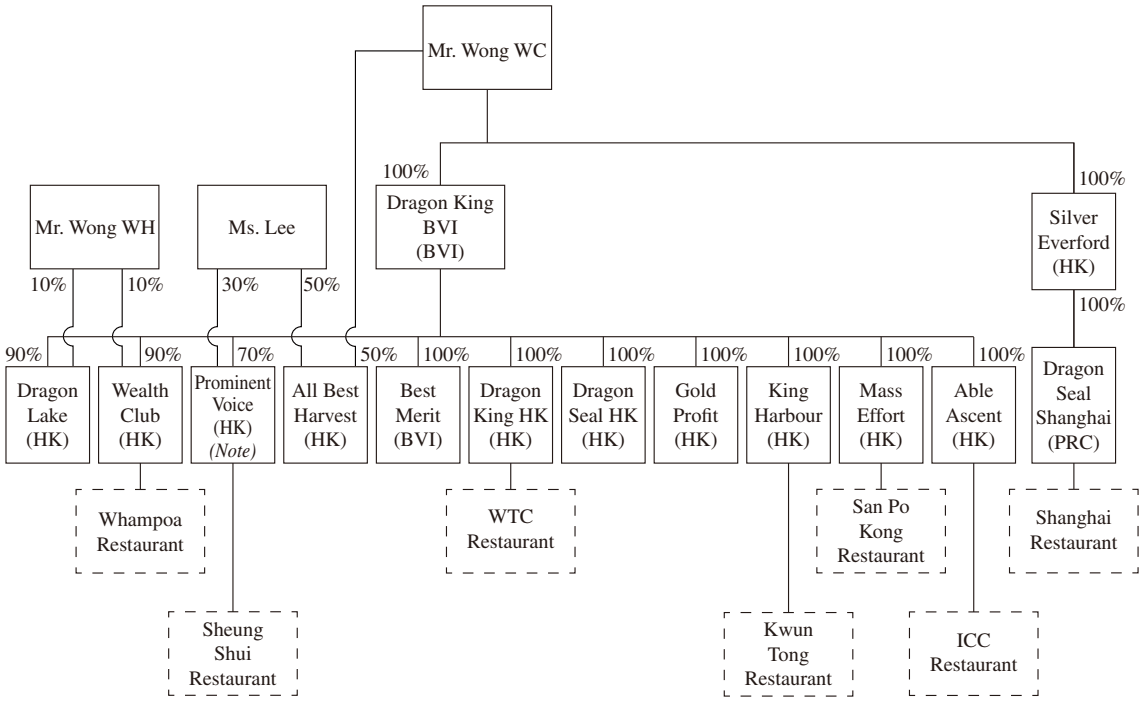
Our Directors confirmed that our Group would have been able to meet the minimum cash flow requirement under Rule 11.12A(1) of the GEM Listing Rules if Dragon King Shanghai were included in our Group.

LOCK-UP UNDERTAKINGS

Each of our Controlling Shareholders, namely Mr. Wong WC and Million Edge, has voluntarily undertaken to our Company that, for an additional 12 months commencing on the date on which the undertaking under Rule 13.16A(1)(b) of the GEM Listing Rules expires, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself shall not, unless waived by majority of our Company's independent Shareholders, 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 held by him/it, the relevant registered holder(s) and any of his/its associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he/it would cease to be a Controlling Shareholder. Please refer to the sections headed "Relationship with our Controlling Shareholders — Lock-up undertakings" and "**[REDACTED]** — Voluntary lock-up undertaking by our Controlling Shareholders" in this document for further details.

THE CORPORATE STRUCTURE OF OUR GROUP

Set out below the corporate structure of our Group immediately before the Reorganisation:

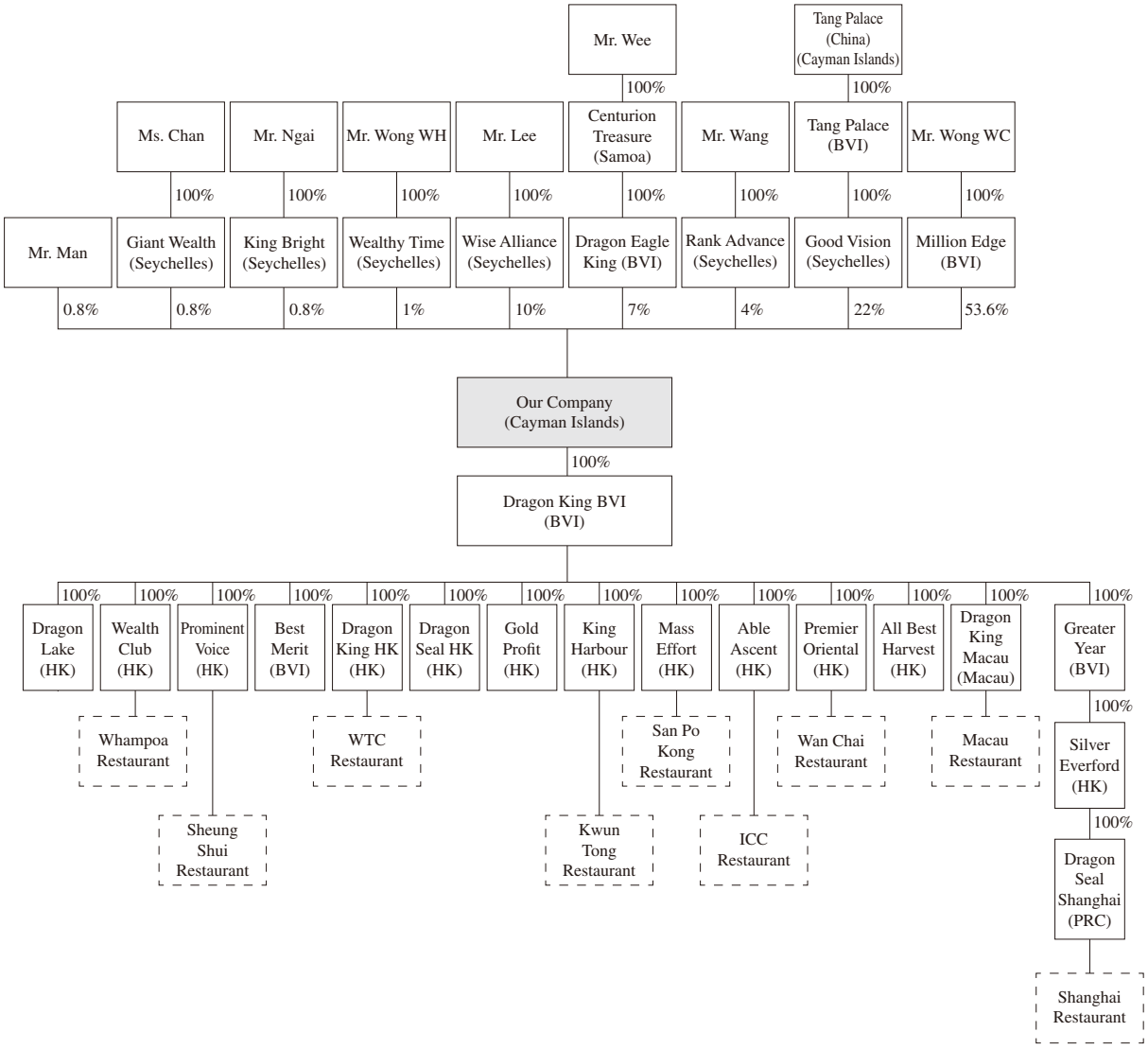


Note:

Pursuant to (i) a declaration of trust dated 4 December 2015 entered into between Ms. Lee and Mr. Man; (ii) a declaration of trust dated 4 December 2015 entered into between Dragon King BVI and Mr. Ngai; and (iii) a declaration of trust dated 4 December 2015 entered into between Ms. Lee and Ms. Chan, Prominent Voice was beneficially owned as to 60%, 10%, 10%, 10% and 10% by Mr. Wong WC (through Dragon King BVI), Ms. Lee, Mr. Man, Mr. Ngai and Ms. Chan, respectively, immediately before the Reorganisation.

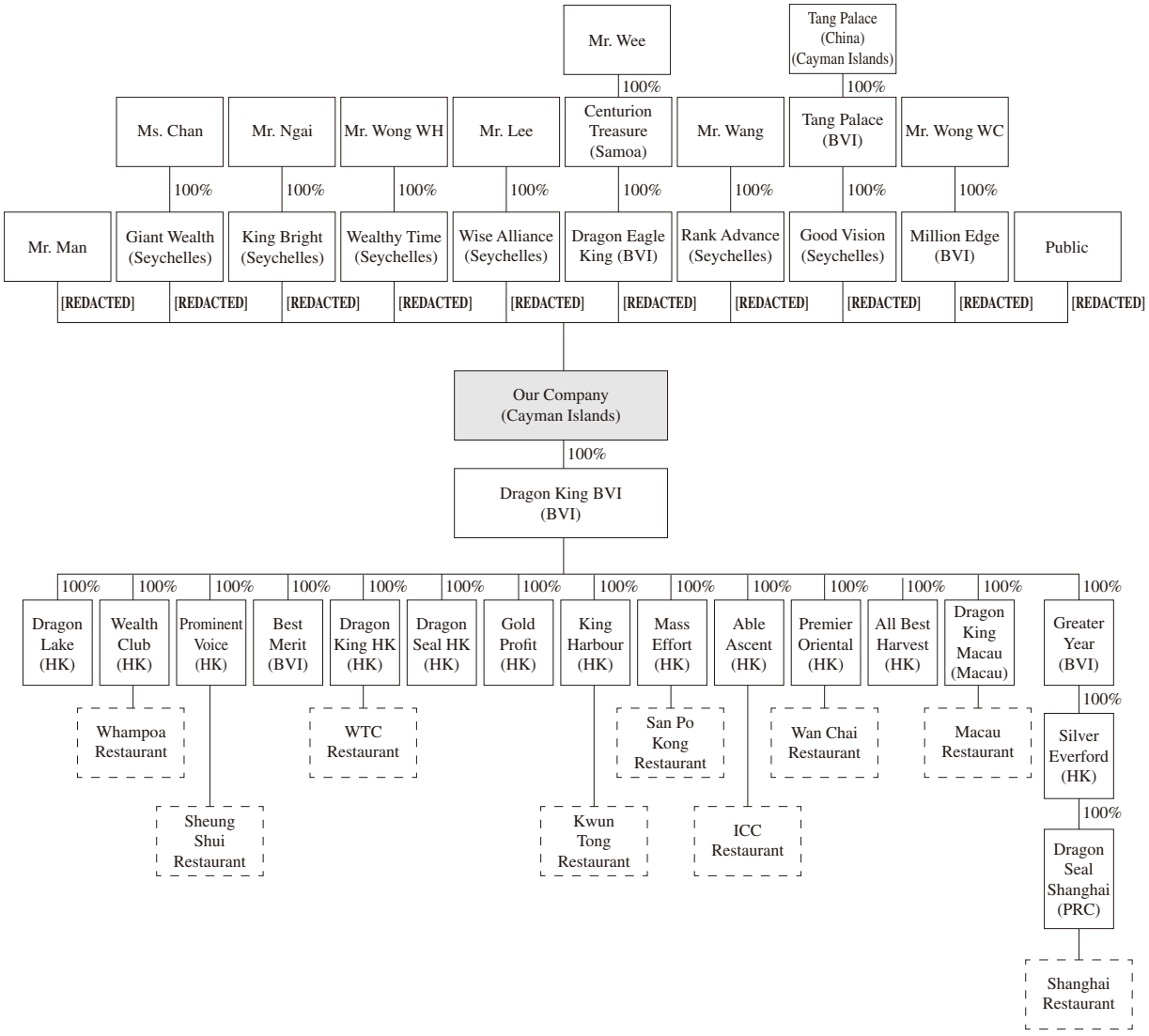
HISTORY, DEVELOPMENT AND REORGANISATION

The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the **[REDACTED]** and the **[REDACTED]**:



HISTORY, DEVELOPMENT AND REORGANISATION

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



OVERVIEW

We are a Cantonese full-service restaurant group operating Cantonese cuisine restaurants under four brands. Our restaurants focus on providing quality food and services and comfortable dinning environment to our customers. Over the years, we have not only expanded our restaurants throughout Hong Kong and to Shanghai and Macau, but have also diversified our business and revenue sources by developing multiple brands which feature different dining experience and target customers. We have obtained various awards and recognition, including being included in the "Michelin Guide Hong Kong Macau" for our Kwun Tong Restaurant in 2016 and 2017 and we are a multiple award-winner of the "Best of the Best Culinary Awards" (美食之最大賞) organised by the Hong Kong Tourism Board.

Our Directors believe that brand recognition, together with quality food and services, are vital to the success of our Group's operations. Our restaurants operate under four self-owned brands, namely "Dragon King (龍皇)", "Dragon Seal (龍璽)", "Imperial Seal (皇璽)" and "Dragon Feast (龍宴)". As at the Latest Practicable Date, our Group operated nine Cantonese full-service restaurants of which (i) five are under the brand of "Dragon King (龍皇)", one is under the brand of "Dragon Seal (龍璽)" and one is under the brand of "Dragon Feast (龍宴)" in Hong Kong; (ii) one is under the brand of "Imperial Seal (皇璽)" in Shanghai; and (iii) one is under the brand of "Dragon King (龍皇)" in Macau. All our restaurants are strategically situated in prominent commercial areas, residential areas or shopping complexes. We have plans to open more restaurants at prime locations in Hong Kong with continuous and steady flow of potential customers and well-developed transportation networks.

For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, our Group's revenue amounted to approximately HK$294,429,000, HK$393,705,000 and HK$171,656,000, respectively. The following table sets out the breakdown of our revenue from our restaurant operations by brands and by restaurants during the Track Record Period.

	For the year ended 31 December				For the five months ended 31 May			
	2015		2016		2016		2017	
Brand/Restaurant	**Revenue**	**% of total revenue**	**Revenue**	**% of total revenue**	**Revenue**	**% of total revenue**	**Revenue**	**% of total revenue**
	(HK$'000)	*(%)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(%)*
Dragon King (龍皇)								
Kwun Tong Restaurant	46,937	15.9	47,585	12.1	20,831	14.2	21,516	12.5
WTC Restaurant	51,866	17.6	51,078	13.0	21,172	14.4	20,853	12.1
San Po Kong Restaurant	46,943	16.0	46,618	11.8	19,042	13.0	19,322	11.3
Whampoa Restaurant	40,765	13.8	35,542	9.0	15,599	10.7	13,913	8.1
Wan Chai Restaurant *(Note 1)*	—	—	19,714	5.0	—	—	14,123	8.2
Macau Restaurant *(Note 2)*	—	—	21,045	5.4	—	—	17,429	10.2
Sub-total	186,511	63.3	221,582	56.3	76,644	52.3	107,156	62.4
Dragon Seal (龍璽)								
ICC Restaurant	45,544	15.5	45,354	11.5	17,536	12.0	20,223	11.8
Imperial Seal (皇璽)								
Shanghai Restaurant	60,174	20.4	54,786	13.9	22,615	15.4	18,703	10.9
Dragon Feast (龍宴)								
Sheung Shui Restaurant *(Note 3)*	2,200	0.8	71,983	18.3	29,821	20.3	25,574	14.9
Total	294,429	100.0	393,705	100.0	146,616	100.0	171,656	100.0

Notes:

(1) Wan Chai Restaurant commenced business in July 2016.

(2) Macau Restaurant commenced business in July 2016.

(3) Sheung Shui Restaurant commenced business in December 2015.

COMPETITIVE STRENGTHS

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

Diversification of our customer base through our multi-brand business model

We believe our multi-brand business model allows us to capture different customers with different spending power through the offering of a variety of Cantonese cuisines at varying prices under different brands. As at the Latest Practicable Date, we operated restaurants under four brands namely, "Dragon King (龍皇)", "Dragon Seal (龍璽)", "Imperial Seal (皇璽)" and "Dragon Feast (龍宴)". For details of our restaurants, please refer to the paragraph headed "Our restaurants" in this section.

Our Directors believe that the diversity of brands and restaurants offered by our Group allows us to adapt to the tastes and preferences of customers in different market segments and broaden our customer base, thereby reducing reliance on any particular customer segment, increasing our market share and providing support to our continual expansion in the future. In addition, our Directors believe we have strong and well-recognised brands that could help us to increase our cost efficiency by strengthening our bargaining power when dealing with our suppliers, landlords and other service providers, and also strengthen the loyalty of our customers.

Our restaurants are strategically located

Our Directors believe that the locations of our restaurants are critical to our Group's strategy of targeting the diversified customer base and the promotion of our Group's brands and reputation. Our restaurants in Hong Kong are strategically located at prominent commercial areas, residential areas or shopping complexes in Wan Chai, Causeway Bay, Tsim Sha Tsui, Whampoa, Kwun Tong, San Po Kong and Sheung Shui according to their respective customer base. Our Macau Restaurant is located within the Venetian and our Shanghai Restaurant is situated in Pudong New District of Shanghai.

We are creative in deciding our Cantonese cuisine

Our Directors believe that the ability of introducing new and creative dishes is crucial in attracting customers to visit our restaurants. In order to cater for the evolving food trends, we update our menu by developing new menu items and introduce seasonal and festive dishes at our restaurants from time to time, and refine and improve our dishes in response to the changing taste of customers.

To promote creative cooking ideas and culinary talent, we encourage our chefs to participate in cooking competitions. In particular, we are proud to be multiple award-winners of the Best of the Best Culinary Awards (美食之最大賞) organised by the Hong Kong Tourism Board. For example, our ICC Restaurant won the Gold with Distinction Award for the category Signature Vegetables with the dish "Stewed Winter Melon with Fungus (翡翠夜光杯)" and we have been included in the Michelin Guide Hong Kong Macau for the years 2016 and 2017. For details of our awards, please refer to the paragraph headed "Awards and Certifications" in this section.

Our Directors believe that our Group's ability to create new dishes helps to generate more customer traffic, attract a broader customer base and thus enhance our operating results and reputation.

Experienced chefs, senior management and well-trained employees

Our senior management consists of personnel with extensive experience and knowledge of the full-service restaurant industry and management. Our Group was co-founded by Mr. Wong WC, our executive Director and one of our Controlling Shareholders, and Mr. Wong WH, our executive Director, in 2004. Mr. Wong WC is an accomplished restaurateur with over 38 years of experience in hospitality and full-service restaurant industries in Hong Kong, the PRC, Singapore and Australia. Mr. Wong WC has received multiple awards over the years, including "Hong Kong Top Ten Chefs (香港十佳名廚)", "Australian Chinese Best Chef (澳華食神)", "Top Ten Chefs China (中國十大名廚)" and "Best Chef of Canton, Hong Kong and Macau (粵港澳食神)". He was also the honourable chairman of the Chinese Transworld Gourmet Association (中華國際美饌交流協會) and the World Master Chefs Association for Cantonese Cuisine (世界粵菜廚皇協會). Mr. Wong WH and Ms. Lee, our executive Directors, have over 31 and 14 years of experience in the full-service restaurant industry in Hong Kong, respectively.

Each of the other senior management members of our Group also has extensive management and operational experience in their respective fields. For example, Mr. Leung Woon Hing, our Executive Chef, and Mr. Ng Yick Kit, our Chief Operating Officer have extensive experience in operations and management in restaurants. For biographical details of our Directors and senior management, please refer to the section headed "Directors, Senior Management and Employees" in this document.

Our senior management is supported by our well-trained employees to ensure smooth implementation of our policies. We provide in-house trainings to our staff from time to time to ensure that our employees are equipped with the most up-to-date and useful skills and industry knowledge.

We believe that the solid experience and expertise of our chefs, senior management, complemented by our well-trained employees are crucial to our sustainable development.

BUSINESS STRATEGIES

We have formulated the following business strategies to strengthen our position as a Cantonese full-service restaurant group:

Expansion in Hong Kong with multi-brand strategy

We believe our multi-brand business model has contributed to our success and we intend to continue to expand our restaurant network in Hong Kong. We intend to continue our multi-brand business model with our existing brands. For the key distinctions among our four existing brands, please refer to the paragraph headed "Our Restaurants" in this section. We currently expect to open a new Cantonese full-service restaurant under the name of "Dragon King (龍皇)" in Kwai Chung in the fourth quarter of 2017. Further, we plan to open a new restaurant under the name of "Dragon Feast (龍宴)" in the Kwai Tsing District and a new restaurant under the name of "Dragon King (龍皇)" in the Eastern District in mid-2018 and mid-2019, respectively.

Our Group will closely monitor the performance of our restaurants and our self-owned brands in the market to continuously adjust our brand portfolio and develop a balanced resource allocation strategy to our various self-owned brands in order to maximise our Group's return on our investments.

Enhancement of existing restaurant facilities

In order to stay competitive in the market and to attract new and returning customer traffic, we will also upgrade some of our existing restaurants through renovations. We currently plan to refurbish some of our existing restaurant's fitting out and utensils. We currently plan to refurbish the Whampoa Restaurant, the Kwun Tong Restaurant and the San Po Kong Restaurant shortly upon **[REDACTED]** and the Macau Restaurant, the WTC Restaurant and Sheung Shui Restaurant in mid-2018. We currently estimate the corresponding renovation cost would be HK$5,400,000, which will be funded by the **[REDACTED]** from the **[REDACTED]**.

Further enhance our brand recognition

While we intend to increase our geographical presence throughout Hong Kong by opening additional restaurants in Hong Kong, we will also keep up with our current strategies in promoting our self-owned brands and restaurants and increasing customer traffic and restaurant visits in Hong Kong, Macau and the PRC by increasing the annual advertising expenses. Such current strategies include enhancing our promotions in conventional media channels and online platform, we also intend to engage in more marketing campaigns and other marketing activities as well as participate in more different cooking competitions.

OUR BUSINESS

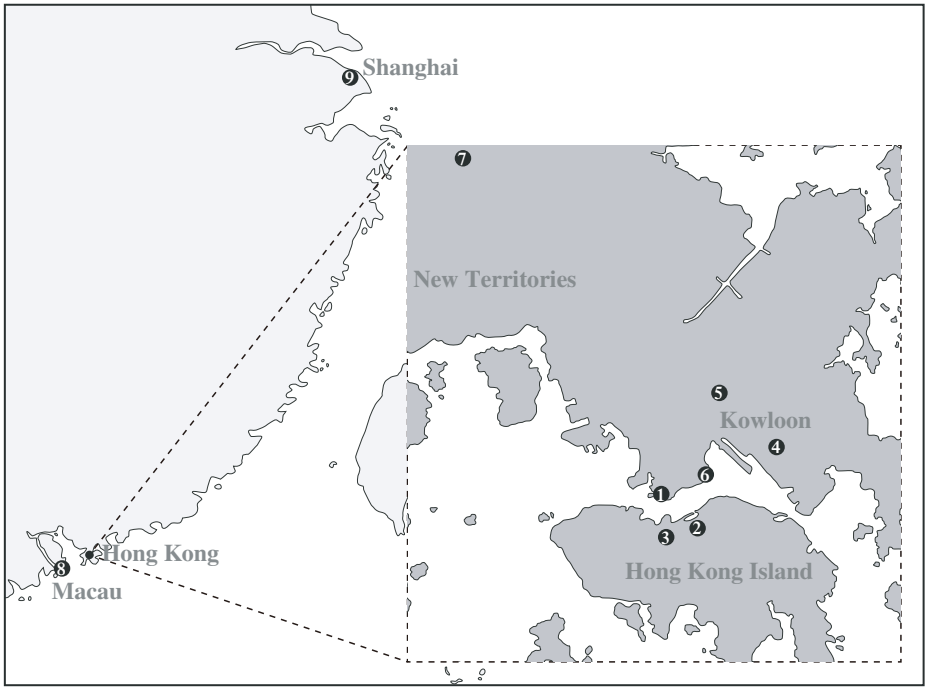
We are a Cantonese full-service restaurant group operating Cantonese cuisine restaurants under four brands.

OUR RESTAURANTS

As at the Latest Practicable Date, our Group operated nine Cantonese full-service restaurants of which (i) five are under the brand of "Dragon King (龍皇)", one is under the brand of "Dragon Seal (龍璽)" and one is under the brand of "Dragon Feast (龍宴)" in Hong Kong; (ii) one is under the brand of "Imperial Seal (皇璽)" in Shanghai; and (iii) one is under the brand of "Dragon King (龍皇)" in Macau.

As at 31 December 2015 and 2016 and 31 May 2017, we were operating 7, 9 and 9 restaurants, of which 1 and 2 restaurants were newly established during the years ended 31 December 2015 and 2016, respectively. Subsequent to 31 December 2016, we plan to open one new restaurant in Kwai Chung in the fourth quarter of 2017.

All of our restaurants are strategically located in prominent commercial areas, residential areas or shopping complexes in Hong Kong. Our restaurants in Hong Kong are located in Causeway Bay, Wan Chai, Tsim Sha Tsui, Kwun Tong, San Po Kong, Whampoa and Sheung Shui. Our restaurant in Macau is located at the Venetian and our restaurant in Shanghai is located at Pudong New District of Shanghai. The following map illustrates the locations of our restaurants in Hong Kong, Macau and Shanghai as at the Latest Practicable Date:



Note:
The locations of our restaurants shown in the map above are for reference only and may not be an indication of the exact location.

1 ICC Restaurant	4 Kwun Tung Restaurant	7 Sheung Shui Restaurant
2 WTC Restaurant	5 San Po Kong Restaurant	8 Macau Restaurant
3 Wan Chai Restaurant	6 Whampoa Restaurant	9 Shanghai Restaurant

Dragon King Restaurants

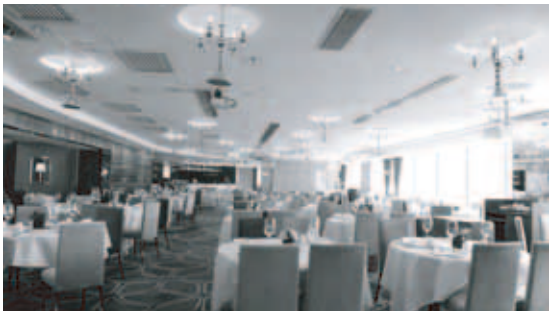
Our restaurant under the brand of "Dragon King (龍皇)" was first operated in 2004 in Yau Ma Tei. Since then, our restaurants under the brand "Dragon King (龍皇)" have expanded steadily to six locations in Hong Kong and Macau as at the Latest Practicable Date. Our restaurants under the brand name of "Dragon King (龍皇)" target mid spending customers with a preference for quality Cantonese cuisine at reasonable prices and are situated in prominent commercial areas, residential areas or shopping complexes in Kwun Tong, Whampoa, Causeway Bay, San Po Kong, Wan Chai and the Venetian, targeting commercial and residential tenants, and tourist to ensure a continuous and steady flow of potential customers. Our restaurants under the brand of "Dragon King (龍皇)" offer a wide range of dishes to our customers, including Cantonese dim sum, Chinese barbecued food, Chinese main dishes, and dried and fresh seafood dishes.

During the Track Record Period, the estimated average spending per customer in our restaurant operating under the brand of "Dragon King (龍皇)" in Hong Kong and Macau is HK$143 to HK$342 and HK$427 to HK$979 (approximately MOP440 to MOP1,008), respectively. *(Note)*

Note: This was converted from MOP to HK$ at the approximate exchange rate of HK$1 to MOP1.03, which was the average exchange rate for the year of 2016. The translation was provided for reference only.

The following images show the interior of some of our "Dragon King (龍皇)" restaurants.

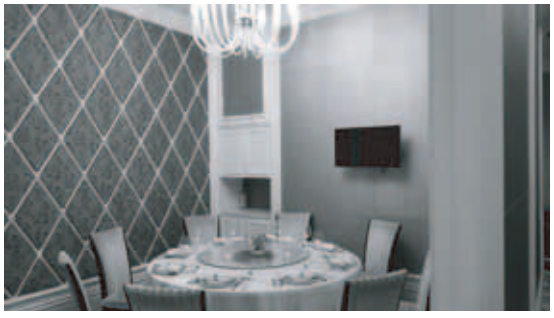
WTC Restaurant



Kwun Tong Restaurant

Wan Chai Restaurant

Macau Restaurant



The following images show some of the signature dishes of our "Dragon King (龍皇)" restaurants.

Steamed Crystal Dumplings with Mixed Mushrooms & Black Truffle
(水晶禮盒)

Chilled Mango Cream with Grapefruit and Sago
(始創楊枝甘露)

Poached Steamed & Crispy Rice with Lobster Meat in Superior Soup
(龍蝦西施泡飯)

Braised Fresh Australian Abalone with Sea Cucumber in Oyster Sauce
(蠔皇澳洲鮮鮑伴海參)

Dragon Seal Restaurant

The ICC Restaurant is a full-service restaurant opened by our Group in January 2011 and is also our first restaurant operating under the brand of "Dragon Seal (龍璽)". Situated at "Sky Dining 101" of the International Commerce Centre in Tsim Sha Tsui, the ICC Restaurant features breathtaking view of the Victoria Harbour as well as an elegant and comfortable dining environment and targets high spending power customers. Comparing to our restaurants under the brand of "Dragon King (龍皇)", more featured or valuable food ingredients, such as gold foil and fresh truffle, are used in the dishes offered by our restaurant under the brand of "Dragon Seal (龍璽)". In addition, the dishes are more often nicely presented and served to each of the diners individually. During the Track Record Period, the estimated average spending per customer in restaurant operating under the brand of "Dragon Seal (龍璽)" is between HK$853 and HK$1,147.

The following images show the interior of our ICC Restaurant.

The following images show some of the signature dishes of our ICC Restaurant.

Stewed Winter Melon with Fungus
(翡翠夜光杯)

Pan-fried Lobster Steak with Morel
(羊肚菌香煎龍蝦扒)

Truffle and Mantis Shrimp Salad
(黑松露富貴蝦沙律)

Imperial Seal Restaurant

The Shanghai Restaurant is a full-service restaurant opened by our Group in January 2013 and is also our first restaurant operating under the brand of "Imperial Seal (皇璽)". Situated in Pudong New District in Shanghai, the Shanghai Restaurant features Huangpu River view and targets mid to high spending customers. The Shanghai Restaurant includes 16 nicely decorated private rooms, which could accommodate groups of visitors ranging from 10 to 12 people. Our restaurant under the brand of "Imperial Seal (皇璽)" offers wide range of Cantonese dishes to our customers, including Cantonese dim sum, Chinese barbecued food, Chinese main dishes, and dried and fresh seafood dishes. In addition, it also offers wide range of local cold dishes, which are catered for the taste of our Shanghai customers. During the Track Record Period, the average spending per customer in Shanghai Restaurant operating under the brand of "Imperial Seal (皇璽)" is between HK$452 and HK$474 (approximately RMB366 and RMB405). *(Note)*

The following images show the interior of our Shanghai Restaurant.

Note: These were converted from RMB to HK$ at the approximate exchange rates of RMB0.81 to HK$1 and RMB0.855 to HK$1, which were the average exchange rates for the years of 2015 and 2016, respectively. These translations were provided for reference only.

Dragon Feast Restaurant

The Sheung Shui Restaurant is a full-service restaurant opened by our Group in December 2015 and is also our first restaurant operating under the brand of "Dragon Feast (龍宴)". The Sheung Shui Restaurant targets low spending customers with a preference for quality Cantonese cuisine at affordable prices. Comparing to our restaurants under the brand of "Dragon King (龍皇)", our restaurant under the brand of "Dragon Feast (龍宴)" offers more economical dishes, with less expensive food ingredients used. During the Track Record Period, the average spending per customer in Sheung Shui Restaurant operating under the brand of "Dragon Feast (龍宴)" is between HK$73 and HK$83.

The following images show the interior of our Sheung Shui Restaurant.

SALES AND MARKETING

Sales

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

Business, Restaurants and Customers

							For the year ended 31 December 2015					For the year ended 31 December 2016					For the five months ended 31 May 2017				
	Name of restaurant	Brand	Location	Year of commencement of operation	Approximate floor area	Approximate seating capacity	Approximate number of customer visits	Number of operation days	Approximate average daily revenue	Approximate seat turnover rate *(Note 4)*	Approximate average spending per customer	Approximate number of customer visits	Number of operation days	Approximate average daily revenue	Approximate seat turnover rate	Approximate average spending per customer	Approximate number of customer visits	Number of operation days	Approximate average daily revenue	Approximate seat turnover rate	Approximate average spending per customer
					(sq.m.)	*(seats)*			*(HKD)*	*(times)*	*(HKD)*			*(HKD)*	*(times)*	*(HKD)*			*(HKD)*	*(times)*	*(HKD)*
1	Kwun Tong Restaurant	Dragon King	2/F, Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Hong Kong	2007	996.19	350	201,298	365	128,594	1.6	233	226,161	366	130,013	1.8	210	84,284	151	142,491	1.6	255
2	WTC Restaurant	Dragon King	12/F, The World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong	2008	809.47	325	177,398	365	142,098	1.5	292	180,834	366	139,556	1.5	282	60,891	151	138,097	1.2	342
3	San Po Kong Restaurant	Dragon King	Shop 110, 1/F, Mikiki, 638 Prince Edward Road East, Kowloon, Hong Kong	2011	643.70	300	200,411	365	128,610	1.8	234	198,342	366	127,373	1.8	235	69,266	151	127,964	1.5	279
4	Whampoa Restaurant	Dragon King	Shop 1, 3/F, Whampoa Gourmet Place, Site 8, Whampoa Garden, Hung Hom, Kowloon, Hong Kong	2014	609.98	300	284,473	365	111,685	2.6	143	231,317	366	97,109	2.1	154	83,297	151	92,137	1.8	167
5	Wan Chai Restaurant *(Note 1)*	Dragon King	Shop 801, 8/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong	2016	898.07	380	–	–	–	–	–	111,870	184	107,143	1.6	176	75,837	151	93,532	1.3	186

	Name of restaurant	Brand	Location	Year of commencement of operation	Approximate floor area	Approximate seating capacity	For the year ended 31 December 2015					For the year ended 31 December 2016					For the five months ended 31 May 2017				
							Approximate number of customer visits	Number of operation days	Approximate average daily revenue	Approximate seat turnover rate (Note 4)	Approximate average spending per customer	Approximate number of customer visits	Number of operation days	Approximate average daily revenue	Approximate seat turnover rate	Approximate average spending per customer	Approximate number of customer visits	Number of operation days	Approximate average daily revenue	Approximate seat turnover rate	Approximate average spending per customer
					(sq.m.)	*(seats)*			*(HKD)*	*(times)*	*(HKD)*			*(HKD)*	*(times)*	*(HKD)*			*(HKD)*	*(times)*	*(HKD)*
6	Macau Restaurant *(Note 2)*	Dragon King	Shop no. 2132, Level 3, Grand Canal Shoppes, The Venetian Macao Resort Hotel	2016	744.99	160	—	—	—	—	—	49,264	184	114,373	1.7	427	17,809	151	115,425	0.7	979
7	ICC Restaurant	Dragon Seal	Shop C, 101/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong	2011	570.16	140	53,377	365	124,779	1.0	853	50,295	366	123,919	1.0	902	17,625	151	133,925	0.8	1,147
8	Shanghai Restaurant	Imperial Seal	No. 27 Pudong Road South, Pudong New District, Shanghai	2013	2,428	312	126,879	365	164,861	1.1	474	121,172	366	149,690	1.1	452	39,628	151	123,860	0.8	472
9	Sheung Shui Restaurant *(Note 3)*	Dragon Feast	Shop no. R401, 4/F, Choi Yuen Plaza, Choi Yuen Estate, Choi Yuen Road, Sheung Shui, N.T., Hong Kong	2015	1,288.90	650	30,124	14	157,153	3.3	73	936,276	366	196,675	3.9	77	309,028	151	169,365	3.2	83

Notes:

(1) Wan Chai Restaurant commenced business in July 2016.

(2) Macau Restaurant commenced business in July 2016.

(3) Sheung Shui Restaurant commenced business in December 2015.

(4) Approximate seat turnover rate is calculated from the approximate number of customer visits per operation day divided by the approximate seating capacity of the relevant restaurant.

Capital investment, renovation and refurbishment of our restaurants

In view of our Group's business nature, significant capital expenditures are considered to be required for the renovation and installation of new equipment and facilities at the time our new restaurants are opened. For our existing restaurants, the initial capital expenditures were generally funded by internal resources and bank loans obtained by our Group. In addition, we would also renovate and refurbish our restaurants from time to time in order for our restaurants to stay competitive when our management consider necessary. Generally, our Group does not have a specific renovation and refurbishment cycle. According to our past experience, the initial installation could remain in good condition for longer than the respective rental term of our restaurants. As such, large-scaled renovation and installation are generally not required upon the expiry of our leasing agreements, and only minor renovation and refurbishment of our existing restaurants, which cost much less than the initial capital expenditures, is required. During the Track Record Period, our Group incurred expenses on renovation and refurbishment of our existing restaurants of approximately HK$4,258,000 and HK$1,667,000, respectively. Our Directors intend to incur approximately HK$3,200,000 and HK$2,200,000 for the years ending 31 December 2017 and 2018, respectively, in relation to renovation and refurbishment of our existing restaurants.

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

Operating breakeven period and investment payback period of our restaurants

According to the past experience of our Group and future expectation, our Directors consider that we would normally achieve operating breakeven period of approximately three to six months for our new restaurants, in terms of profit before interest, taxation, depreciation and amortisation ("**EBITDA**"). Based on past experience and current estimations of our Group, our Directors also expect that it would normally take approximately two years for our new restaurants to reach investment payback points, which our Directors consider being the time when the accumulated net cash flows generated from operating activities of a restaurant exceeds its costs of opening and ongoing capital expenditures.

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

Brand/Restaurant	Historical operating breakeven period *(Note 1)*	Investment payback period *(Note 2)*
Dragon King (龍皇)		
Kwun Tong Restaurant	Within 1 year *(Note 3)*	2.0 years
WTC Restaurant	Within 1 year *(Note 3)*	2.2 years
San Po Kong Restaurant	2 months	3.1 years
Whampoa Restaurant	1 month	4.1 years *(Note 4)*
Wan Chai Restaurant	7 months	N/A *(Note 5)*
Macau Restaurant	1 month	N/A *(Note 5)*
Dragon Seal (龍璽)		
ICC Restaurant	4 months	2.2 years
Imperial Seal (皇璽)		
Shanghai Restaurant	12 months	9.4 years *(Note 4)*
Dragon Feast (龍宴)		
Sheung Shui Restaurant	2 months	2.1 years *(Note 4)*

Notes:

1. Operating breakeven period is the period required for a restaurant to record a positive monthly EBITDA for the first time following the month of commencement of business of the restaurant.

2. Investment payback period is the estimated period required for the investment cost of a restaurant to be fully covered by its accumulated net cash flows from operating activities since the commencement of business of the restaurant.

3. Kwun Tong Restaurant and WTC Restaurant commenced operation since 2007 and 2008, respectively. Operating breakeven period of Kwun Tong Restaurant and WTC Restaurant were calculated based on their respective statutory financial statements.

4. Shanghai Restaurant, Whampoa Restaurant and Sheung Shui Restaurant commenced operation in January 2013, June 2014 and December 2015, respectively, and have yet to achieve their respective investment payback period. The figures represent the expected investment payback period of the restaurants.

5. Our Directors are of the view that Wan Chai Restaurant and Macau Restaurant share the initial investment cost. Both restaurants commenced operation in July 2016 and have yet to achieve their respective investment payback period. Our Directors expect they would be able to achieve an investment payback period of approximately 3.0 years as a whole.

Our expansion plans for opening new restaurants

We currently expect to open a new Cantonese full-service restaurant under the name of "Dragon King (龍皇)" in Kwai Chung in the fourth quarter of 2017. Further, we plan to open a new Cantonese full-service restaurant under the name of "Dragon Feast (龍宴)" in the Kwai Tsing District and a new Cantonese full-service restaurant under the name of "Dragon King (龍皇)" in the Eastern District in mid-2018 and mid-2019, respectively. A breakdown of our expected capital expenditure required for the three new restaurants for the period indicated is set forth below:

Restaurant location	**For the year ending**		
	2017	**2018**	**2019**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Dragon King (龍皇)			
Kwai Chung	12,200	—	—
Eastern District	—	—	13,000
Dragon Feast (龍宴)			
Kwai Tsing District	4,000	11,000	2,500
	16,200	11,000	15,500

The total planned capital expenditure for our Group's network expansion in Hong Kong is expected to be approximately HK$16,200,000, HK$11,000,000 and HK$15,500,000 for the years ending 31 December 2017, 2018 and 2019, respectively, which will be funded partially by the **[REDACTED]** of the **[REDACTED]** and the remaining by internal resources generated from operating activities of our Group. As at the Latest Practicable Date, our Group paid an aggregate of approximately HK$947,000 as rental deposit for its tentative restaurant premises for the restaurant to be opened in Kwai Chung.

According to the estimated investment of our expansion plan, we expect our investment in the new restaurants will have an operating breakeven period of approximately three to six months, and a payback period of approximately two to three years, based on our Directors' understanding on the expected expansion of our restaurant networks, the expected customer flows and the estimated operating cost of the new restaurants.

Having considered that (i) despite the staff costs and rental expenses having been continuously rising in the past few years, our restaurants can still generally generate operating profits; (ii) the estimated payback period is approximately two to three years, which is reasonable and will be shorter than the lease terms of the lease agreements expected to be signed; (iii) based on our past experiences, our Directors are of the view that our Group would normally be able to renew the lease agreements upon the expiry of their respective first lease term, and therefore only minimum renovation and refurbishment is required to continue our operations, which could further improve the profitability of our restaurants after the high start up cost is recovered; (iv) our Group can enjoy economics of scale upon our restaurant networks expansion and a considerable fixed portion of our costs, mainly the expenses incurred by our central offices, product development, marketing activities, central procurement team, warehouse operations and management team, could be shared amongst our enlarged restaurant operations, and that the net profitability of our Group could be further improved as a whole; (v) expanding our restaurant networks could further enhance our brand awareness and image and landlords, such as large property developers and shopping mall operators, may provide better terms to attract us to operate our restaurants at their premises; (vi) increase in our operation size and market share could further strengthen our bargaining power over our suppliers and better terms from creditors may also be obtained; and (vii) the Cantonese full-service restaurant industry in Hong Kong is expected to have stable growth in the near future driven by the expected increase in average annual household disposal income and the increasing popularity of Cantonese full-service restaurant in Hong Kong as stated in the Ipsos Report, therefore our Directors believe that there is sufficient demand and rationale to justify our expansion plans of opening new restaurants.

Pricing Policy

In deciding the price of each menu item, our Group takes into account factors such as costs of raw materials and food ingredients, seasonal factors, target operating profit margins, general market trends, purchasing power of our target customers and prices set by competitors. Our head chefs and management periodically review and change items on the menu. Our Directors believe that even in times of cost pressures, our Group will be capable of adjusting the ingredients used, with a view to maintaining the taste, portion size and quality of food. Our Directors believe that the pricing policy we adopted helps to create an attractive price-value proposition typically favoured by customers. Our Group allows for limited price adjustments in the menu items in response to special menus or promotion events launched by each restaurant.

Settlement and Cash Management

The majority of our customers settle their bills by cash or credit cards. We also receive non-refundable earnest money for reservation for large-group bookings or special occasions such as weddings or birthday parties.

The table below illustrates the breakdown of the revenue by types of settlement during the Track Record Period:

	For the year ended 31 December				For the five months ended 31 May	
	2015		2016		2017	
	HK$'000	*% of total revenue*	*HK$'000*	*% of total revenue*	*HK$'000*	*% of total revenue*
Credit card	248,870	84.5	281,973	71.6	119,105	69.4
Cash	37,527	12.8	85,297	21.7	33,294	19.4
Others	8,032	2.7	26,435	6.7	19,257	11.2
Total	294,429	100.0	393,705	100.0	171,656	100.0

Note: Others include cheques, bank transfers, prepaid coupons and cash vouchers.

Credit cards

For payment by customers using credit cards, we normally receive remittance from the credit card issuers, net of service fees of between 1.3% and 3.0%, depending on the credit card issuers, within around seven business days after the credit card transaction is approved. For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, settlement by credit cards represented approximately 84.5%, 71.6% and 69.4% of our total revenue, respectively. To ensure that no stolen credit cards are used in the payment, we train our staff to take precautionary measures, such as ensuring that the signature of the signing party matches with the signature at the back of the credit card.

Cash

For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, settlement by cash represented approximately 12.8%, 21.7% and 19.4% of our revenue, respectively. We have adopted measures to prevent misappropriation of cash, such as segregation of duties between the front-line service staff and cashier across all of our restaurants. We also conduct reconciliations of sales recorded by summaries generated from our POS system with the actual cash receipts and cash deposits in banks of each restaurant on a daily basis. We keep spare cash for the purpose of sporadic procurement of supplies, cash received at a restaurant pending delivery to our banks and service tips in separate safes located in each restaurant. We have engaged an independent security services company to collect and deposit cash we received from the daily operations of each restaurant to banks regularly. During the Track Record Period, there was no incident of any material cash misappropriation or theft of cash by our employees, customers or other third parties.

Others

For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, other forms of settlement (which includes cheques, bank transfers, prepaid coupons and cash vouchers) represented approximately 2.7%, 6.7% and 11.2% of our total revenue, respectively. For patrons of our Group's dining services for banquets or celebratory events, customers can settle bills by cashier orders as an alternative payment option. We occasionally receive cash vouchers issued by the shopping malls where our restaurants are located from our customers and receive payment of the value of the cash vouchers received after we present the cash vouchers to the relevant shopping mall.

We have adopted internal control policies and measures to prevent occurrence of fraud, theft, bribery, corruption and other misconduct, including for instance, illegitimate rebates from suppliers. For example, our anti-fraud policy provides that staff is strictly prohibited from receiving gifts without approval of the management. In the event that employees are skeptical on any inappropriate instances, they are encouraged to report to the senior management of our Group for further investigation.

Marketing

Our Group's marketing team has 8 staff members as at the Latest Practicable Date, who are headed by our head of marketing. Our marketing team is responsible for formulating and implementing our Group's marketing strategies to promote our business, image, brand and reputation. Our marketing team is responsible for managing our Group's website, monitoring food discussion forums, food blogs and food websites in order to capture the ratings, recommendations and criticisms posted by diners or food critics. Any negative reviews posted by food critics are brought to the attention of our Directors and senior management for internal discussion to decide what actions may be taken to improve our food and/or services.

During the Track Record Period, we carried out the following marketing activities including, among others:

— Dining promotions;

— "Dragon King Club" membership programme; and

— Other marketing activities such as participation in cooking competitions.

Dining promotions

Our Group regularly updates the main menus of our restaurants to introduce new dishes. We also makes variations to our dishes and food prices with the change of seasons and trends, conforming to modern dietetics. Our Group posts eye-catching posters promoting popular dishes in our restaurants. Our Group also places advertisement signs within the shopping complexes and commercial buildings where we operate our restaurants. Promotional pamphlets are distributed in our Group's restaurants to promote new, seasonal or discounted dishes.

"Dragon King Club" membership programme

We have launched a membership programme which is designed to reward our customers for dining frequently at our restaurants in Hong Kong. Customers using our membership cards at any of our restaurants in Hong Kong will generally receive 10% discount on regular-priced food items. We also give out cash coupons and birthday coupons to our members and regularly promote our new menu through our membership programme.

The marketing activities are reviewed from time to time by our Directors and senior management to ensure their effectiveness. For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, our Group's expenses on advertising and promotion amounted to approximately HK$1,975,000, HK$2,668,000 and HK$1,285,000, representing approximately 0.7%, 0.7% and 0.7% of our total revenue, respectively.

Other marketing activities

Our Group also takes marketing initiatives to promote our brands by participating in cooking competitions. We encourage our chefs to participate in cooking competitions so as to further develop their cooking skills and draw public attention as a marketing strategy. We are proud to be multiple award-winners of the "Best of the Best Culinary Awards (美食之最大賞)" organised by the Hong Kong Tourism Board. For details of our awards, please refer to the paragraph headed "Awards and certifications" in this section.

CUSTOMERS

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

RAW MATERIALS AND SUPPLIERS

Procurement of raw materials

The major raw materials that we use in our restaurants are food ingredients, including but not limited to, vegetables and other agricultural produce, seafood, dried foods, meats, seasoning and beverages, originating from various countries, such as China, Hong Kong, Japan, Malaysia, Australia and the United States of America.

Generally, our restaurants may only procure food ingredients and beverages from our pre-approved suppliers where our senior management has negotiated the general terms. Our central procurement department will generally procure items which require processing or marinating and have longer shelf life, such as dried foods, frozen meat, expensive alcoholic beverage, sauces and food seasoning. While our restaurants will procure fresh food ingredients such as fresh vegetables, fresh seafood, and beverages from pre-approved suppliers. Generally, our restaurants will procure food ingredients and beverages from our suppliers the day before delivery. All of our supplier invoices are settled centrally by our finance department. We believe this arrangement will maximise the quality of the food ingredients as we give flexibility to our restaurants in procuring fresh and perishable ingredients according to their individual needs while ensuring the consistent food quality among our restaurants.

When supplies are delivered, our restaurant managers and kitchen staff will check the quantity and quality of the items delivered before the same will be accepted. If there is any discrepancy in quality, the delivery will not be accepted. We will inform our suppliers of the issue and will request them to redeliver within a time frame. If the relevant supplier fails to do so, we will deduct from our payables to them any costs we incurred as a result of procuring similar items from another supplier to avoid potential disruption to our restaurant operations.

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

Purchase cost control

For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, our cost of food and beverages accounted for 31.4%, 32.3% and 30.9% of our revenue, respectively. We have not experienced any major price fluctuations that had a material adverse impact on our cost of food and beverages during the Track Record Period. For non-perishable or food ingredients with a longer shelf life, we may purchase in bulk to benefit from bulk discount and ensure stability in supply. These bulk purchases must be approved by our chief executive officer in advance. We also adopted other measures to mitigate against potential adverse impact of increases in prices of food ingredients such as screening for additional suppliers who could provide food ingredients of similar quality but at a lower price as well as adjusting our menu prices from time to time to take into account the increase of cost of food and beverages.

Suppliers

We believe that consistency in the supply and quality of our food ingredients are important to our ability in providing quality menu items in our restaurants. In order to ensure the consistency and stability in the supply of quality food ingredients, we maintain a suppliers list, that is pre-approved by our management that our restaurants may procure the supplies from. There are over 100 different pre-approved suppliers of food ingredient and beverages. These pre-approved suppliers have gone through our supplier's selection process and have been approved by our executive Directors.

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

Our Group has not entered into any long-term contract with our existing suppliers, which we consider to be consistent with the industry practice. As the number of suppliers is abundant, such arrangement helps us to maintain flexibility in operations and pricing. During the Track Record Period, we have established and maintained stable relationships with a number of our Group's top-five food ingredient suppliers which have been supplying food ingredients to the Group for over four years on average. During the Track Record Period, none of our Group's top five suppliers ceased

or indicated that it would cease their supplies to our Group, and our Group did not experience any material delay or interruption in securing the supply of food ingredients from our top five suppliers. In view of this, we believe that our Group will not experience any difficulty in securing the supply of food ingredients from our major suppliers.

For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, the total purchases from our Group's five largest suppliers in aggregate accounted for approximately 29.5%, 25.5% and 28.7%, respectively, and its largest supplier accounted for approximately 8.7%, 7.9% and 8.6%, respectively, of our Group's total purchases. On average, the five largest suppliers for the year ended 31 December 2016 have approximately 3 years of business relationship with us.

The table below sets out the background information of the top five suppliers and their respective percentages of purchases of our Group during the Track Record Period:

For the year ended 31 December 2015

Rank	Name of supplier	Principal business	Location	Type of products purchased by our Group	Approximate years of relationship with our Group	Typical credit term offered by our suppliers	Payment method	Total Purchases	Percentage of our Group's total purchase
								HK$'000	*%*
1	Supplier A	Wholesaler of seafood	Hong Kong	Seafood	3 years	45 days	Bank transfer/ Trade facilities	8,031	8.7
2	Supplier B	Wholesaler of seafood	Shanghai	Seafood	3 years	30 days	Bank transfer	5,861	6.3
3	Supplier C	Wholesaler of meat and non-staple food	Shanghai	Meat and non-staple food	3 years	45 days	Bank transfer	5,131	5.5
4	Supplier D	Wholesaler of seafood	Hong Kong	Seafood	5 years	45 days	Bank transfer/ Trade facilities	4,283	4.6
5	Supplier E	Wholesaler of dried seafood	Hong Kong	Dried seafood	10 years	90 days	Bank transfer/ Trade facilities	4,039	4.4
								27,345	29.5

For the year ended 31 December 2016

Rank	Name of supplier	Principal business	Location	Type of products purchased by our Group	Approximate years of relationship with our Group	Typical credit term offered by our suppliers	Payment method	Total Purchases	Percentage of our Group's total purchase
								HK$'000	*%*
1	Supplier A	Wholesaler of seafood	Hong Kong	Seafood	3 years	45 days	Bank transfer/ Trade facilities	10,155	7.9
2	Supplier F	Wholesaler of poultry	Hong Kong	Poultry	1 year	60 days	Bank transfer/ Trade facilities	6,552	5.1
3	Supplier G	Wholesaler of seafood	Hong Kong	Seafood	3 years	90 days	Bank transfer/ Trade facilities	5,528	4.3
4	Supplier H	Wholesaler of meat	Hong Kong	Meat	7 years	30 days	Bank transfer/ Trade facilities	5,355	4.2
5	Supplier C	Wholesaler of meat and non-staple food	Shanghai	Meat and non-staple food	3 years	45 days	Bank transfer	5,115	4.0
								32,705	25.5

For the five months ended 31 May 2017

Rank	Name of supplier	Principal business	Location	Type of products purchased by our Group	Approximate years of relationship with our Group	Typical credit term offered by our suppliers	Payment method	Total Purchases	Percentage of our Group's total purchase
								HK$'000	*%*
1	Supplier A	Wholesaler of seafood	Hong Kong	Seafood	3 years	45 days	Bank transfer/Trade facilities	4,361	8.6
2	Supplier F	Wholesaler of poultry	Hong Kong	Poultry	1 year	60 days	Bank transfer/Trade facilities	2,858	5.7
3	Supplier I	Wholesaler of vegetable	Hong Kong	Vegetable	1 year	120 days	Bank transfer	2,661	5.3
4	Supplier J	Wholesaler of meat	Hong Kong	Meat	1 year	90 days	Bank transfer	2.302	4.6
5	Supplier K	Wholesaler of liquor	Macau	Liquor	1 year	30 days	Cheque	2,266	4.5
								14,448	28.7

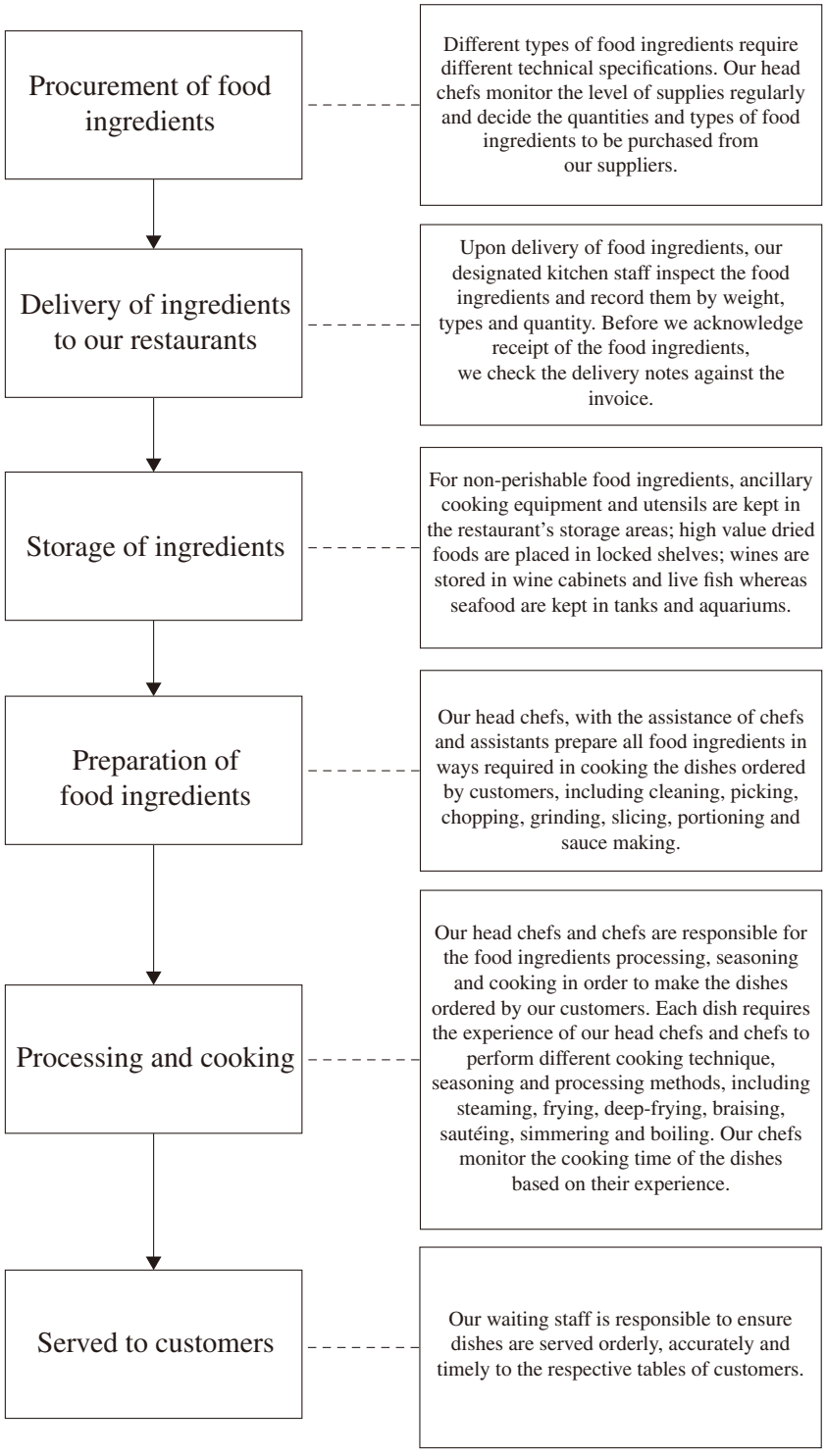
As at the Latest Practicable Date, none of our Directors, their respective close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our Company's issued share capital as at the Latest Practicable Date, has any interest in any of our top five suppliers during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

Credit and payment terms

During the Track Record Period, most of our purchases from our suppliers were denominated and settled by cheque or bank transfer in Hong Kong dollars, Renminbi or MOP. Our suppliers generally offer us a credit term of 30 to 120 days.

OPERATION PROCESS

Set out below is our standard operation process workflow:



Placement of purchase orders

The Group adopts the following order placement policies in relation to the food ingredients and supplies:

Food ingredients

Our restaurants generally divide food preparation into three sections: the main dishes section, dim sum section and Chinese barbecued food section. A head chef is assigned to each section to ensure the food quality are consistently maintained. The head chef of the main dishes section oversees other chefs in the remaining sections. It is the duty of each head chef to monitor the level of supplies regularly and decide on the types and quantities of food ingredients to be purchased. For perishable food ingredients such as vegetables and other agricultural produce, the head chef of each section places orders to our pre-approved suppliers directly.

Our kitchen staff of each restaurant is required to check, inspect and weigh the incoming food ingredients. Before acknowledging receipt of the food ingredients, the designated kitchen staff checks the particulars of the delivery notes against the invoice and then the delivery notes and invoices will be delivered to the accounts department for checking and recording. All purchases of food ingredients of our restaurants are supported by invoices provided by suppliers.

Compared to orders place on food ingredients in general, our Group adopts a more stringent order placement policy for the ordering of high value food ingredients, such as dried abalones, shark fins and sea cucumbers. High value dried foods are kept in a locked shelf in the restaurants' storage facilities and the temperature of the storage facilities is carefully monitored to ensure the dried foods are kept under suitable conditions.

The head chef of main dishes section is responsible for the preparation of high value dried food. The head chef first confirms the amount of food ingredients needed, and makes procurement applications to the procurement department. Upon approval by the chief executive officer or his designated senior staff, the head chef notifies the procurement team to place order with the suppliers. Invoices are then delivered to the accounts department.

Beverage, ancillary equipment and utensils

The manager of each restaurant is responsible for monitoring the stock of beverage, ancillary equipment and utensils. The manager notifies the procurement department to check the price and minimum order quantity with our Group's pre-approved suppliers. For any item exceeding HK$1,000, orders can only generally be made after obtaining approval from the respective restaurant manager. The procurement team is responsible for placing orders and goods. Upon delivery of goods by the suppliers to the respective restaurants, the manager of each restaurant acknowledges receipt of goods and invoices are sent to the accounts department for settlement.

Storage and preservation

All head chefs are responsible for the proper processing and storage of food ingredients. For perishable food ingredients, each head chef is responsible to control the quantity of order in order to ensure the freshness of the food ingredients. Non-perishable food ingredients and other ancillary equipment and utensils are kept in the restaurant's storage facilities. High value dried foods are kept in a locked shelf in the restaurant's storage facilities. Wines are kept in wine cabinets and fish and seafood are kept in tanks and aquariums.

Food preparation

Each restaurant of our Group conducts food preparation functions in its own kitchen to ensure all dishes are freshly prepared. Food preparation is divided into different sections based on food types, namely the main dishes section, dim sum section and Chinese barbecued food section. Each section is headed by a head chef and the section head chefs coordinate their team of chefs and assistants of each section. These chefs and assistants are responsible for various food preparation processes, including chopping, portioning, pan-frying, seasoning, steaming and sauce making. The head chef of the main dishes section of each restaurant is responsible for the overall operation of the kitchen. The head chef of the main dishes section leads the food preparation division of each restaurant.

In order to ensure consistency on the level of food quality of all restaurants of our Group, Mr. Leung Woon Hing, our executive chef, is appointed for the overall management of food preparation functions of all restaurants in Hong Kong, Shanghai and Macau.

INVENTORY MANAGEMENT

During the Track Record Period, our inventory mainly comprised frozen meat products, dried ingredients and other consumables. We generally did not have any inventory of fresh food ingredients as we use all fresh food ingredients within the same day of the day of supply. During the Track Record Period, our inventory turnover days are much lower than the shelf life of our frozen meat products and dry ingredients, which we believe helps ensure the quality and freshness of our dishes, and minimises our level of inventory.

At the end of each month, we provide a list of inventory and stock to our warehouse for our chief executive officer to review and to consider whether bulk purchases are needed if certain inventory is insufficient to meet the demands for the following month.

PRODUCT DEVELOPMENT

We update our menu by developing new menu items and introduce seasonal and festive dishes at our restaurants from time to time to cater for the evolving food trends. We also refine and improve our dishes in response to the changing taste of customers, and the changing costs of food and beverages.

In order to continuously develop new dishes, we have established a product development procedure, which primarily consists of the following key steps:

- *Chefs' proposal*. Our product development process commences with our chefs' proposal based on the seasonality of produce and food trends.

- *Trial launch*. We conduct a trial launch to gather opinions from our executive Directors and executive chef. We will adjust ingredients or cooking method for the proposed dishes based on the prices and availability of food ingredients as well as opinions provided by our executive Directors and executive chef.

- *Approval at monthly meeting*. Our executive chef will prepare the recipe for the proposed new dish based on the opinions gathered at the trial launch and the proposal will be reviewed and approved at the monthly meeting by our chief executive officer.

- *Preparation of monthly menu*. Upon receiving the chief executive officer's approval, we will introduce the new dishes to our monthly menu.

QUALITY CONTROL

We believe that our food and services quality is vital to our Group's success and we maintain strict quality control system and adopt high hygiene standards throughout the entire food production process, starting from procurement of food ingredients to food delivery to our customers, and all our staff members are required to follow. Our head chefs are responsible for the overall implementation of our Group's safety measures. During the Track Record Period, no material complaints or claims on restaurants operating by our Group were received nor was the restaurants operated by our Group subject to any investigations regarding hygiene of its food by any government authorities or customer protection organisations.

Food preparation and quality

Our Group places great emphasis on food quality and hygiene of food products, those being the key factors to our Group's success in the restaurant business. Our Group has implemented a set of guidelines and control measures in relation to the operation of its business covering every process for food quality and preparation.

a) Sourcing food ingredients

Orders for our food ingredients are only placed with our Group's authorised suppliers. Head chefs and the purchasing supervisors visit the selected suppliers from time to time to evaluate the quality of food ingredients supplied. Furthermore, our restaurants purchase reasonable level of fresh and perishable food ingredients to reduce food wastage and ensure their freshness quality.

b) Inspection of food ingredients

The head chef of each restaurant will check the incoming food ingredients to ensure that they are fresh and meet the required quality standards.

c) Storage

Our Group sets internal guidelines on the storage method including the place and temperature for preserving different types and quantities of food ingredients to ensure food ingredients are fresh. Inventory of food ingredients are inspected on a daily basis to prevent overstocking of perishable food ingredients.

d) Methods of cooking

Our Group endeavours to provide quality food. Besides using fresh and quality food ingredients, the head chefs would provide guidance to other chefs on preparing foods in accordance with established standards and portions. Our Group also distributes guidance materials and manuals on food handling, food and personal hygiene, food safety and quality control to ensure that its operations are in a safe and proper manner.

e) Internal inspection

The dishes prepared by the kitchen will be examined by the head chef and the restaurant staff to see if the presentation and quality of the dishes deviate from the required standard. Our Group's senior management will occasionally visit the restaurants and examine food and services and dining environment without giving prior notice. Our Group has distributed an operation manual setting out procedures and requirement to ensure food safety and that the hygiene manager in each restaurant is responsible for ensuring the compliance of our Group's food safety regulations and guidance.

Customer services

Our Group is endeavoured to maintain the high quality of customer services provided by the staff of our Group. Our Group provides on-the-job trainings and guidelines to its staff on service area such as food handling and personal hygiene to enhance the quality of customer services provided to the customers. Managers of each restaurant hold regular briefing sessions with all front-line service staff to review staff performance and reflect customers' feedbacks. In handling customers' complaints, our restaurant managers would take initiatives to investigate and resolve the matter and attend to the customers promptly.

In addition, customer review cards are available at our Group's restaurants and customers are welcome to leave their comments, suggestions or, if applicable, complaints. All customers' comments, suggestions and complaints will be collected and reported to the marketing department which will record and follow up with these comments, suggestions and complaints.

Dining environment

Our Group is committed to providing comfortable dining environment and maintaining high hygiene standard. Each restaurant is thoroughly cleaned every night by restaurant staff after the restaurant is closed. Our Group also engages professional pest control and hygiene service provider and professional cleaning company for service on a regular basis.

HEALTH AND WORK SAFETY

In line with the local regulatory requirements, our Group strives to create and ensure a safe working environment is provided to our employees. To ensure that our operations are operated in a safe environment and to ensure that our staff has the necessary knowledge on work safety, we have established and implemented workplace safety guidelines for all staff in the restaurants which clearly state the workplace safety policies and promoting on-site work safety. Any accidents that occur will be reported to staff in our human resources and administration department and handled accordingly. Our Directors believe these measures help to reduce the number and seriousness of work injuries of the employees and are adequate and effective to prevent serious work injuries. These guidelines are provided to our staff at the time of hiring. The staff handbook also includes information on, among other things, staff behaviour and grooming standards, prevention of bribery and corruption, work hours, staff benefits and dealing with media. Our Group believes that our employee's job satisfaction is a critical factor to the success of our restaurant operations, and therefore there are procedures available to our employees if they have any grievances relating to their job.

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

ENVIRONMENTAL PROTECTION

During the food preparation process and operations of our restaurants, certain sewage, garbage and used oils would be produced by our Group. Apart from the daily cleaning procedures adopted by our Group, our Group procured external cleaning companies, which are Independent Third Parties, from time to time, to provide pest control and cleaning services, such as carpet cleaning, aquarium cleaning and oil tank and fish tank cleaning to our restaurants.

Our Group's operations are subject to environmental protection laws and regulations in Hong Kong, the PRC and Macau. For details, please refer to the section headed "Regulatory Overview" in this document. As at the Latest Practicable Date, we had, where required, obtained the water pollution licences for all of our restaurants. We are committed to delivering high quality food while also developing environmental friendly business practices. Our Group has adopted all-electric cooking appliances for some of our restaurants, which can reduce operating costs and improve the working environment for our kitchen staff, and can also greatly reduce flue gas, lower temperature in kitchens and save energy costs. In 2016, we were awarded the 5th Anniversary Special Award for the Innovative Energy Saving Promotion Award in the CLP Green Plus Award. Our Group has also implemented policies within our Group to ensure that there is minimal wastage from our operations.

For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, our costs of compliance with the applicable environmental protection laws and regulations, including but not limited to (i) garbage collection and disposal expenses; and (ii) grease tank cleaning expenses, were approximately HK$1,365,000, HK$2,113,000 and HK$966,000, respectively. In addition, we also pay a sewage services charge which includes a sewage charge and a trade effluent surcharge and the fees are based on the amount of water used.

RESEARCH AND DEVELOPMENT

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

INTELLECTUAL PROPERTY

We are the registrant of three domains, four trademarks and one series of trademark in Hong Kong. We have registered four trademarks in the PRC. We are also the applicant of three trademarks in Macau. Please refer to the section headed "Statutory and General Information — B. Further information about the Business — 2. Intellectual property rights of our Group" in this document for further details.

As at the Latest Practicable Date, our Group was not aware of any infringement (i) by it of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by our Group and it was also not aware of any pending or threatened claims against our Group in relation to the infringement of any intellectual property rights of third parties.

EMPLOYEES

As at the Latest Practicable Date, we directly employed 606 full-time employees in Hong Kong, Shanghai and Macau. A breakdown of our employees by function as at the dates indicated is set forth below:

	As at 31 December 2015	As at 31 December 2016	As at 31 May 2017	As at the Latest Practicable Date
Management	6	8	8	8
Administration and marketing	10	12	12	12
Finance and accounting	10	9	10	11
Operations	505	574	547	563
Central procurement and logistics	11	14	13	12
Total	542	617	590	606

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

We entered into separate labour contracts with each of our full-time employees in accordance with the applicable labour laws of Hong Kong. The remuneration offered to employees generally includes salaries and bonuses. In general, we determine salaries of our employees based on their qualifications, position and seniority.

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

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

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

COMPETITION

The Cantonese full-service restaurant industry in Hong Kong, Shanghai and Macau in general is highly competitive. According to the Ipsos Report, there were about 1,399, 739 and 205 Cantonese full-service restaurants operating in Hong Kong, Shanghai and Macau in 2016, 2016 and 2015, respectively. In 2015, the top five operators of restaurants only shared approximately 51.6%, 18.7% and 21.8% of the respective markets in terms of revenue in Hong Kong, Shanghai and Macau, respectively. Given the competitive landscape of the industry, restaurant operators have had to distinguish themselves based on, among other factors, food and service quality, location and reputation. Key competitive factors in the industry include location, pricing, quality of food and services as well as brand and reputation. According to the Ipsos Report, the revenue of the Cantonese full-service restaurant industry in Hong Kong experienced a growth from HK$16,812.9 million in 2011 to HK$17,461.7 million in 2016, representing a CAGR of approximately 0.8%. The Ipsos Report also expects Cantonese full-service restaurants in Shanghai and Macau to continue to experience growth at a CAGR of 3.2% and 2.6% in terms of revenue from 2017 to 2020 and 2016 to 2020, respectively. It is expected that the increasing demand for Cantonese full-services restaurant industry and downward adjustment of the rental prices in Hong Kong would probably bring more opportunities for the expansion of Cantonese full-service restaurants. In view of the expected increase in GDP per capita and average annual household disposal income in Hong Kong and the increasing popularity of Cantonese full-service restaurant among local citizens and preference to dine out during festivals, family celebrations and after long hours of work and school, the estimated revenue of the Cantonese restaurant industry is expected to increase at a CAGR of approximately 2.4% during the forecast period from 2017 to 2020. We intend to maintain our competitiveness over other competitors through strengthening and developing our competitive strengths. Details of our competitive strengths are set out in the paragraph headed "Competitive strengths" in this section.

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

INSURANCE

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

For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, our Group incurred insurance expenses of approximately HK$1,232,000, HK$1,323,000 and HK$524,510, respectively.

Our Directors are of the view that the aforesaid insurance coverage is sufficient and the nature of coverage is in line with normal industry practice in Hong Kong, Shanghai and Macau.

AWARDS AND CERTIFICATIONS

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

Year of Grant	Restaurant/ Brand Awarded	Awards/ Certification	Awarding Body
2005	Dragon King	China Top Ten Restaurants	China Hospitality Association
2009	Dragon King	2009 Best of the Best Culinary Awards — Gold with Distinction Award in the Dim Sum Category	Hong Kong Tourism Board
2010 – 2017	Dragon King	Hong Kong Top Brand Mark (Top Mark)	The Chinese Manufactures' Association of Hong Kong & Hong Kong Brand Development Council
2011 – 2013	Dragon King	Quality Tourism Services Scheme	Quality Tourism Services
2013	Dragon King	CLP Green Plus Award — Gold Award Chinese Cuisine	CLP
2013	Dragon King	CLP Green Plus Award — Prominent Showcase Award	CLP

Year of Grant	Restaurant/ Brand Awarded	Awards/ Certification	Awarding Body
2013	Dragon Seal	2013 Best of the Best Culinary Awards — Gold with Distinction award for the category of Signature Vegetables	Hong Kong Tourism Board
2014	Dragon Seal	2014 Best of the Best Culinary Awards — Silver Award in the Dim Sum Category	Hong Kong Tourism Board
2014	Dragon King (San Po Kong Restaurant)	2014 Best of the Best Culinary Awards — Silver Award in the Vegetables Category	Hong Kong Tourism Board
2014 – 2016	Dragon Seal	Quality Tourism Services Scheme	Quality Tourism Services
2015	Dragon King (San Po Kong Restaurant)	2015 Best of the Best Culinary Awards — Gold Award in the Dim Sum (Chiu-Chow Style Dumplings) Category	Hong Kong Tourism Board
2015	Dragon King (Whampoa Restaurant)	2015 Best of the Best Culinary Awards — Gold Award in the Mushroom and Vegetable Dishes Category	Hong Kong Tourism Board
2015	Dragon King (San Po Kong Restaurant)	2015 Best of the Best Culinary Awards — Silver Award in the Mushroom and Vegetable Dishes Category	Hong Kong Tourism Board
2015 – 2017	Dragon King	Quality Tourism Services Scheme	Quality Tourism Services
2016	Dragon King	CLP Green Plus Award — Innovative Energy Saving Promotion Award — 5th Anniversary Special Award	CLP
2016	Dragon King	Hong Kong Green Organisation (2016-2018)	Environmental Protection Department & Environmental Campaign Committee
2016 – 2017	Dragon King (Kwun Tong Restaurant)	2016 & 2017 Michelin Guide Recommended Restaurant	Michelin

LICENCE AND PERMITS

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

Restaurants in Hong Kong

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

			General restaurant licence			Liquor licence *(Note 1)*			Water pollution control licence *(Note 2)*		
Name of restaurant	Operating capacity	Address of the restaurant as shown in the general restaurant	Holder	Licence number	Validity period of the current licence	Holder	Licence number	Validity period of the current licence	Holder	Licence number	Validity period of the current licence
Kwun Tong Restaurant	King Harbour	2/F, Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Hong Kong	King Harbour	2251801159	13 December 2016 — 12 December 2017 *(Note 3)*	Lee Tin Wan	5251800418	29 May 2016 — 28 May 2018	King Harbour	WT00024835-2016	8 July 2016 — 31 July 2021
Whampoa Restaurant	Wealth Club	Shop 1, 3/F, Whampoa Gourmet Place, Site 8, Whampoa Garden, Hung Hom, Kowloon, Hong Kong	Wealth Club	2252804599	11 December 2016 — 10 December 2017 *(Note 3)*	Wong Wing Hong	5252822103	3 June 2017 — 2 June 2019	Wealth Club	WT00024805-2016	13 July 2016 — 31 July 2021
San Po Kong Restaurant	Mass Effort	Shop 110, 1/F, Mikiki, 638 Prince Edward Road East, Kowloon, Hong Kong	Mass Effort	2253801719	12 March 2017 — 11 March 2018	Cheung Nga	5253820380	17 August 2017 — 16 August 2019	Mass Effort	WT00018535-2014	2 April 2014 — 30 April 2019
Wan Chai Restaurant	Premier Oriental	Shop 801, 8/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong	Premier Oriental	2212812282	20 April 2017 — 19 April 2018	Mau Kin Fan	5212828808	29 September 2016 — 28 September 2017 *(Note 4)*	Premier Oriental	WT00026663-2016	21 December 2016 — 31 December 2021
WTC Restaurant	Dragon King HK	12/F, The World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong	Dragon King HK	2212803442	2 July 2016 — 1 July 2017, 2 July 2017 — 1 July 2018	Wong Wing Chung	5212802251	24 December 2015 — 23 December 2017 *(Note 4)*	Dragon King HK	WT00025524-2016	19 October 2016 — 31 October 2021

Name of restaurant	Operating capacity	Address of the restaurant as shown in the general restaurant	General restaurant licence			Liquor licence *(Note 1)*			Water pollution control licence *(Note 2)*		
			Holder	Licence number	Validity period of the current licence	Holder	Licence number	Validity period of the current licence	Holder	Licence number	Validity period of the current licence
ICC Restaurant	Able Ascent	Shop C, 101/F, ICC, 1 Austin Road West, Kowloon, Hong Kong	Able Ascent	2261807266	15 July 2017 — 14 July 2018 *(Note 4)*	Wong Wing Chee	5261821805	26 November 2015 — 25 November 2017 *(Note 4)*	Able Ascent	WT00024577-2016	28 June 2016 — 30 June 2021
Sheung Shui Restaurant	Prominent Voice	Shop no. R401, 4/F, Choi Yuen Plaza, Choi Yuen Estate, Choi Yuen Road, Sheung Shui, New Territories, Hong Kong	Prominent Voice	2296801712	17 June 2016 — 16 June 2017, 17 June 2017 — 16 June 2018	Lee Tin Sung	5296820745	7 January 2017 — 6 January 2018	Dragon Feast Restaurant O/B Prominent Voice	WT00024794-2016	7 July 2016 — 31 July 2021

Notes:

1. All the holders of liquor licences of the Group's restaurants are either employees of the Group or the Directors.

2. Our Group did not have all water pollution licences for all of our restaurants in Hong Kong throughout the Track Record Period. We have obtained the water pollution control licences for all of our Hong Kong restaurants by December 2016. Please also refer to the paragraph headed "Non-compliance" in this section for details.

3. Our Group will apply for renewal of the general restaurant licences of Kwun Tong Restaurant and Whampoa Restaurant prior to the expiry of the current licences.

4. Our Group will apply for renewal of the liquor licences of Wan Chai Restaurant, WTC Restaurant and ICC Restaurant prior to the expiry of the current licences.

Restaurant in Shanghai

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

			Food Operation Licence			Liquor Retail Licence			Water Discharge Licence		
Name of restaurant	**Operating capacity**	**Address of the restaurant**	**Holder**	**Licence number**	**Validity period of the current licence**	**Holder**	**Licence number**	**Validity period of the current licence**	**Holder**	**Licence number**	**Validity period of the current licence**
Shanghai Restaurant	Dragon Seal Shanghai	No. 27 Pudong Road South, Pudong New District, Shanghai	Pudong branch of Dragon Seal Shanghai	JY23101150126965	15 August 2016–4 February 2019	Pudong branch of Dragon Seal Shanghai	0306030203007721	26 November 2014–25 November 2017 *(Note)*	Dragon Seal Shanghai	滬浦水務排決字[2013]第244號	25 June 2013–24 June 2018

Note: Our Group will apply for renewal of the liquor retail licence of Shanghai Restaurant one month prior to the expiry of the current licence.

Restaurant in Macau

The information below sets out details of the licence in respect of our restaurant operating in Macau:

			First Class Restaurant Licence		
Name of Restaurant	**Operating capacity**	**Address of the restaurant**	**Holder**	**Licence Number**	**Validity period of the current licence**
Macau Restaurant	Dragon King Macau	Shop No. 2132, Level 3, Grand Canal Shoppes, The Venetian, Macao Resort Hotel	Venetian Cotai Limited *(Note 1)*	0556/2017	Valid until 31 December 2017 *(Note 2)*

Notes:

(1) The licence is held by Venetian Cotai Limited instead of our Group due to Venetian Macau's own practical reasons and to the best knowledge of our Directors, it is in line with the normal practice of Venetian Macau.

Save for holding of the licence by Venetian Cotai Limited, these is no other arrangement between Venetian Cotai Limited and our Group and no cooperation agreement was signed with Venetian Cotai Limited.

(2) Our Group has been informed by the licence holder that application for renewal of the first class restaurant licence of Macau Restaurant will be made by the licence holder within October 2017.

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

As disclosed above, the liquor licences of some of our Group's restaurants in Hong Kong are held by either our Directors or employees of our Group. To protect the Shareholders' interests, each of the holders holding the liquor licences for our Group has executed all relevant prescribed forms and documents related to the transfer of the liquor licence(s) in escrow so that our Group can timely submit these prescribed forms to the LLB to effect the transfer of the liquor licence(s) to the new holder designated by our Group from time to time and/or upon notice of the termination of employment with those holders holding the liquor licences for our Group.

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

To the best knowledge of the Directors and after making enquiries with Venetian Macau, it is an industry norm and usual practice for Venetian Macau's group company to hold the licences for restaurants operating within Venetian Macau's premises. As confirmed by the Macau Legal Adviser, this practice is not prohibited by the relevant Macau laws and regulations and there is no legal impediment for the continued renewal of the first class restaurant licence of the Macau Restaurant.

Our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licences, certificates, consents and approvals.

PROPERTY

Owned property

As at the Latest Practicable Date, our Group owns one property in Hong Kong, the details of which are set out below.

Property	Usage	Approximate saleable area
		(sq.m.)
House No. 2, Moritz Avenue, Valais II, Valais, 33 Kwu Tung Road, Sheung Shui, New Territories, Hong Kong	Directors' quarters *(Note)*	189.59

Note: The provision of staff quarters for Directors is included under the relevant Directors' service agreements.

Leased properties

As at the Latest Practicable Date, our Group leased the following properties in Hong Kong, Macau and Shanghai for use as our existing restaurant premises, offices, warehouse and staff quarters.

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

Restaurant name	Property	Approximate floor area	Lease term	Basic monthly rent	Monthly turnover rent	Option for renewal
		(sq.m.)				
Hong Kong						
1 ICC Restaurant	Shop C on Level 101 of International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong	570.16	10 December 2016 – 9 December 2019	HK$688,000	The amount by which 12% of the restaurant's monthly gross turnover exceeds the monthly basic rent	N/A
2 WTC Restaurant	Whole of the 12th Floor of The World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong	809.47	1 November 2014 – 31 October 2017	HK$550,000	The amount by which 11% of the restaurant's monthly gross turnover exceeds the monthly basic rent	N/A

Restaurant name	Property	Approximate floor area	Lease term	Basic monthly rent	Monthly turnover rent	Option for renewal
		(sq.m.)				
			1 November 2017 — 31 October 2019	HK$577,500	The amount by which 11% of the restaurant's monthly gross turnover exceeds the monthly basic rent.	N/A
3 Wan Chai Restaurant	Shop 801 on the 8th Floor of Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong	898.07	1 July 2015 – 30 June 2018	HK$580,140	The amount by which 10% of the restaurant's monthly gross turnover exceeds the monthly basic rent	(i) renewable for a further 3 years (the "**First Renewed Term**"), at a monthly rent between HK$580,140 and HK$696,168; and (ii) renewable for a further 3 years upon the expiration of the First Renewed Term, at a monthly rent of market rent, as determined in accordance with the terms of the relevant lease.
4 Kwun Tong Restaurant	2nd Floor, Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	996.19	1 March 2017 – 29 February 2020	HK$320,000	N/A	N/A

Restaurant name	Property	Approximate floor area	Lease term	Basic monthly rent	Monthly turnover rent	Option for renewal
		(sq.m.)				
5 San Po Kong Restaurant	Shop No. 110 of the 1st Floor of Mikiki, No. 638 Prince Edward Road East, San Po Kong, NKIL 6308, Kowloon	643.70	3 August 2015 – 2 August 2018	HK$292,296 for the first year; HK$299,988 for the second year; and HK$307,680 for the third year	The amount by which 10% of the restaurant's monthly gross turnover exceeds the monthly basic rent	N/A
6 Whampoa Restaurant	Shop No. 1 on the 3rd Floor, Whampoa Gourmet Place, Site 8, Whampoa Garden, Hunghom, Kowloon	609.98	1 May 2017 – 30 April 2020	HK$370,668 or 9% of the monthly gross turnover, whichever is higher	N/A	Renewable for a term of 3 years at a monthly rent of HK$426,268.20 or 9% of the monthly gross turnover, whichever is higher.
7 Sheung Shui Restaurant	Shop No. R401, 4th Floor, Choi Yuen Plaza, Choi Yuen Estate, Choi Yuen Road, Sheung Shui, New Territories, Hong Kong	1,288.90	2 November 2015 – 1 November 2024	HK$592,000 for the first three years; HK$655,500 for the 4th to 6th year; and for the 7th to 9th year at open market rent to be mutually agreed by the parties but not less than HK$696,500 or greater than HK$786,600	The amount by which 11% of the restaurant's monthly gross turnover exceeds the monthly basic rent	N/A
8 [Kwai Chung Restaurant]	[9th Floor, KCC, Nos. 72-76 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong]	[741.92]	[•] November 2017 – [•] November 2021	[HK$223,608]	[The amount by which 10% of the restaurant's monthly gross turnover exceeds the monthly basic rent]	[Renewable for a term of 4 years at a monthly rent of HK$239,580.00 and 10% of the restaurant's monthly gross turnover exceeds the monthly basic rent]

Restaurant name	Property	Approximate floor area	Lease term	Basic monthly rent	Monthly turnover rent	Option for renewal
		(sq.m.)				
Macau						
9 Macau Restaurant	Shop No. 2132, Level 3, Grand Canal Shoppes, The Venetian Macao Resort Hotel	744.90	18 January 2011 – 31 January 2022	(i) HK$160,380 from 18 January 2011 to 17 January 2015 (ii) HK$240,570 from 18 January 2015 to 17 January 2018 (iii) HK$320,760 from 18 January 2018 to 31 January 2022	From 18 January 2011 to 17 January 2012, turnover fee is not applicable. From 18 January 2012 to 17 January 2017, the amount of which 10% of the restaurant's monthly gross turnover exceeds the monthly fees payable (including basic rent, management fee and promotion levy), if it is below the turnover threshold of HK$42,000,000, and 12% of the amount if it is over and above the turnover threshold. From 18 January 2017 to 31 January 2022, the amount of which 10% of the restaurant's monthly gross turnover exceeds the monthly fees payable (including basic rent, management fee and promotion levy), if it is below the turnover threshold of HK$52,492,374, and 12% of the amount if it is over and above the turnover threshold.	N/A
Shanghai						
10 Shanghai Restaurant	No. 27 Pudong Road South, Pudong New District, Shanghai	2,428	21 November 2012 – 20 November 2022	RMB664,665 for the first three years; RMB684,604.95 for the 4th to 6th year, and RMB718,576.72 for the 7th to 10th year	The amount by which 9% of the restaurant's monthly gross turnover exceeds the monthly basis rent	N/A

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

	Property	Usage	Approximate floor area	Lease Term	Monthly rent	Option for renewal
			(sq.m.)			
	Hong Kong					
1	Office A on the 20th Floor of TG PLACE erected on the remaining portion of Kwun Tong Inland Lot No. 63, Kowloon, Hong Kong	Office	274	8 August 2016 – 7 August 2019	HK$100,000	24 months at a monthly rent of HK$115,000
2	Factory D on the 8th Floor of King Yip Factory Building, No. 59 King Yip Street, Kwun Tong, Kowloon, Hong Kong	Warehouse	342	23 January 2017 – 22 January 2020	HK$30,000	N/A

As at the Latest Practicable Date, we have also leased properties including four storerooms in Hong Kong, three carparking spaces in Hong Kong and four staff quarters in Macau.

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

LEGAL PROCEEDING AND POTENTIAL CLAIMS

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

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

As at the Latest Practicable Date, there was 14 outstanding employees' compensation claims submitted to the Labour Department against our Group. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group's business.

All of the 14 outstanding employees' compensation claims were fully covered by the relevant insurance taken out by our Group.

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

As at the Latest Practicable Date, there was 2 outstanding civil litigation against our Group, relating to which our Group had received the relevant summons and legal proceedings had been commenced. The accident was caused during the usual and ordinary business of our Group and did not cause material disruption to our Group's business.

	Nature of claim	Date of incident	Status
1.	An employee suffered an injury to her left index finger, which was cut by some object(s) in a gap on the wall. The injured individual has made a personal injury claim under the common law.	26 September 2012	The insurer has taken over conduct of the proceedings
2.	An employee suffered multiple injuries including an injury to her right chest when falling from about 1 meter onto the ground. The injured individual has made a claim under the Employees' Compensation Ordinance.	23 October 2014	The insurer has taken over conduct of the proceedings

Besides the civil litigation set out above, all injured individuals may commence their claims under the Employees' Compensation Ordinance and/or their personal injury claims under common law within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant incidents. As these potential claims have not yet been filed, we are not in a position to assess the likely amount of such potential claims. Our Directors confirm that our Group has insurance coverage for its liabilities resulting from all these incidents and notices of such incidents have been given to the insurers as at the Latest Practicable Date and therefore are of the view that such claims as disclosed above have no material adverse impact on the operation or financial position or business of our Group. These cases were caused during usual and ordinary course of our business and have not caused disruption to our Group's business or have an adverse impact on our Group to obtain any licences or permits for our operation.

To the best knowledge of our Directors, all injured persons under these employees' compensation claims and personal injury claims have suffered insignificant bodily injuries. During the Track Record Period and up to the Latest Practicable Date, our Group is required under the Employees' Compensation Ordinance to take out and had taken out a compulsory insurance policy in Hong Kong for an amount of no less than HK$100 million per accident. Therefore, all such employees' compensation claims and personal injury claims are expected to be fully covered by the insurance policies either maintained by our Group. For details, please refer to the section headed "Business — Insurance" of this document.

Our Directors further confirm that they were not personally involved, whether collectively or individually, in any of the above claims and litigations.

No provision for litigation claims

Having considered, among other things, (i) the nature and the degree of injuries of the incidents; and (ii) the coverage of our insurance policy(ies), our Directors consider that no provision for contingent liabilities in respect of current, pending and potential litigations is necessary.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into a Deed of Indemnity on 15 November 2017 whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms of the Deed of Indemnity, in respect of all liabilities and penalties which may arise as a result of any outstanding and potential litigations and claims of our Group on or before the date on which the **[REDACTED]** becomes unconditional. Please refer to the paragraph "F. Other Information — 1. Tax and other indemnities" in Appendix V to this document for details.

NON-COMPLIANCE

Our Directors confirm that, save as disclosed in the section headed "Business — Non-compliance", our Group has complied in all material respects with the applicable laws and regulations in Hong Kong, Shanghai and Macau during the Track Record Period and up to the Latest Practicable Date.

Reasons for the non-compliance

	Particulars of the non-compliance	Reasons for the non-compliance	Remedial actions	Potential maximum penalty/fine	Analysis of the risk to the Group	Internal control measures
1	During the Track Record Period, our Group did not obtain the relevant water pollution control licences for our business operations (save for Mass Effort), which is in breach of sections 8 and 9 of the WPCO.	Due to oversight of responsible person as they were not aware of such non-compliance until recently when the Company's legal advisers as to Hong Kong laws were engaged to advise on **[REDACTED]**. In addition, all of the restaurants of our Group in Hong Kong are located at certain malls in Hong Kong of which the discharge of polluting effluents is tightly controlled for instance by the implementation of grease interceptors which are plumbing devices designed to intercept most greases and solids before they enter a wastewater disposal system. Accordingly, we were under the impression that the measures adopted by the malls of which our restaurants are located would have been sufficient to comply with the requirements under the WPCO and our Group was not required to separately apply for such water pollution control licences for our restaurants.	In 2016, our Group applied for the water pollution control licences for all its restaurants in Hong Kong. Our Group has obtained the necessary water pollution control licences for all of our restaurants in Hong Kong as at the Latest Practicable Date.	Under section 11 of the WPCO, the maximum sentence for contravention of section 9(1) of the WPCO is imprisonment for 6 months and for a first offence a fine of HK$200,000, for a second or subsequent offence, a maximum fine of HK$400,000 and for continued offence, a maximum daily fine of HK$10,000. Our Group is a body corporate so it can only be sentenced to pay fines but the responsible officers in principle can be sentenced to imprisonment. As at the Latest Practicable Date, our Group has not received any notice, warning, order or prosecution from the EPD.	As advised by the Legal Counsel, under section 26 of the Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong), there is a time limit of six months for making complaint or laying any information in respect of summary offences, and thus only Premier Oriental and Dragon King HK and their responsible officers are exposed to the risk of prosecution. On the basis that our Group has taken positive steps in compliance with the WPCO, the Legal Counsel is of the view that the situation does not warrant definite prosecution and that the chance of prosecution is very remote for Premier Oriental and Dragon King HK and their responsible officers.	Starting from August 2016, the following measures have been implemented to address the underlying reasons for the non-compliance: The management team supervise the renewal of all required licences, permits and approvals by monitoring the pending expiration dates of all licences, permits and approvals and coordinating the timely preparation and submission of relevant licences renewal applications. Our Group's administration department also prepares a checklist of the licensing requirements of new restaurants and a schedule for renewal requirements of existing restaurants and will report to the Group's compliance officer in the future for the licensing procedures.

	Particulars of the non-compliance	Reasons for the non-compliance	Remedial actions	Potential maximum penalty/fine	Analysis of the risk to the Group	Internal control measures
2	During the Track Record Period, our Group has failed to maintain means of escape in our restaurants free from obstruction for two instances, which contravened sections 14(1)(a) and 14(2) of the Fire Services (Fire Hazard Abatement) Regulation (Chapter 95F of the Laws of Hong Kong) and sections 5(1) and 14(5) of the Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations (Chapter 59V of the Laws of Hong Kong), respectively.	Our Group required our restaurant managers to check the means of escape but there was lack of continuing supervision as to whether the checking was actually done at the required frequency.	Our Group completed all rectification works as required by the Fire Services Department and fines in an aggregate amount of HK$15,000 imposed by the courts were paid.	As the fines were settled by our Group, our Group is not subject to any other potential penalty or fine under the Fire Services (Fine Hazard Abatement) Regulation or the Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations.	Since our Group was sentenced and the relevant fines were settled, our Group is no longer exposed to any risk.	Subsequent to the prosecutions, our Group has established the following measures to strengthen its supervision procedures: (i) our Group has designated a staff in each restaurant to check whether the means of escape are free from obstruction three times a day and each staff is required to record his/her time of checking to ensure full compliance; (ii) the restaurant manager of each restaurant is required to check such record daily to ensure the checking is done three times a day; and (iii) regular training sessions will be provided to the staffs of our Group's restaurants on at least an annual basis on the safety related laws and regulations in the operation of restaurants.

INTERNAL CONTROL

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

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

To enhance our internal controls as well as in connection with the **[REDACTED]**, our Group has engaged an independent internal control consultant (the "**IC Consultant**") on 26 September 2016 to perform a review over our internal controls over financial reporting, covering areas such as entity level control, revenue and receivables, procurement to pay, processing and food management, fixed assets management, inventory management, treasury management, human resources, financial reporting, tax management, information technology. The scope of internal control review work performed and the long form report issued have been agreed between the Sole Sponsor, the IC Consultant and our Group.

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

Deficiencies identified	**Remedial actions taken**
Absence of written authorisation limit table for payment approval	The authorisation limit table for payment approval has been established and approved by our Directors to specify the authorisation limit for different designated personnel
Absence of internal audit function and formalised mechanism to identify, record, monitor, report and follow up on internal control deficiencies	Management has agreed to engage an external specialist to conduct internal control review regularly, at least annually from the year ending 31 December 2017

Deficiencies identified	Remedial actions taken
Cases of inaccurate calculation in mandatory contribution	The calculation of MPF has started to be reviewed and signed off by general manager and to be passed to our financial controller for approval
Absence of written evidence of approval of fund transferred to/ from our Directors and related companies	The request for fund transferred to/from our Directors and related companies has started to be approved by our financial controller with proper explanation stated on the written supporting documents

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

The IC Consultant also performed follow-up procedures on our Group's system of internal controls in February and March 2017, with regard to the remedial actions taken by our Group. The work performed and the follow-up review did not identify any material internal control weakness, and our Directors confirmed that there is no material weakness in our internal control measures.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be allotted and issued under the exercise of any options that may be granted under the Share Option Scheme), Million Edge (which is wholly-owned by Mr. Wong WC) will hold more than 30% of our Company's issued share capital. For the purpose of the GEM Listing Rules, Mr. Wong WC and Million Edge (an investment holding company wholly owned by Mr. Wong WC) are our Controlling Shareholders.

Each of our Controlling Shareholders confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders, their respective close associates or any other parties, taking into account the following factors:

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to the business needs. As at 31 May 2017, the amount due from director is HK$6,347,000 and the sum will be settled before the **[REDACTED]**. In addition, all of the personal guarantees executed by Mr. Wong WC, Mr. Wong WH and Ms. Lee in favour of our Group will be released and replaced by corporate guarantee executed by our Company before **[REDACTED]**. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and credit profile to support our daily operations. During the Track Record Period and up to the Latest Practicable Date, our Group relied principally on cash generated from operations to carry on its business and this is expected to continue after the **[REDACTED]**.

(ii) Operational independence

Our Group has established its own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their close associates. Our Directors are of the view that there is no operational dependence on the Controlling Shareholders.

(iii) Management independence

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

Our Board comprises three executive Directors and three independent non-executive Directors. Mr. Wong WC, Ms. Lee and Mr. Wong WH are our executive Directors. Mr. Wong WC, who is the sole director of Million Edge, is the overlapping director between our Group and the Controlling Shareholder. None of our other Directors nor members of senior management hold any directorship or position in the Controlling Shareholders.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum. In addition, the senior management team of our Group are independent from the Controlling Shareholders. Our Directors are of the view that our Board and senior management are capable of managing our Group's business independently from the Controlling Shareholders.

RULE 11.04 OF THE GEM LISTING RULES

Save as otherwise disclosed, our Controlling Shareholders, our Directors, our substantial shareholders and their respective close associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

INTERESTS OF TANG PALACE GROUP IN THE RESTAURANT BUSINESS

As at 31 December 2016, Tang Palace Group was a restaurant chain group which operated 49 restaurants and 7 other restaurants under joint venture, including restaurants in China and Hong Kong. Tang Palace (China) was interested in **[REDACTED]** interest in our Group through Good Vision. Tang Palace Group does not and will not involve in the daily operation and management of our Group.

As at the Latest Practicable Date, Mr. Kwong Ping Man, our independent non-executive Director, was also an independent non-executive director of Tang Palace (China). Despite that Mr. Kwong Ping Man is a director of Tang Palace (China), he confirms that he does not involved in day-to-day operations of both Tang Palace Group's and our restaurant business. Save for Mr. Kwong Ping Man, our Directors confirm that none of our Directors and senior management of our Company has any position or assumes any role in any other restaurant business.

Having considered that (i) Tang Palace Group does not and will not involve in the daily operation and management of our Group; (ii) Tang Palace Group is not a controlling shareholder of our Group; (iii) Tang Palace Group will be required to abstain from voting at the general meeting in case of a conflict of interest; (iv) Tang Palace Group does not and will not have access to our trade secret; and (v) Mr. Kwong Ping Man is only an independent non-executive Director of both the Tang Palace Group and our Group and does not involve in the day-to-day operation of both groups, our Directors consider that the interests of the Tang Palace Group in the restaurant business do not and will not have a material impact on our business as a whole on the basis that the restaurants of our Group and those of the Tang Palace Group have been developed, managed and operated independently.

VOLUNTARY LOCK-UP UNDERTAKING BY OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders, namely Mr. Wong WC and Million Edge, have entered into a deed of lock-up undertaking with our Company (for itself and for the benefit of each of its subsidiaries) on 15 November 2017. Pursuant to the deed of lock-up undertaking, each of the Controlling Shareholders has voluntarily undertaken to our Company that for an additional 12 months commencing on the date on which the undertaking under Rule 13.16A(1)(b) of the GEM Listing Rules expires, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself shall not, unless waived by majority of our Company's independent Shareholders, 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 held by him/it, the relevant registered holder(s) and any of his/its associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he/it would cease to be a Controlling Shareholder.

The Controlling Shareholders believe that the above arrangement, apart from satisfying the lock-up requirement under Rule 13.16A of the GEM Listing Rules, demonstrates their long-term commitment to our Group and confidence in its future development.

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and the Controlling Shareholders, Mr. Wong WC and Million Edge (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the Deed of Non-competition with our Company (for itself and for the benefit of each other member of our Group) on 15 November 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall (and he/it shall procure his/its close associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within 6 months after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-competition are conditional upon the **[REDACTED]** granting approval for the **[REDACTED]** of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the **[REDACTED]** having been fulfilled (or where applicable, waived) and the **[REDACTED]** not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date falling 30 days after the date of this document (or if such date is not a Business Day, the immediate preceding Business Day), the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on (i) in relation to any Covenantor, the date on which he/it together with his/its close associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) the date on which the Shares shall cease to be **[REDACTED]** on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

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

(i) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors (or their close associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;

(ii) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or his/her close associates has/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;

(iii) the Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;

(iv) our Company has appointed Frontpage Capital as its compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Please refer to the section headed "Directors, Senior Management and Employees — Compliance adviser" in this document for further details in relation to the appointment of compliance adviser;

(v) the Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and

(vi) our independent non-executive Directors will, based on the information available to them, review on an annual basis (a) the compliance with the Deed of Non-competition; and (b) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition. Findings of such review will be disclosed in our Company's annual report after **[REDACTED]**.

BUSINESS OBJECTIVES AND FUTURE PLANS

BUSINESS OBJECTIVES

Our primary objectives are to strengthen our position in the Cantonese full-service restaurant industry and further expand our business operations with a view to creating long term Shareholders' value. We intend to achieve our objectives by implementing the following future plans and business strategies:

FUTURE PLANS AND BUSINESS STRATEGIES

To achieve our business objectives, we intend to adopt the following strategies in the future:

- Expansion in Hong Kong with multi-brand strategy
- Further enhance our brand recognition
- Enhancement of existing restaurant facilities

Please refer to the section headed "Business — Business strategies" in this document for a detailed description of our future plans and business strategies.

IMPLEMENTATION PLANS

We will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 31 December 2019, and their respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed "Bases and key assumptions" in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under the section headed "Risk Factors" in this document. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

From the Latest Practicable Date to 31 December 2017

Business strategy	Implementation activities	Sources of funding
Expansion Hong Kong with multi-brand strategy	— Capital expenditure for opening new restaurant under the brand of "Dragon King (龍皇)" in Kwai Chung	**[REDACTED]** of approximately **[REDACTED]**
	— Working capital for opening new restaurant under the brand of "Dragon King (龍皇)" in Kwai Chung	**[REDACTED]** of approximately **[REDACTED]**
Further enhance our brand recognition	— Promotion campaigns and other marketing activities	**[REDACTED]** of approximately **[REDACTED]**

From 1 January 2018 to 30 June 2018

Business strategy	Implementation activities	Sources of funding
Expansion Hong Kong with multi-brand strategy	— Capital expenditure for opening new restaurant under the brand of "Dragon Feast (龍宴)" in Kwai Tsing District	**[REDACTED]** of approximately **[REDACTED]**
	— Rental deposit for opening new restaurant under the brand of "Dragon Feast (龍宴)" in Kwai Tsing District	**[REDACTED]** of approximately **[REDACTED]**
	— Working capital for opening new restaurant under the brand of "Dragon Feast (龍宴)" in Kwai Tsing District	**[REDACTED]** of approximately **[REDACTED]**

Business strategy	Implementation activities	Sources of funding
Further enhance our brand recognition	— Promotion campaigns and other marketing activities	**[REDACTED]** of approximately **[REDACTED]**
Enhancement of existing restaurant facilities	— Renovation cost for the Whampoa Restaurant and replacement of its utensils	**[REDACTED]** of approximately **[REDACTED]**
	— Renovation cost for the Kwun Tong Restaurant and replacement of its utensils	**[REDACTED]** of approximately **[REDACTED]**
	— Renovation cost for the San Po Kong Restaurant and replacement of its utensils	**[REDACTED]** of approximately **[REDACTED]**
	— Renovation cost for the Sheung Shui Restaurant and replacement of its utensils	**[REDACTED]** of approximately **[REDACTED]**
	— Renovation cost for the WTC Restaurant and replacement of its utensils	**[REDACTED]** of approximately **[REDACTED]**
	— Renovation cost for the Macau Restaurant and replacement of its utensils	**[REDACTED]** of approximately **[REDACTED]**

From the 1 July 2018 to 31 December 2018

Business strategy	Implementation activities	Sources of funding
Further enhance our brand recognition	— Promotion campaigns and other marketing activities	**[REDACTED]** of approximately **[REDACTED]**

From 1 January 2019 to 30 June 2019

Business strategy	Implementation activities	Sources of funding
Expansion Hong Kong with multi-brand strategy	— Capital expenditure for opening new restaurant under the brand of "Dragon King (龍皇)" in Eastern District	**[REDACTED]** of approximately **[REDACTED]**
	— Rental deposit for opening new restaurant under the brand of "Dragon King (龍皇)" in Eastern District	**[REDACTED]** of approximately **[REDACTED]**
Further enhance our brand recognition	— Promotion campaigns and other marketing activities	**[REDACTED]** of approximately **[REDACTED]**

From the 1 July 2019 to 31 December 2019

Business strategy	Implementation activities	Sources of funding
Expansion Hong Kong with multi-brand strategy	— Capital expenditure for opening new restaurant under the brand of "Dragon King (龍皇)" in Eastern District	**[REDACTED]** of approximately **[REDACTED]**
	— Working capital for opening new restaurant under the brand of "Dragon King (龍皇)" in Eastern District	**[REDACTED]** of approximately **[REDACTED]**
Further enhance our brand recognition	— Promotion campaigns and other marketing activities	**[REDACTED]** of approximately **[REDACTED]**

We intend to apply the **[REDACTED]** to us from the **[REDACTED]**, after deducting related **[REDACTED]** fees and estimated expenses in connection with the **[REDACTED]**, assuming an **[REDACTED]** of approximately **[REDACTED]** being the mid-point of the **[REDACTED]** range, of approximately **[REDACTED]** as follows:

Expansion in Hong Kong with multi-brand strategy

Approximately **[REDACTED]** or approximately **[REDACTED]** of the **[REDACTED]** will be used for expansion in Hong Kong with multi-brand strategy. We intend to open 3 additional restaurants in Hong Kong in order to cope with our expansion plan. Based on current market conditions and negotiations with landlords, our Group plans to open a new Cantonese full-service restaurant under the name of "Dragon King (龍皇)" in Kwai Chung in the fourth quarter of 2017. Further, we plan to open a new restaurant under the name of "Dragon Feast (龍宴)" in Kwai Tsing District and a new restaurant under the name of "Dragon King (龍皇)" in Eastern District in the mid-2018 and mid-2019, respectively.

Enhancement of existing restaurant facilities

Approximately **[REDACTED]** or approximately **[REDACTED]** of the **[REDACTED]** will be used for enhancement of existing restaurant facilities. In order to stay competitive in the market and to attract new and returning customer traffic, we plan to refurbish some of our existing restaurants' fitting out and utensils. We currently plan to refurbish the Whampoa Restaurant, the Kwun Tong Restaurant and the San Po Kong Restaurant shortly upon **[REDACTED]** and the Macau Restaurant, the WTC Restaurant and the Sheung Shui Restaurant in mid-2018.

Enhancement of marketing and promotions

Approximately **[REDACTED]** or approximately **[REDACTED]** of the **[REDACTED]** will be used for enhancement of marketing and promotions. We plan to advertise more by increasing the annual advertising expenses, which include enhancing our promotions in conventional media channels and online platforms. We also intend to engage in more marketing campaigns and other marketing activities as well as participate in more different cooking competitions.

Repayment of bank and other borrowings

Approximately **[REDACTED]** or approximately **[REDACTED]** of the **[REDACTED]** will be used to repay part of our outstanding bank borrowings, thereby reducing our finance costs and improving the financial position of our Group. Specifically,

(i) approximately **[REDACTED]** will be used to early repay the bank loan drawn in September 2012, **[REDACTED]** of which were used for general working capital, bearing interest at 5% per annum and is repayable on a monthly basis over the loan term of 84 months up to August 2019;

(ii) approximately **[REDACTED]** will be used to early repay the bank loan drawn in September 2012, **[REDACTED]** of which were used for general working capital, bearing interest at 5% per annum and is repayable on a monthly basis over the loan term of 84 months up to August 2019; and

(iii) approximately **[REDACTED]** will be used to early repay the bank loan drawn in December 2012, **[REDACTED]** of which were used for general working capital, bearing interest at 5% per annum and is repayable on a monthly basis over the loan term of 84 months up to November 2019.

Working Capital

Approximately **[REDACTED]** or approximately **[REDACTED]** of the **[REDACTED]** will be used as general working capital of our Group.

BASES AND KEY ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and key assumptions:

- there will be no significant economic change in respect of inflation, interest rate, tax rate and currency exchange rate that will adversely affect our business operations;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material change in the existing laws (whether in Hong Kong, the PRC, Macau or any part of the world), policies, or industry or regulatory treatment relating to us, or in the political, economic or market conditions in which we operate;
- there will be no material change in the bases or rates of taxation applicable to us;
- there will be no disaster, natural, political or otherwise, which would materially disrupt our business operations or cause substantial loss, damage or destruction to our properties or facilities;
- there will be no significant change in the business relationships with our major clients and suppliers;
- there will be no change in the effectiveness of any licences and permits obtained by us; and
- we will not be materially affected by the risk factors as set out under the section headed "Risk Factors" in this document.

REASONS FOR THE [REDACTED] AND THE [REDACTED]

Despite the considerable expenses for the **[REDACTED]**, our Directors decide to proceed with this form of equity financing for the purpose of our business expansion instead of solely obtaining debt financing because our Directors are of the view that maintaining a lower level of borrowings would benefit our Group and Shareholders as a whole. Given that the uncertain interest rate movement going forward (which may expose to increasing borrowing costs in the future via debt financing), our Directors believe that our Group's financial performance and liquidity may be negatively affected due to the principal and interest payments if we proceed with debt financing to fund all of our business expansion. Also equity financing does not need to be repaid, and therefore it is not necessary for our Group to retain a portion of the business income for loan repayment and thus all the business income can be further reinvested for our business development.

According to the Ipsos Report, the Cantonese full-service restaurant industry is comparatively competitive in Hong Kong, Shanghai and Macau. A number of our competitors within our industry are listed companies. Our Directors believe that a **[REDACTED]** status, which entails public financial disclosures and regulatory supervision, can enhance our corporate profile credibility with public and potential business partners as business relationship with a listed company will be more appealing to them. As a **[REDACTED]** entity, our brand will become more visible to the public and our customers and suppliers will have more confidence in the quality of services, our financial strength and credibility, transparency in operations and financial reporting, and our internal control systems. Our Directors consider we compete with other restaurant operators for personnel that fit and contribute to our strategic aims. The **[REDACTED]** status will create a stronger employer image and in turn improve our ability to recruit, select, motivate and retain key management personnel. In addition, the **[REDACTED]** and the **[REDACTED]** could enhance our capital base and provide our Company with additional avenues to raise capital to strengthen our financial position and enable us to implement our business objectives set out in this section. Furthermore, a **[REDACTED]** status on GEM will allow us to access to capital market for future corporate finance exercises, which will assist in our future business development and strengthen our competitiveness.

Based on the **[REDACTED]** of **[REDACTED]** per **[REDACTED]**, being the mid-point of the indicative **[REDACTED]** range of **[REDACTED]** to **[REDACTED]** per **[REDACTED]**, we will receive gross **[REDACTED]** of **[REDACTED]**. All expenses (including **[REDACTED]** fees) in connection with the **[REDACTED]** to our Group are estimated to be approximately **[REDACTED]**. Consequently, we should receive **[REDACTED]**, after deducting all related expenses (including **[REDACTED]** fees), of approximately **[REDACTED]** from the **[REDACTED]**. Our Directors intend to apply such **[REDACTED]** as follows:

	From the Latest Practicable Date to 31 December 2017	From 1 January 2018 to 30 June 2018	From the 1 July 2018 to 31 December 2018	From 1 January 2019 to 30 June 2019	From the 1 July 2019 to 31 December 2019	Total	Approximate percentage
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(%)*
Expansion in Hong Kong with multi-brand strategy	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhancement of existing restaurant facilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhancement of marketing and promotions	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Repayment of bank and other borrowings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working Capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

BUSINESS OBJECTIVES AND FUTURE PLANS

The **[REDACTED]** from the issue of the **[REDACTED]** will be approximately **[REDACTED]** utilised by 31 December 2019 and approximately **[REDACTED]** will be used as working capital and funding for other general corporate purposes according to our current business plans. Our Directors consider that the **[REDACTED]** from the issue of the **[REDACTED]** of approximately **[REDACTED]** and our internal resources will be sufficient to finance our business plans as scheduled up to the year ending 31 December 2019. In the event that we would require additional financing apart from the **[REDACTED]** from the issue of the **[REDACTED]** for our future plans, the shortfall will be financed by our internal resources.

We estimate that the additional **[REDACTED]** to be received by our Company will be approximately **[REDACTED]**, after deducting all related expenses (including **[REDACTED]** fees), assuming an **[REDACTED]** of **[REDACTED]** per **[REDACTED]**, being the mid-point of the indicative **[REDACTED]** range of **[REDACTED]** to **[REDACTED]** per **[REDACTED]**.

If the final **[REDACTED]** is set at the highest or lowest point of the indicative **[REDACTED]** range, the **[REDACTED]** of the **[REDACTED]** will increase or decrease by approximately **[REDACTED]**, respectively. In such event, the **[REDACTED]** will be used in the same proportions as disclosed above irrespective of whether the **[REDACTED]** is determined at the highest or lowest point of the indicative **[REDACTED]** range.

To the extent that the **[REDACTED]** from the **[REDACTED]** are not immediately required for the above purposes, it is the present intention of our Directors that such **[REDACTED]** will be placed on short-term interest-bearing deposits with authorised financial institutions.

Our Group will issue an announcement in accordance with the requirements under the GEM Listing Rules if there is any material change in the **[REDACTED]** as described above.

BOARD OF DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our Group's business. Our Board consists of six Directors, including three executive Directors and three independent non-executive Directors. The following table sets forth certain information of our Directors:

Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
Executive Directors						
Ms. Lee Ching Nung Angel (李靜濃)	34	Chairman and executive Director	22 August 2006	14 March 2017	Overall strategic management and development of our Group's business operations	Spouse of Mr. Wong WC
Mr. Wong Wing Chee (黃永幟)	57	Chief Executive Officer and executive Director	1 April 2006	8 August 2016	Overseeing our Group's operation, business development, human resources, finance and administration	Spouse of Ms. Lee; Brother of Mr. Wong WH and Ms. Wong Sau Yee
Mr. Wong Wing Hong (黃永康)	52	Executive Director	15 November 2004	14 March 2017	Overall corporate strategic development of our Group's business operations	Brother of Mr. Wong WC and Ms. Wong Sau Yee

Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
Independent Non-executive Directors						
Mr. Kwong Ping Man (鄺炳文)	52	Independent non-executive Director	15 November 2017	15 November 2017	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Company	None
Mr. Lin Zhisheng (林智生)	54	Independent non-executive Director	15 November 2017	15 November 2017	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Company	None

Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Chang Cheuk Cheung Terence (張灼祥)	69	Independent non-executive Director	15 November 2017	15 November 2017	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Company	None

EXECUTIVE DIRECTORS

Ms. Lee Ching Nung Angel (李靜濃), aged 34, is the chairman of the Board and an executive Director of our Company. Ms. Lee is responsible for the overall strategic management and development of our Group's business operations. Ms. Lee was appointed as our executive Director and the chairman of the Board on 14 March 2017.

Ms. Lee has over 14 years of experience in the full-service restaurant industry. Ms. Lee first joined our Group as director of King Harbour in August 2006 and has since been responsible for the supervision of business operation, human resources and all administrative functions of our Group. Prior to joining our Group, she worked in various well-known restaurant chains from 2002, including Lei Garden Restaurant Group, King of the King Group and Tao Yuen Restaurant and was mainly responsible for public relations and hall operations, during which Ms. Lee gained substantial experience and knowledge about the industry and established close relationships with customers. Ms. Lee is a director of All Best Harvest, Dragon King HK, Dragon Seal HK, Gold Profit, King Harbour, Mass Effort, Premier Oriental and Prominent Voice.

Ms. Lee is the spouse of Mr. Wong WC.

Mr. Wong Wing Chee (黃永幟), aged 57, is the chief executive officer and an executive Director of our Company. Mr. Wong WC is responsible for the overseeing our Group's operation, business development, finance and administration. Mr. Wong WC was appointed as our Director on 8 August 2016 and was re-designated to be our executive Director and our chief executive officer on 14 March 2017, respectively.

Mr. Wong WC has over 38 years of experience in the full-service restaurant industry. He started his career as a chef at Tsui Hang Village Restaurant in 1978. He then joined Lei Garden Restaurant Group in 1982 and was promoted to head chef in 1985. From 1987 to 1992, Mr. Wong WC worked as a chef in various prestigious restaurants in Australia. During such period, he gathered extensive knowledge of the industry and learnt new cooking techniques which inspired him to create new style of gourmet dishes. In 1992, Mr. Wong WC returned to Hong Kong and worked as executive chef in Lei Garden Restaurant Group and helped expand its business from Hong Kong to Guangzhou and Singapore. In 2004, Mr. Wong WC first operated our Group's first restaurant, the Yau Ma Tei Restaurant, under the brand "Dragon King (龍皇)" with Mr. Wong WH. From 2007 to 2011, Mr. Wong WC was also the host of several TV programmes in Hong Kong. Save for Dragon Seal Shanghai, Mr. Wong WC is a director of all subsidiaries of our Group.

Since 2003 Mr. Wong WC has received various awards, including:

Year of award	Awards	Awarding body
2003	Chinese Cooking Master (中國烹飪大師)	China Hospitality Association (中國飯店協會)
2005	Hong Kong, Guangdong and Macau Top Ten Chefs 2004 — Gold Award (2004年度粵港澳餐飲業十佳名廚金獎)	Editorial Board of the Hong Kong, Guangdong and Macau Chefs Ceremony (粵港澳名廚大典編緝委員會)
	Platinum Award (五星鑽石優異之星)	Les Amis d'Escoffier' Society, Inc. (法國國際廚皇美食會)
	Hong Kong Top Ten Chefs (香港十佳名廚)	China Hospitality Association (中國飯店協會)
2006	"Top Ten Super Star" for 2006 China Hotel Master Chefs in Yue-Gang-Ao Area (2006中國飯店業廚藝大師 — 十佳優異之星(粵港澳地區))	China Hospitality Association (中國飯店協會)

Year of award	Awards	Awarding body
2010	Asian Cuisine Open Competition — Bronze medal (亞洲美饌大師 — 銅獎)	Asian Cuisine Open Competition of the Asian Games (亞洲美饌大師迎亞運公開賽)
	Australian Chinese Best Chef (澳華食神)	The Australian Chinese Association of Hong Kong (香港澳洲華人協會)
2010-2011	Top Ten Chefs China (中國十大名廚)	Organising Committee of Annual Meeting of the China Hotel Industry (中國飯店業年會組織委員會)
2011	Best Chef of Canton, Hong Kong and Macau (粵港澳食神)	Guangdong, Hong Kong and Macao Gourmet New Force Organising Committee (粵港澳美食新勢力推選行動組委會)

Mr. Wong WC was previously admitted to membership of the following organisation:

Year of admission	Membership title	Name of organisation
2003	China A.S.B.F.S Professional Committee Executive Member (全國鮑翅燕肚參專家委員會執行委員)	China Hotel Association and China A.S.B.F.S Professional Committee (中國飯店協會及全國鮑翅燕肚參專家委員會)
	Maitre Rotisseur	Chaine Des Rotisseurs (法國國際美食協會)
2005	Honourable Advisor	The World Royal Chef Yeung Koon Yat Master Fund (世界御廚楊貫一大師基金)
	Committee Member of International Cate Appraising 2005 (2005國際美食評委)	International Hotel & Restaurant Association and China Hospitality Association (國際飯店與餐館協會及中國飯店協會)
	Honourable Chairman	Les Amis d'Escoffier Society, Inc. (法國國際廚皇美食會)

Year of admission	Membership title	Name of organisation
2006	Honourable Chairman	Chinese Transworld Gourmet Association (中華國際美饌交流協會)
	Committee Member of the 2nd Congress of the China Cuisine Association Professional Committee of Chefs (中國烹飪協會名廚專業委員會第二屆代表大會 — 委員)	China Cuisine Association Professional Committee of Chefs (中國烹飪協會名廚專業委員會)
2007	Vice Chairman	Association of Restaurant Managers (現代管理(飲食)專業協會)
2008	Director	Association of Industries and Commerce of Yaumatei Tsimshatsui Mongkok (油尖旺工商聯會)
2013	South Australia Premium Food and Wine from our Clean Environment Ambassador (南澳州純淨無污染美酒與美食的名譽大使)	Government of South Australia (南澳洲政府)
	Chairman	Association of Restaurant Managers (現代管理(飲食)專業協會)
2015	Honourable Chairman	The World Master Chefs Association for Cantonese Cuisine (世界粵菜廚皇協會)

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

Name of company	Nature of business immediately prior to dissolution	Date of dissolution
Trillion Luck In Limited (億佳運有限公司) *(Note 1)*	Investment holding	22 January 2016

Note:

1. Trillion Luck In Limited was deregistered under section 751 of the Companies Ordinance. Under section 750 of the Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has not commenced business or operation, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's asset do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situated in Hong Kong.

As confirmed by Mr. Wong WC, Trillion Luck In Limited was inactive and solvent immediately prior to its dissolution and there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Mr. Wong WC is the spouse of Ms. Lee, brother of Mr. Wong WH and Ms. Wong Sau Yee.

Mr. Wong Wing Hong (黃永康), aged 52, is an executive Director of our Company. Mr. Wong WH is responsible for the overall corporate strategic development of our Group's business operations. Mr. Wong WH was appointed as our executive Director on 14 March 2017.

Mr. Wong WH has over 31 years of experience in food and beverage industry. Mr. Wong WH joined our Group as a director in 2004. From 1985 to 1991, Mr. Wong WH had worked as an apprentice chef in various Chinese and western restaurants in Shenzhen where he gathered basic cooking techniques. From 1991 to 1994, Mr. Wong WH had worked at Lei Garden Restaurant Group as a chef and later returned to Shenzhen from 1994 working as a head chef in a seafood restaurant until he joined our Group in November 2004. Mr. Wong WH is also a director of Dragon Lake and Wealth Club.

Mr. Wong WH is the brother of Mr. Wong WC and Ms. Wong Sau Yee.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwong Ping Man (鄺炳文) ("**Mr. Kwong**"), aged 52, was appointed as our independent non-executive Director on 15 November 2017. Mr. Kwong possesses over 24 years of experience in accounting and administration. He is currently the managing director of O'park Corporate Services Limited, a company primarily engaged in corporate advisory and company secretarial services.

Mr. Kwong's primary working experience also includes:

Name of organisation	Principal business activity for the relevant period	Position	Period of service
China Agroforestry Low-Carbon Holdings Limited (formerly known as "Jiangchen International Holdings Limited") *(a company listed on the Main Board (stock code: 1069))*	Manufacture and wholesale of original equipment manufacture of branded products and operations and management of forestry	Company secretary	September 2009 – June 2013
Jimei International Entertainment Group Limited (formerly known as "Karce International Holdings Company Limited") *(a company listed on the Main Board (stock code: 1159))*	Conductive silicon rubber keypads, electronic products and printed circuit boards	Financial controller and company secretary	June 2008 – January 2009

Name of organisation	Principal business activity for the relevant period	Position	Period of service
Polyard Petroleum International Group (formerly known as "Kanstar Environmental Paper Products Holdings Limited") *(a company listed on the GEM (stock code: 8011))*	Development, manufacture and sale of pulp and paper products	Qualified accountant and company secretary	March 2006 – July 2007
Sinobest Technology Holdings Limited	Provision of computer and network system integration services, and application software development	Chief financial officer	September 2000 – April 2003
The World Enterprise Holdings Limited	Manufacture and sale of jewellery, optical and fashion products	Part-time Accountant/ Accountant	February 1997 – November 1998
Utilux (Asia) Limited	Manufacture of and trade in electronic connector	Accountant	October 1992 – November 1994

Mr. Kwong graduated from the Curtin University of Technology in Australia with a Bachelor of Commerce in Accounting in August 1996. He obtained a Postgraduate Diploma in Corporate Administration and a Master of Professional Accounting from the Hong Kong Polytechnic University in November 1998 and November 2003, respectively. He is also a certified practising accountant of the Australian Society of Certified Practising Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, and an associate member of each of the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators.

In the three years preceding the date of this document, Mr. Kwong has held directorships in the following listed companies:

Name of company	Principal business activity for the relevant period	Position	Period of service
Royal Deluxe Holdings Limited *(a company listed on the Main Board (stock code: 3789))*	Formwork erection as well as related ancillary services	Independent non-executive director	January 2017 to present
Clear Lift Holdings Limited *(a company listed on the Main Board (stock code: 1341))*	Rental of and trading in construction machinery and parts, and transportation services	Independent non-executive director	October 2015 to March 2017
Group Sense (International) Limited *(a company listed on the Main Board (stock code: 601))*	Design, manufacture and sale of original design manufacturing electronic dictionary products, Personal communication products and other magnesium related products	Independent non-executive director	March 2015 to present
Elegance Optical International Holdings Limited *(a company listed on the Main Board (stock code: 907))*	Manufacture of and trading in optical frames and sunglasses	Independent non-executive director	May 2014 to present

Name of company	Principal business activity for the relevant period	Position	Period of service
Tang Palace (China) Holdings Limited *(a company listed on the Main Board (stock code: 1181))*	Restaurant operations and food production	Independent non-executive director	March 2011 to present
Century Sunshine Group Holdings Limited *(a company listed on the Main Board (stock code: 509))*	Trading in fertiliser, Magnesium products and metallurgical flux	Independent non-executive director	September 2004 to present
China Candy Holdings Limited *(a company listed on the GEM (stock code: 8182))*	Manufacture of candies	Independent non-executive director	October 2015 – February 2016
Yat Sing Holdings Limited *(a company listed on the Main Board (stock code: 3708))*	Building maintenance and renovation service provider	Independent non-executive director	December 2014 – March 2016

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

Name of Company	Nature of business immediately prior to dissolution	Date of dissolution
Keenlex Holdings Limited (健歷控股有限公司) *(Note 1)*	Ceased business	2 December 2005
Fairy Farm (International) Holdings Limited (仙桃源(國際)控股有限公司) *(Note 1)*	Food & beverage operations	1 August 2008
Global Wheel International Limited (華輪國際有限公司) *(Note 1)*	Trading of oil meters	19 December 2008

Name of Company	Nature of business immediately prior to dissolution	Date of dissolution
Evertech International Creation Limited (恒達國際創建有限公司) *(Note 1)*	Trading of LED lights	14 April 2014
Guoye (HK) Construction & Decoration Limited (國業(香港)建築裝飾工程有限公司) *(Note 1)*	Ceased business	13 December 2013
Wai Yuan (Hong Kong) Limited (慧源(香港)有限公司) *(Note 1)*	Ceased business	25 November 2011
Dakini Marketing Limited (*Note 2*)	Trading of accessories	4 November 2016
Grand Trading Horizon Limited *(Note 2)*	Trading and consultancy	3 March 2017
O' Park Cyber Limited *(Note 2)*	Ceased business	3 March 2017
Grand Trading International Company Limited (天豐國際貿易有限公司) *(Note 2)*	Consultancy	4 August 2017

Notes:

1. Keenlex Holdings Limited, Fairy Farm (International) Holdings Limited, Global Wheel International Limited, Evertech International Creation Limited, Guoye (HK) Construction & Decoration Limited and Wai Yuan (Hong Kong) Limited were deregistered under section 291AA of the Predecessor Companies Ordinance. Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

2. Dakini Marketing Limited, Grand Trading Horizon Limited, O' Park Cyber Limited and Grand Trading International Company Limited were deregistered under section 751 of the Companies Ordinance. Under section 750 of the Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has not commenced business or operation, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's asset do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situated in Hong Kong.

Mr. Kwong confirmed that there was no wrongful act on his part leading to the above dissolutions of Keenlex Holdings Limited, Fairy Farm (International) Holdings Limited, Global Wheel International Limited, Evertech International Creation Limited, Guoye (HK) Construction & Decoration Limited, Wai Yuan (Hong Kong) Limited, Dakini Marketing Limited, Grand Trading Horizon Limited and O'Park Cyber Limited, which were solvent immediately prior to their dissolutions, and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of these companies.

Mr. Lin Zhisheng (林智生) ("**Mr. Lin**"), aged 54, was appointed as our independent non-executive Director on 15 November 2017.

Mr. Lin had worked as a deputy program director of the Executive Master of Business Administration program for the School of Business and Management of Hong Kong University of Science and Technology from January 2002 to July 2009. From September 2011 to September 2013, Mr. Lin was appointed as the consultant of Hong Kong branch of the International Finance Forum. He is currently serving as the chief executive officer (executive) of Asia United Broadcasting Limited since October 2014. Mr. Lin has also been the legal representative of A R Evans Technology Partners (Hong Kong) Limited and Beijing Blue Era International Technology Development Company Limited (北京藍思時代國際科技發展有限公司) since May 2016 and October 2016, respectively.

Mr. Lin was a member of the Advisory Committee for School of Professional Education and Executive Development of The Hong Kong Polytechnic University from 2006 to 2008 and a member of the Advisory Committee for the College of Professional and Continuing Education from November 2012 to October 2016, respectively. In July 2011, Mr. Lin was awarded a diploma of membership from Les Amis d'Escoffier Society. In April 2015, Mr. Lin became the honorary president of China Star Light Charity Fund Association.

Mr. Lin completed a postgraduate course of Litigation Law at the China University of Political Science and Law in December 2011. He also obtained a degree of Doctor of Business Administration from Victoria University in November 2012 and a Master Degree of European and Law through distance learning from University of Hamburg, Germany in July 2014.

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

Name of Company	Nature of business immediately prior to dissolution	Date of Dissolution
CHM Media Limited (中港澳廣告媒體有限公司) *(Note 1)*	Travel magazine operations	17 February 2017
Hong Kong And Macau Travelers Information Platform Limited (港澳自由行資訊平台有限公司) *(Note 2)*	Tourist information platform operations	12 June 2015
Bright Profit Industrial Limited (銀利實業有限公司) *(Note 3)*	Import & export trading	24 December 2004

Notes:

1. CHM Media Limited was deregistered under section 751 of the Companies Ordinance. Under section 750 of the Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has not commenced business or operation, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's asset do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situated in Hong Kong.

2. Hong Kong And Macau Travelers Information Platform Limited was struck off and dissolved pursuant to section 746 of the Companies Ordinance. Under section 746 of the Companies Ordinance, (1) after publishing a notice under section 744(3) or 745(2)(b), the registrar may, unless cause is shown to the contrary, strike the company's name off the Companies Register at the end of 3 months after the date of the notice; (2) the registrar must publish in the Gazette a notice indicating that the company's name has been struck off the Companies Register; and (3) on publication of the notice under subsection (2), the company is dissolved.

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

Mr. Lin confirmed that there was no wrongful act on his part leading to the above dissolutions of CHM Media Limited, Hong Kong And Macau Travelers Information Platform Limited and Bright Profit Industrial Limited, which were solvent immediately prior to their dissolutions, and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of these companies.

Mr. Chang Cheuk Cheung Terence (張灼祥) ("**Mr. Chang**"), aged 69, was appointed as our independent non-executive Director on 15 November 2017. Mr. Chang has over 27 years of experience in education. Mr. Chang's primary working experience is set out below:

Name of organisation	Principal business activity	Position	Period of service
Jockey Club Ti-I College	N/A	Principal I	January 1989 to August 2000
Diocesan Boys' School	N/A	Headmaster	September 2000 to August 2012
SIU Group Limited	International trading services including product design and development, quality controls from raw materials sourcing to finished goods, and total logistics solutions	Director	September 2012 to October 2014
Glory Wisdom International Limited	Provision of marketing consultant services and the preparation of articles for newspaper agencies	Director	November 2012 to present
St. Hilary's Kindergarten	N/A	Supervisor	November 2015 to present

Mr. Chang graduated from The University of Hong Kong with a Bachelor degree in Arts in November 1970. He obtained a Postgraduate Diploma in Education from The Chinese University of Hong Kong and a Master of Education from Harvard University in December 1976 and June 1981, respectively.

In the three years preceding the date of this document, Mr. Chang has held directorship in the following listed company:

Name of company	Principal business activity	Position	Period of service
Speedy Global Holdings Limited (a company listed on the Main Board *(stock code: 540))*	Apparel supply chain servicing business; and property development and investment	Independent non-executive director	24 December 2012 to present

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

Name of company	Nature of business immediately prior to dissolution	Date of dissolution
Main Goal Development Limited (明高發展有限公司) *(Note 1)*	Education consultancy	11 December 2015

Note:

1. Main Goal Development Limited was deregistered under section 751 of the Companies Ordinance. Under section 750 of the Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has not commenced business or operation, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's asset do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situated in Hong Kong.

Mr. Chang confirmed that Main Goal Development Limited was solvent immediately prior to its dissolution and there was no wrongful act on his part leading to its dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of Main Goal Development Limited.

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

Save as disclosed in this document, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets forth certain information of the senior management of our Group:

Name	Age	Present position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Chan Ka Nam (陳迦南)	34	Financial Controller and Company Secretary	8 July 2016	8 July 2016	Overseeing financial reporting, financial planning, financial control and company secretarial matters of our Group	None
Mr. Leung Woon Hing (梁煥興)	48	Executive Chef	1 September 2005	1 September 2005	Overseeing the kitchen operations, food quality control and developing new dishes	None
Mr. Ng Yick Kit (吳翼傑)	65	Chief Operating Officer	1 June 2016	1 June 2016	Overseeing the operations of our restaurants	None
Ms. Wan Pik Yuk Janet (溫碧玉)	55	Chief Administrative Officer	2 October 2009	1 January 2014	Management and administration of our restaurants	None
Ms. Wong Sau Yee (黃秀儀)	47	General Manager	13 August 2007	13 August 2007	Management and administration of the PRC restaurant	Sister of Mr. Wong WC and Mr. Wong WH

Mr. Leung Woon Hing (梁煥興) ("**Mr. Leung**"), aged 48, is the executive chef of our Group. Mr. Leung joined our Group as the chief chef in September 2005 and was promoted to executive chef in November 2008. Mr. Leung is primarily responsible for overseeing the kitchen operations, food quality control and developing new dishes. Mr. Leung has over 29 years of experience in working as a chef in Chinese restaurants, He entered the Chinese restaurant industry as a chef in a vegetarian restaurant in 1987. He joined the Lei Garden Restaurant Group in March 1988 and later was invited to Taiwan to promote the Cantonese seafood cuisine in 1991. In October 1993, Mr. Leung re-joined the Lei Garden Restaurant Group and advanced his knowledge in Cantonese cuisine. With his previous experience, Mr. Leung has extensive knowledge in kitchen operations, and food quality control.

Mr. Ng Yick Kit (吳翼傑) ("**Mr. Ng**"), aged 65, is the chief operating officer of our Group. Mr. Ng joined our Group as chief operating officer on 1 June 2016. Mr. Ng is primarily responsible for overseeing the operations of our restaurants. Mr. Ng started his career by working as a supervisor from September 1971 to May 1983 in a restaurant of the Maxim's Group with his last position held as manager. He then worked as a manager in Kin Shing Restaurant (堅城酒樓) from October 1983 to March 1987. From March 1987 to May 1992, he joined the Lei Garden Restaurant Group with his last position held as manager. He worked for the Lei Garden Restaurant Group in Singapore from June 1992 to November 2005.

Mr. Ng joined our Group as chief operating officer in January 2008 and left his position in February 2012. He later worked in Prosperous Tang F&B Group Limited, a subsidiary of Tang Palace (China), from March 2012 to May 2016 with his last position held as vice president, operations. Mr. Ng re-joined our Group as Chief Operating Officer in June 2016.

Mr. Ng completed a course related to beverages and bartender in International Hotel Services Training Centre (國際酒店服務訓練中心) in August 1971 and obtained certificate in Food and Beverage Management and Service at The Educational Institute of American Hotel & Motel Association in March 1983.

Ms. Wan Pik Yuk Janet (溫碧玉) ("**Ms. Wan**"), aged 55, is the chief administrative officer of our Group. Ms. Wan joined our Group as general manager in October 2009 and was promoted to chief administrative officer of our Group in January 2014. Ms. Wan is primarily responsible for overseeing the human resources, financial control, purchasing, marketing and promotion, opening for new restaurants and administration of our Group.

Ms. Wan completed her secondary education in Delia Memorial School in July 1981 and obtained a Certificate in Business Studies 1 from Caritas Bianchi College of Careers in October 1982. In June 1990, she obtained a Certificate in Purchasing and Supply from the Vocational Training Council. She then received a Food Safety Management Internal Auditor Certificate from Hong Kong 5-S Association in November 2009. In August 2013, Ms. Wan completed a course on Food Hygiene Manager Training organised by The Hong Kong Polytechnic University. In August 2013 and March 2014, Ms. Wan obtained Level 2 Award in Food Safety in Catering and Level 3 Award in HACCP for Food Manufacturing, respectively, from Charted Institute of Environment Health. In December 2013 and July 2015, Ms. Wan obtained a Certificate in Employment Ordinance and a Certificate in Human Resources Management, respectively, from the Hong Kong Management Association.

Ms. Wan's primary working experience also includes:

Name of organisation	Principal business activity	Position	Period of service
Great Time Hotel Supplies Ltd	Trading in hotel supplies	Deputy General Manager	April 1996 — May 2009
Hagemeyer (Hong Kong) Limited	Trading consumer products in worldwide brand	Secretary	July 1995 to April 1996
GTM-Wan-Hin-CFE Joint Venture	Civil engineering	Secretary	March 1995 to July 1995
Power Chain Destination Management Inc. (Taiwan)	Function and event	Manager (International Conference Department)	April 1993 to March 1994
Hagemeyer (Hong Kong) Limited	Trading consumer products in worldwide brand	Secretary/Sales Co-ordinator (Hotel & Restaurant Supplies Department)	May 1987 — March 1993
General Traders & Manufacturing Co.	Hotel supplies	Purchasing & Supply officer	April 1986 — May 1987
Park Lane Hotel	Accommodation service	Purchasing Clerk & Purchasing Assistant	September 1982 — February 1986

Ms. Wong Sau Yee (黃秀儀) ("**Ms. Wong**"), aged 47, is the general manager of our Group. Ms. Wong joined our Group as office manager in August 2007. Ms. Wong is primarily responsible for the management and administrative of the Shanghai restaurant. Ms. Wong joined Lei Garden Restaurant Group as an administrative officer from March 1991 to March 1993, where she was responsible for monitoring costs and administrating work for Hong Kong region. From September 1994 to July 2007, Ms. Wong held various position at a number of restaurants of Lei Garden Restaurant Group in Guangzhou with her last position held as administrative manager in Guangzhou Lei Garden Restaurant.

Ms. Wong joined our Group as the office manager of Shanghai Region in August 2007. With her vast experience in the administration and management of Chinese restaurant in the PRC, she is responsible for both business and internal operations of the Shanghai Restaurant. She is currently the director and legal representative of Dragon Seal Shanghai, and the responsible person of Pudong branch of Dragon Seal Shanghai (龍璽餐飲管理(上海)有限公司浦東分公司) and Dragon Seal food & Beverage Management (Shanghai) Limited Food Trading Branch (龍璽餐飲管理(上海)有限公司食品商貿分公司).

Ms. Wong completed a three-year computer course at Shenzhen City Electronic Technology School in June 1989 and obtained a Certificate in Labour Law in the Mainland from The Hong Kong Management Association in April 2011.

Ms. Wong is the sister of Mr. Wong WC and Mr. Wong WH. Ms. Wong is the executive director and the legal representative of Dragon Seal Shanghai.

COMPANY SECRETARY AND FINANCIAL CONTROLLER

Mr. Chan Ka Nam (陳迦南) ("**Mr. Chan**"), aged 34, is the financial controller and company secretary of our Group. Mr. Chan joined our Group in July 2016 as our financial controller and was appointed as company secretary on 14 March 2017. Mr. Chan is primarily responsible for overseeing financial reporting, financial planning, financial control and company secretarial matters of our Group. Mr. Chan has over 9 years of experience in accounting and financial reporting. Prior to joining our Group, Mr. Chan worked for Grant Thornton (later known as JBPB & Company) from September 2007 to December 2010 and his last position was senior accountant. Mr. Chan then worked for BDO Limited from January 2011 to April 2016 with his last position as manager. Mr. Chan obtained a Bachelor of Commerce degree in Accountancy from the Hong Kong Baptist University in November 2007. Mr. Chan has been a member of the Hong Kong Institute of Certified Public Accountants since May 2013.

None of the above senior management members have held any directorship in any publicly listed companies in the last three years prior to the Latest Practicable Date.

COMPLIANCE OFFICER

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

COMPLIANCE ADVISER

We have appointed Frontpage Capital as our compliance adviser (the "**Compliance Adviser**") pursuant to Rule 6A.19 of the GEM Listing Rules and Frontpage Capital assumes responsibility for acting as our compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise our Company in the following circumstances:

(1) before the publication of any regulatory announcement, circular or financial report;

(2) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated including share issues and share repurchases;

(3) where our Company proposes to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this document; and

(4) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The term of appointment shall commence on the **[REDACTED]** and end on the date on which our Company distributes the annual report of its financial results for the second full financial year commencing after the **[REDACTED]** and such appointment may be subject to extension by mutual agreement.

Except for (i) Frontpage Capital's role as the sponsor in relation to the **[REDACTED]**; (ii) the compliance adviser agreement entered into between our Company and Frontpage Capital; and (iii) the **[REDACTED]** pursuant to which Frontpage Capital has the capacity as the **[REDACTED]** and **[REDACTED]**, Frontpage Capital does not have any other contractual arrangement with our Group as at the Latest Practicable Date.

AUDIT COMMITTEE

Our Company has established the Audit Committee on 15 November 2017 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Code. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. The Audit Committee comprises three members, namely Mr. Kwong Ping Man, Mr. Lin Zhisheng and Mr. Chang Cheuk Cheung Terence. Mr. Kwong Ping Man is the chairman of the Audit Committee.

REMUNERATION COMMITTEE

Our Company has established the Remuneration Committee on 15 November 2017 with written terms of reference in compliance with paragraph B.1.2 of the Code. The Remuneration Committee comprises four members, namely Mr. Kwong Ping Man, Mr. Wong WC, Mr. Lin Zhisheng and Mr. Chang Cheuk Cheung Terence. Mr. Lin Zhisheng is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, among other things, to make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and on our Group's policy and structure for all remuneration of our Directors and senior management.

NOMINATION COMMITTEE

Our Company has established the Nomination Committee on 15 November 2017 with written terms of reference in compliance with paragraph A.5.2 of the Code. The Nomination Committee comprises four members, namely Mr. Wong WC, Mr. Kwong Ping Man, Mr. Lin Zhisheng and Mr. Chang Cheuk Cheung Terence. Mr. Wong WC is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to our Board on appointment of Directors and succession planning for our Directors.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company will comply with the Code and the associated GEM Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to our Directors for the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017 was approximately HK$2,810,000, HK$3,987,000 and HK$1,746,000, respectively.

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to the above senior management of our Group for the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017 was approximately HK$1,624,000, HK$2,360,000 and HK$1,342,000, respectively.

The aggregate amount of contributions to retirement benefits scheme paid by our Group to our Directors for the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017 was approximately HK$40,000, HK$42,000 and HK$24,000, respectively.

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

The emoluments paid to our Group's five highest paid individuals (including Directors) in aggregate for the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017 was approximately HK$4,839,000, HK$5,389,000 and HK$2,386,000, respectively. During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

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

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 9 in the Accountants' Report set out in Appendix I to this document.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of our Shareholders passed on 15 November 2017. The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. This will be in accordance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "Statutory and general information — E. Share Option Scheme" in Appendix V to this document.

SHARE CAPITAL

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

Authorised share capital		*HK$*
2,000,000,000	Shares	20,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the [REDACTED]:

		HK$
[REDACTED]	Shares in issue as at the date of this document	**[REDACTED]**
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares	**[REDACTED]**

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least **[REDACTED]** of the total number of issued Shares of our Company must at all times be held by the public. The **[REDACTED] [REDACTED]** represent **[REDACTED]** of the issued share capital of our Company upon **[REDACTED]**.

RANKING

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

[REDACTED]

Pursuant to the written resolutions of our existing Shareholders passed on 15 November 2017, subject to the share premium account of our Company being credited as a result of the **[REDACTED]**, our Directors are authorised to allot and issue a total of **[REDACTED]** Shares credited as fully paid at par to the holder of Shares on the register of members of our Company at the close of business on 15 November 2017 (or as they may direct) in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of **[REDACTED]** of the sum of **[REDACTED]** standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank identical in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

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

(i) 20% of the total number of issued Shares immediately following the completion of the **[REDACTED]** and the **[REDACTED]**; and

(ii) the aggregate number of Shares repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed "General mandate to repurchase shares" in this section below.

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

(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 the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, please refer to the section headed "Statutory and General Information — Further information about our Company — 3. Written resolutions of our existing Shareholders passed on 15 November 2017" in Appendix V to this document.

GENERAL MANDATE TO REPURCHASE SHARES

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

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be **[REDACTED]** (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed "A. Further information about our Company — 6. Repurchase of our Shares by our Company" in Appendix V to this document.

The general mandate to repurchase Shares will remain in effect until the earliest of:

(i) the conclusion of the next general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

For further details of this general mandate, please refer to the paragraphs headed "A. Further information about our Company — 3. Written resolutions of our existing Shareholders passed on 15 November 2017" and headed "A. Further information about our Company — 6. Repurchase of our Shares by our Company" in Appendix V to this document.

SHARE OPTION SCHEME

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

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

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

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

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be taken up under the **[REDACTED]** and Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the 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.

Name of Shareholder	**Capacity/ Nature of interest**	**Number of fully-paid Share(s) held/interested in as at 10 April 2017** *(Note 12)*	**Percentage of shareholding as at 10 April 2017** *(Note 12)*	**Number of Shares held/ interested in immediately following completion of the [REDACTED] and the [REDACTED]**	**Percentage of shareholding immediately following the completion of the [REDACTED] and the [REDACTED]**
Million Edge	Beneficial owner	1	100%	**[REDACTED]**	**[REDACTED]**
Mr. Wong WC *(Note 1)*	Interest in a controlled corporation	1	100%	**[REDACTED]**	**[REDACTED]**
Ms. Lee *(Note 2)* . .	Interest of spouse	1	100%	**[REDACTED]**	**[REDACTED]**
Good Vision	Beneficial owner	—	—	**[REDACTED]**	**[REDACTED]**
Tang Palace BVI *(Note 3)*	Interested in a controlled corporation	—	—	**[REDACTED]**	**[REDACTED]**
Tang Palace (China) *(Note 4)* .	Interested in a controlled corporation	—	—	**[REDACTED]**	**[REDACTED]**
Mr. Chan Man Wai ("**Mr. Chan**") *(Note 5)*.	Interested in a controlled corporation	—	—	**[REDACTED]**	**[REDACTED]**
Ms. Au Yim Bing ("**Ms. Au**") *(Note 6)*.	Interest of spouse	—	—	**[REDACTED]**	**[REDACTED]**

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Capacity/ Nature of interest	Number of fully-paid Share(s) held/interested in as at 10 April 2017 *(Note 12)*	Percentage of shareholding as at 10 April 2017 *(Note 12)*	Number of Shares held/ interested in immediately following completion of the [REDACTED] and the [REDACTED]	Percentage of shareholding immediately following the completion of the [REDACTED] and the [REDACTED]
Wise Alliance	Beneficial owner	—	—	**[REDACTED]**	**[REDACTED]**
Mr. Lee *(Note 7)*	Interested in a controlled corporation	—	—	**[REDACTED]**	**[REDACTED]**
Ms. Wat Hoi San ("**Ms. Wat**") *(Note 8)*	Interest of spouse	—	—	**[REDACTED]**	**[REDACTED]**
Dragon Eagle King	Beneficial owner	—	—	**[REDACTED]**	**[REDACTED]**
Centurion Treasure *(Note 9)*	Interested in a controlled corporation	—	—	**[REDACTED]**	**[REDACTED]**
Mr. Wee *(Note 10)*	Interested in a controlled corporation	—	—	**[REDACTED]**	**[REDACTED]**
Ms. Chui Suk Man ("**Ms. Chui**") *(Note 11)*	Interest of spouse	—	—	**[REDACTED]**	**[REDACTED]**

Notes:

1. Mr. Wong WC beneficially owns the entire issued share capital of Million Edge. Therefore, Mr. Wong WC is deemed or taken to be interested in all the Shares held by Million Edge for the purpose of the SFO. Mr. Wong WC is the sole director of Million Edge.

2. Ms. Lee is the spouse of Mr. Wong WC. Under the SFO, Ms. Lee is deemed to be interested in the same number of Shares in which Mr. Wong WC is interested.

3. Tang Palace BVI beneficially owns the entire issued share capital of Good Vision. Therefore, Tang Palace BVI is deemed or taken to be interested in all the Shares held by Good Vision for the purpose of the SFO. Mr. Chan Man Wai is the sole director of Good Vision.

4. Tang Palace (China), a company listed on the Main Board of the Stock Exchange, beneficially owns the entire issued share capital of Tang Palace BVI. Therefore, Tang Palace (China) is deemed, or taken to be, interested in all the Shares in which Tang Palace BVI is interested for the purpose of the SFO.

5. Mr. Chan either directly or through Best Active Investments Limited ("**Best Active**", a company wholly-owned by him) holds a total of 33.91% of the total issued share capital of Tang Palace (China). As such, Mr. Chan controls more than one-third of the voting rights of Tang Palace (China) and is deemed to be interested in its interests in our Company by virtue of the SFO. Mr. Chan is the sole director of Best Active.

6. Ms. Au is the spouse of Mr. Chan. Under the SFO, Ms. Au is deemed to be interested in the same number of Shares in which Mr. Chan is interested.

7. Mr. Lee beneficially owns the entire issued share capital of Wise Alliance. Therefore, Mr. Lee is deemed or taken to be interested in all the Shares held by Wise Alliance for the purpose of the SFO. Mr. Lee is the sole director of Wise Alliance.

8. Ms. Wat is the spouse of Mr. Lee. Under the SFO, Ms. Wat is deemed to be interested in the same number of Shares in which Mr. Lee is interested.

9. Centurion Treasure beneficially owns the entire issued share capital of Dragon Eagle King. Therefore, Centurion Treasure is deemed or taken to be interested in all the Shares held by Dragon Eagle King for the purpose of the SFO. Centurion Treasure is the sole director of Dragon Eagle King.

10. Mr. Wee beneficially owns the entire issued share capital of Centurion Treasure. Therefore, Mr. Wee is deemed or taken to be interested in all the Shares held by Centurion Treasure for the purpose of the SFO. Mr. Wee is the sole director of Centurion Treasure.

11. Ms. Chui is the spouse of Mr. Wee. Under the SFO, Ms. Chui is deemed to be interested in the same number of Shares in which Mr. Wee is interested.

12. The date of filing of the application proof of this document and prior to completion of the Reorganisation.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the **[REDACTED]** (without taking into account any Shares which may be taken up under the **[REDACTED]**, and Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the section headed "Statutory and general information — A. Further information about our Company" in Appendix V to this document), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

You should read the following discussion and analysis with our combined financial information, including the notes thereto, as of and for the years ended 31 December 2015 and 2016 and five months ended 31 May 2017 included in the Accountants' Report of our Group set out in Appendix I to this document. The Accountants' Report has been prepared in accordance with HKFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdiction.

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

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

OVERVIEW

We are a Cantonese full-service restaurant group operating Cantonese cuisine restaurants under four brands, namely "Dragon King (龍皇)", "Dragon Seal (龍璽)", "Imperial Seal (皇璽)" and "Dragon Feast (龍宴)". As at the Latest Practicable Date, our Group operated nine Cantonese full-service restaurants of which (i) five are under the brand of "Dragon King (龍皇)", one is under the brand of "Dragon Seal (龍璽)" and one is under the brand of "Dragon Feast (龍宴)" in Hong Kong; (ii) one is in Shanghai under the brand of "Imperial Seal (皇璽)"; and (iii) one is under the brand of "Dragon King (龍皇)" in Macau. All of our restaurants are strategically situated in prominent commercial areas, residential areas, or shopping complexes.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 8 August 2016 as an exempted company with limited liability. To rationalise the corporate structure in the preparation of the **[REDACTED]**, we underwent the Reorganisation as detailed in the section headed "History, Development and Reorganisation" in this document.

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

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

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

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

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

Change in the cost of inventories consumed

Food ingredients are the major supplies for our Group's Cantonese restaurant operations. Our Group's business is highly dependent on a sufficient supply of food ingredients that meet our quality requirements and our financial performance is sensitive to price fluctuation of food ingredients. During the Track Record Period, the prices of different food ingredients varied in different extents. For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, the costs of inventories consumed, which primarily consisted of food ingredients consumed for the operation of the restaurants, amounted to approximately HK$92,388,000, HK$127,337,000 and HK$52,980,000, respectively, representing approximately 31.4%, 32.3% and 30.9%, respectively, of our Group's revenue. Our Group does not enter into any long-term contracts with our food ingredient suppliers and we purchase food ingredients on an order basis. The food ingredient purchases are generally determined by prevailing market prices and subject to fluctuation in market prices. Although our Group will continue to monitor our cost of food ingredients and implement cost control measures to control the cost, the fluctuations in the food ingredients may affect the profit margin of our operations.

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

Hypothetical fluctuation in costs of inventories consumed

	+5%	**+10%**	**-5%**	**-10%**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in profit/(loss) before tax				
For the year ended 31 December 2015 . .	(4,619)	(9,239)	4,619	9,239
For the year ended 31 December 2016 . .	(6,367)	(12,734)	6,367	12,734
For the five months ended 31 May 2017 .	(2,649)	(5,298)	2,649	5,298

Staff costs

Our Group's Cantonese restaurant operations highly rely on our experienced managerial and other staff to manage the restaurants and interact with our customers regularly, which is critical to maintaining the quality and consistency of our services as well as our brand and reputation. To sustain the growth of our business, our Group is required to increase work force of skilled personnel. In addition, competition for qualified personnel could also require our Group to pay higher wages which could result in higher employee benefits expense. For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, our Group's staff costs, including wage and salaries, directors' remuneration and pension scheme contributions amounted to approximately, HK$92,723,000, HK$122,963,000 and HK$55,680,000, respectively, representing approximately 31.5%, 31.2% and 32.4%, respectively, of our Group's revenue. The increase in salary level of staff in the restaurant industry in Hong Kong, Shanghai and Macau and competition among restaurant operators may increase our Group's costs associated with hiring and retaining qualified staff. In addition, the increase in the statutory minimum wage rate may increase the overall market salary level of low-paid workers, which may in turn increase the staff costs. Our Group expects that the staff costs will continue to increase, which may affect our profit margin.

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

Hypothetical fluctuation in staff costs

	+5%	**+10%**	**-5%**	**-10%**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in profit/(loss) before tax				
For the year ended 31 December 2015 . .	(4,636)	(9,272)	4,636	9,272
For the year ended 31 December 2016 . .	(6,148)	(12,296)	6,148	12,296
For the five months ended 31 May 2017 .	(2,784)	(5,568)	2,784	5,568

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

During the Track Record Period and up to the Latest Practicable Date, all of our Group's restaurants have been operated on leased properties and thus we have significant exposure to the rental market of commercial properties in Hong Kong, Shanghai and Macau. For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, our Group's property rentals and related expenses amounted to approximately HK$46,867,000, HK$62,306,000 and HK$30,012,000, respectively, representing approximately 15.9%, 15.8% and 17.5%, respectively, of our Group's revenue. Such rentals and related expenses represented a significant portion of our Group's total operating costs during the Track Record Period, thus our profitability and financial results may be adversely affected by any substantial increase in market rentals in Hong Kong, Shanghai and Macau.

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

Hypothetical fluctuation in rental and related expenses

	+5%	**+10%**	**-5%**	**-10%**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in profit/(loss) before tax				
For the year ended 31 December 2015 . .	(2,343)	(4,687)	2,343	4,687
For the year ended 31 December 2016 . .	(3,115)	(6,231)	3,115	6,231
For the five months ended 31 May 2017 .	(1,501)	(3,001)	1,501	3,001

Seasonality

Our Group experiences seasonal fluctuations in the revenue. Our Group's revenue during certain holiday periods, such as the Christmas holidays and the Chinese New Year holidays, is usually higher than those for the remaining months of the year. Generally, the revenue of our Group during April to August is lower than those for the remaining months, mainly due to limited traditional Chinese festivals during such period.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Our combined financial information has been prepared in accordance with HKFRSs. We have identified certain accounting policies that are critical to the preparation of our financial information. These accounting policies are important for an understanding of our financial position and results of operations and are set forth in note 3 to the Accountants' Report in Appendix I to this document.

In addition, the preparation of the financial information requires our Directors to make significant and subjective estimates, assumptions and judgments that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017.

However, uncertainties about these assumptions, estimates and judgments could result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities in the future. These key assumptions and estimates are set forth in note 4 to the Accountants' Report in Appendix I to this document.

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

Revenue recognition

We measure revenue at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business. We recognise revenue from our restaurant operations when our catering services have been provided to our customers.

Property, plant and equipment

During the Track Record Period, our property, plant and equipment comprised a building, leasehold improvements, tableware and utensils, furniture, fixtures and office equipment and motor vehicles. Our property, plant and equipment are stated at cost less subsequent accumulated depreciation and any subsequent accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each financial year. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item

of property, plant and equipment is determined as the difference between the sales **[REDACTED]** and the carrying amount of the asset and is recognised in the combined statements of profit or loss and the combined statements of other comprehensive income.

Useful lives of property, plant and equipment

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a first-in, first-out basis and, in the case of finished goods, comprises direct materials. Net realisable value is determined as estimated selling prices less any estimated costs to be incurred up to such sale and disposal.

RESULTS OF OPERATIONS OF OUR GROUP

Set forth below are a summary of our Group's combined statements of profit or loss and combined statements of comprehensive income for the years/periods indicated, extracted from the Accountants' Report included as Appendix I to this document.

	For the year ended 31 December		For the five months ended 31 May	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	294,429	393,705	146,616	171,656
Cost of inventories consumed	(92,388)	(127,337)	(46,476)	(52,980)
Gross profit	202,041	266,368	100,140	118,676
Other income and gains, net	2,597	4,283	997	960
Staff costs	(92,723)	(122,963)	(49,312)	(55,680)
Depreciation of items of property, plant and equipment	(14,609)	(18,327)	(6,957)	(7,451)
Rental and related expenses	(46,867)	(62,306)	(22,541)	(30,012)
Other operating expenses	(43,925)	(55,009)	(19,574)	(24,211)
Finance costs	(4,380)	(4,232)	(1,835)	(1,076)
[REDACTED]	—	**[REDACTED]**	—	**[REDACTED]**
Profit/(loss) before tax	2,134	3,689	918	(4,591)
Income tax expense	(939)	(2,475)	(848)	(1,204)
Profit/(loss) for the year/period	1,195	1,214	70	(5,795)
Attributable to:				
Owners of our Company	1,880	1,128	159	(5,723)
Non-controlling interests	(685)	86	(89)	(72)
	1,195	1,214	70	(5,795)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(560)	(863)	(533)	112
Total comprehensive income/(loss) for the year/period	635	351	(463)	(5,683)
Attributable to:				
Owners of our Company	1,320	265	(374)	(5,611)
Non-controlling interests	(685)	86	(89)	(72)
	635	351	(463)	(5,683)

DESCRIPTION OF SELECTED COMPONENTS OF OUR COMBINED STATEMENTS OF PROFIT OR LOSS AND THE STATEMENTS OF OTHER COMPREHENSIVE INCOME

Revenue

Our Group generates substantially all of our revenue from sales of food and beverages at our restaurants in Hong Kong, Shanghai and Macau. Most of our Group's revenue was settled by credit cards and cash during the Track Record Period.

The table below sets forth the breakdown of the revenue by brands and by restaurants during the periods indicated.

	For the year ended 31 December				For the five months ended 31 May			
	2015		2016		2016		2017	
Brand/Restaurant	**Revenue**	**% of total revenue**	**Revenue**	**% of total revenue**	**Revenue**	**% of total revenue**	**Revenue**	**% of total revenue**
	(HK$'000)	*(%)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(%)*
Dragon King (龍皇)								
Kwun Tong Restaurant	46,937	15.9	47,585	12.1	20,831	14.2	21,516	12.5
WTC Restaurant	51,866	17.6	51,078	13.0	21,172	14.4	20,853	12.1
San Po Kong Restaurant	46,943	16.0	46,618	11.8	19,042	13.0	19,322	11.3
Whampoa Restaurant	40,765	13.8	35,542	9.0	15,599	10.7	13,913	8.1
Wan Chai Restaurant *(Note 1)*	—	—	19,714	5.0	—	—	14,123	8.2
Macau Restaurant *(Note 2)*	—	—	21,045	5.4	—	—	17,429	10.2
Sub-total	186,511	63.3	221,582	56.3	76,644	52.3	107,156	62.4
Dragon Seal (龍璽)								
ICC Restaurant	45,544	15.5	45,354	11.5	17,536	12.0	20,223	11.8
Imperial Seal (皇璽)								
Shanghai Restaurant	60,174	20.4	54,786	13.9	22,615	15.4	18,703	10.9
Dragon Feast (龍宴)								
Sheung Shui Restaurant *(Note 3)*	2,200	0.8	71,983	18.3	29,821	20.3	25,574	14.9
Total	294,429	100.0	393,705	100.0	146,616	100.0	171,656	100.0

Notes:

(1) Wan Chai Restaurant commenced business in July 2016.

(2) Macau Restaurant commenced business in July 2016.

(3) Sheung Shui Restaurant commenced business in December 2015.

During the Track Record Period, "Dragon King (龍皇)" contributed the largest share of our revenue and accounted for approximately 63.3%, 56.3% and 62.4% of our total revenue for the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, respectively. We recorded an increase in revenue contributed from "Dragon King (龍皇)" of approximately HK$35,071,000 for the year ended 31 December 2016 as compared with the year ended 31 December 2015, which was primarily attributable to the newly operated Wan Chai Restaurant and Macau Restaurant which both commenced business in July 2016. We recorded a decrease in revenue for the Whampoa Restaurant mainly due to the decrease in number of customers visited which was resulted from the increasing competition of Cantonese restaurants in Whampoa. The revenue of our ICC Restaurant operated under the name of "Dragon Seal (龍璽)" remained at a similar level for the years ended 31 December 2015 and 2016. Our Shanghai Restaurant operated under the name "Imperial Seal (皇璽)" recorded a decrease in revenue of approximately HK$5,388,000 for the year ended 31 December 2016 as compared with the year ended 31 December 2015, which is considered to be attributable to (i) the further depreciation on the average exchange rate of RMB against Hong Kong Dollars in 2016 of approximately 6%; and (ii) the further enforcement of anti-corruption campaign in Shanghai since 2015. In December 2015, our Group newly operated the Sheung Shui Restaurant under the new brand "Dragon Feast (龍宴)" and contributed approximately 18.3% of our total revenue for the year ended 31 December 2016.

For the five months ended 31 May 2017, our Group's recorded an increase in revenue contributed from "Dragon King (龍皇)" of approximately HK$30,512,000 as compared with the five months ended 31 May 2016, which was primarily attributable to the newly operated Wan Chai Restaurant and Macau Restaurant which both commenced business in July 2016. We recorded a decrease in revenue for the Whampoa Restaurant mainly due to the decrease in number of customers visited which was resulted from the increasing competition of Cantonese restaurants in Whampoa. The revenue of our ICC Restaurant operated under the name of "Dragon Seal (龍璽)" recorded an increase in revenue of approximately HK$2,687,000 for the five months ended 31 May 2017 as compared with the five months ended 31 May 2016 mainly due to the increase in average spending per customer which was resulted from the increase in relatively large banquet which generally had a higher average spending per customer.

Our Shanghai Restaurant operated under the name "Imperial Seal (皇璽)" recorded a decrease in revenue for the five months ended 31 May 2017 as compared with that of 2016, which is considered to be attributable to the further enforcement of anti-corruption campaign in Shanghai since 2015. Our Sheung Shui Restaurant operated under the new brand "Dragon Feast (龍宴)" recorded a decrease in revenue for the five months ended 31 May 2017 as compared with that of 2016 mainly due to the decrease in number of customers visited.

During the Track Record Period, approximately 80% of our revenue are generated from our Hong Kong restaurants. Upon the establishment of our newly operated restaurants in Hong Kong and Macau, the revenue contribution of our Shanghai Restaurant decreased during the Track Record Period.

Cost of inventories consumed

Cost of inventories consumed primarily consists of the cost of the food and beverages used in restaurant operations. The principal food and beverage used are seafood, meat, vegetables and beverages. For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, our Group's cost of inventories consumed amounted to approximately HK$92,388,000, HK$127,337,000 and HK$52,980,000, respectively, representing approximately 31.4%, 32.3% and 30.9% of our Group's revenue for the respective year/period. During the Track Record Period, the year-to-year fluctuation was in line with the change in revenue. The following table sets out the breakdown of the cost of inventories consumed of our Group's for the Track Record Period:

	For the year ended 31 December				For the five months ended 31 May			
	2015		2016		2016		2017	
	Cost of inventories consumed	% of total cost of inventories consumed	Cost of inventories consumed	% of total cost of inventories consumed	Cost of inventories consumed	% of total cost of inventories consumed	Cost of inventories consumed	% of total cost of inventories consumed
	(HK$'000)	*(%)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(%)*
Seafood	50,305	54.4	64,714	50.8	23,630	50.8	27,374	51.7
Meat	17,107	18.5	25,368	19.9	9,796	21.1	10,444	19.7
Vegetables	7,687	8.3	10,410	8.2	4,264	9.2	3,906	7.4
Beverages	3,557	3.9	7,237	5.7	1,328	2.9	4,606	8.7
Others *(Note)*	13,732	14.9	19,608	15.4	7,458	16.0	6,650	12.5
	92,388	100.0	127,337	100.0	46,476	100.0	52,980	100.0

Note: Others include rice, oil, spices, sauce and other food ingredients.

Costs of seafood and meat consumed are the two largest components of our cost of inventories consumed during the Track Record Period. Costs of seafood consumed and that of meat consumed, respectively, made up approximately 50% and approximately 20% of our cost of inventories consumed for the year ended 31 December 2016. During the Track Record Period, as a percentage to our total cost of inventories consumed, the proportion of seafood consumed decreased and that of meat and beverages increased, which is mainly attributable to the lower seafood consumption and higher beverages consumption in some of our newly operated restaurants in December 2015 and July 2016.

Gross profit and gross margin

Our Group's gross profit was approximately HK$266,368,000 for the year ended 31 December 2016, representing an increase of approximately 31.8% from approximately HK$202,041,000 for the year ended 31 December 2015. For the five months ended 31 May 2017, our Group's gross profit was approximately HK$118,676,000, representing an increase of approximately 18.5% from approximately HK$100,140,000 as compared with the five months ended 31 May 2016. The following table sets out the breakdown of the gross profit and gross profit margin by brands and by restaurants for the Track Record Period:

	For the year ended 31 December				For the five months ended 31 May			
	2015		2016		2016		2017	
Brand/Restaurant	**Gross Profit**	**Gross margin**	**Gross Profit**	**Gross margin**	**Gross Profit**	**Gross margin**	**Gross Profit**	**Gross margin**
	(HK$'000)	*(%)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(%)*
Dragon King (龍皇)								
Kwun Tong Restaurant	32,503	69.2	32,930	69.2	14,790	71.0	15,105	70.2
WTC Restaurant	35,933	69.3	35,701	69.9	14,935	70.5	15,091	72.4
San Po Kong Restaurant	32,528	69.3	31,905	68.4	13,490	70.8	13,489	69.8
Whampoa Restaurant	27,848	68.3	23,916	67.3	10,535	67.5	9,704	69.8
Wan Chai Restaurant *(Note 1)*	—	—	12,991	65.9	—	—	9,674	68.5
Macau Restaurant *(Note 2)*	—	—	13,247	63.0	—	—	11,175	64.1
Sub-total	128,812	69.1	150,690	68.0	53,750	70.1	74,238	69.3

	For the year ended 31 December				For the five months ended 31 May			
	2015		2016		2016		2017	
Brand/Restaurant	Gross Profit	Gross margin	Gross Profit	Gross margin	Gross Profit	Gross margin	Gross Profit	Gross margin
	(HK$'000)	*(%)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(%)*
Dragon Seal (龍璽)								
ICC Restaurant	32,860	72.2	32,290	71.2	12,277	70.0	14,684	72.6
Imperial Seal (皇璽)								
Shanghai Restaurant	39,059	64.9	35,376	64.6	14,289	63.2	12,856	68.7
Dragon Feast (龍宴)								
Sheung Shui Restaurant *(Note 3)*	1,310	59.5	48,012	66.7	19,824	66.5	16,898	66.1
Total	202,041	68.6	266,368	67.7	100,140	68.3	118,676	69.1

Notes:

(1) Wan Chai Restaurant commenced business in July 2016.

(2) Macau Restaurant commenced business in July 2016.

(3) Sheung Shui Restaurant commenced business in December 2015.

During the Track Record Period, our restaurants generally recorded gross profit margins ranging from 65% to 70%. Normally, our newly operated restaurants, such as Wan Chai Restaurant and Sheung Shui Restaurant, would record lower gross profit margins as a result of the start-up discounts offered to our customers in order to promote our restaurants in the respective established area. Our ICC restaurant recorded the highest gross profit margin of over 70% among our restaurants, which is mainly attributable to its prime location of level 101 of the tallest commercial building in Hong Kong as well as its target to high spending customers. Our Directors consider that the relatively low gross profit margin of the Shanghai Restaurant is mainly because seafood dishes, which are generally more profitable to us, are less popular in Shanghai as compared to Hong Kong. During the Track Record Period, the gross profit margins for each of our restaurants remained generally stable.

Other income and gains, net

During the Track Record Period, our Group's other income mainly comprised: (i) gain on bargain purchase of the acquisition of the Macau Restaurant and certain equipment, furniture, utensils and rental deposits of the Wan Chai Restaurant and in July 2016; (ii) financial subsidy received from the PRC tax authority which was a one-off three years' unconditional subsidy to support the development of our business in Shanghai as Dragon Seal Shanghai was considered to be newly introduced into the urban complex and the business area in the Pudong New District; (iii) subsidies received from a utility company for purchases of items of property, plant and equipment in Hong Kong; and (iv) interest income from life insurance policies. The following table sets out a breakdown of other income of our Group for the Track Record Period:

	For the year ended 31 December		For the five months ended 31 May	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank interest income	4	3	1	1
Other interest income	166	205	85	—
Interest income from life insurance policies	906	905	366	296
Financial subsidy received from the PRC tax authority	834	985	—	—
Subsidies received from a utility company for purchases of items of property, plant and equipment	221	471	188	223
Gain on bargain purchase	—	985	—	—
Others	466	729	357	440
	2,597	4,283	997	960

Staff costs

The staff costs are the largest component of our Group's operating expense. The following table sets out a breakdown of the staff costs of our Group for the Track Record Period:

	For the year ended 31 December				For the five months ended 31 May			
	2015		2016		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Wages and salaries	86,059	92.8	113,971	92.7	45,677	92.6	51,652	92.8
Directors' remuneration	2,130	2.3	3,325	2.7	1,377	2.8	1,464	2.6
Pension scheme contributions	4,534	4.9	5,667	4.6	2,258	4.6	2,564	4.6
	92,723	100.0	122,963	100.0	49,312	100.0	55,680	100.0

Staff costs represent the wages and salaries paid for employees, including the management and operating staff. For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, staff costs accounted for approximately 31.5%, 31.2% and 32.4% of the revenue of our Group, respectively.

Depreciation of items of property, plant and equipment

Depreciation represents depreciation charge for a building, leasehold improvements, tableware and utensils, furniture, fixtures and office equipment and motor vehicles of our Group. For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, depreciation charge accounted for approximately 5.0%, 4.7% and 4.3% of the revenue of our Group, respectively.

Rental and related expenses

The rental and related expenses are the second largest component of our Group's operating expenses. Except for our Directors' quarter, our Group operates all of our restaurants, office premises and warehouse on leased properties, and is exposed to the market conditions of the retail market. The rental payable under our Group's current lease agreements for our restaurants are either fixed or subject to adjustment based on a fixed percentage of the revenue of the relevant restaurant during the terms of the lease.

Rental and related expenses represent the rental expenses paid for the restaurants, office premises and warehouse. For the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, rental and related expenses accounted for approximately 15.9%, 15.8% and 17.5% of the revenue of our Group, respectively.

Other operating expenses

The other operating expenses mainly consists of water, electricity and gas expenses, cleaning and laundry expenses, credit card commission and hotel handling charges, and consumables and decorations. The table below sets forth the breakdown of our Group's other operating expenses for the years/periods indicated:

	For the year ended 31 December				For the five months ended 31 May			
	2015		2016		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Water, electricity and gas expenses	12,159	27.7	16,076	29.2	6,126	31.3	6,672	27.6
Cleaning and laundry expenses	4,962	11.3	7,258	13.2	2,453	12.5	3,239	13.4
Credit card commission and hotel handling charges	4,363	9.9	7,105	12.9	1,902	9.7	3,974	16.4
Consumables and decorations	4,867	11.1	5,634	10.2	2,258	11.5	2,669	11.0
Repair and maintenance expenses	3,925	8.9	2,751	5.0	956	4.9	1,391	5.7
Advertising and promotion expenses	1,975	4.5	2,668	4.9	908	4.6	1,285	5.3
Staff welfare	2,053	4.7	2,641	4.8	940	4.8	1,264	5.2
Transportation and logistics expenses	2,504	5.7	2,460	4.5	835	4.3	918	3.8
Insurance expenses and charges	2,159	4.9	2,226	4.0	988	5.0	824	3.4
Professional fees	1,326	3.0	1,772	3.2	572	2.9	599	2.5
Others *(Note)*	3,632	8.3	4,418	8.1	1,636	8.5	1,376	5.7
	43,925	100.0	55,009	100.0	19,574	100.0	24,211	100.0

Note: Others includes entertainment and social expenses, licence and membership, bank charges/exchange differences and miscellaneous.

Operating profit/(loss) and operating margin

The following table sets out the breakdown of the operating profit and operating margin by brands and by restaurants for the Track Record Period:

	For the year ended 31 December				For the five months ended 31 May			
	2015		2016		2016		2017	
Brand/Restaurant	**Operating profit/(loss)**	**Operating margin**	**Operating profit/(loss)**	**Operating margin**	**Operating profit/(loss)**	**Operating margin**	**Operating profit/(loss)**	**Operating margin**
	(HK$'000)	*(%)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(%)*
Dragon King (龍皇)								
Kwun Tong Restaurant	7,109	15.1	8,178	17.2	3,873	18.6	4,217	19.6
WTC Restaurant	5,682	11.0	6,116	12.0	1,950	9.2	2,569	12.3
San Po Kong Restaurant	6,325	13.5	5,410	11.6	2,257	11.9	2,571	13.3
Whampoa Restaurant	2,296	5.6	(463)	(1.3)	(414)	(2.7)	131	0.9
Wan Chai Restaurant *(Note 1)*	—	—	(4,016)	(20.4)	—	—	(3,544)	(25.1)
Macau Restaurant *(Note 2)*	—	—	2,937	14.0	—	—	2,143	12.3
Dragon Seal (龍璽)								
ICC Restaurant	2,402	5.3	2,975	6.6	(232)	(1.3)	2,521	12.5
Imperial Seal (皇璽)								
Shanghai Restaurant	446	0.7	3,182	5.8	539	2.4	57	0.3
Dragon Feast (龍宴)								
Sheung Shui Restaurant *(Note 3)*	(1,857)	(84.4)	5,321	7.4	1,245	4.2	124	0.5
Sub-total	22,403	7.6	29,640	7.5	9,218	6.3	10,789	6.3
Other operating costs *(Note 4)*	(15,890)		(17,594)		(6,465)		(8,507)	
Operating profit/(loss) of our Group	6,513	2.2	12,046	3.1	2,753	1.9	2,282	1.3

Notes:

1. Wan Chai Restaurant commenced business in July 2016.

2. Macau Restaurant commenced business in July 2016.

3. Sheung Shui Restaurant commenced business in December 2015.

4. Other operating costs mainly comprise the operating expenses incurred by our central offices, product development, marketing activities, central procurement team, warehouse operations and management team.

During the Track Record Period, the operating margins of our restaurants remained at similar level as a whole at approximately 7.6%, 7.5% and 6.3%, respectively, while other operating expenses in aggregate increased at a lesser extent, thereby resulted in the overall improvement in our Group's operating margin from approximately 2.2% for the year ended 31 December 2015 to approximately 3.1% for the year ended 31 December 2016. The significant decrease in operating margin of Whampoa Restaurant for the year ended 31 December 2016 was mainly resulted from the decrease in revenue and gross profit to a level which was not adequate to fully cover its operating expenses. Our Directors consider the decrease in sales was mainly due to the decrease in number of customers visited which was resulted from the increasing competition of Cantonese restaurants in Whampoa. Nevertheless, our Directors expect the operating margin of Whampoa will be improved in the future when more property, plant and equipment of the restaurant is fully depreciated. Although the revenue of Shanghai Restaurant for the year ended 31 December 2016 decreased as compared to that of 2015, its operating margin improved significantly, which was mainly due to the one-off repair and maintenance expenses of the restaurant premises of approximately HK$1,616,000 incurred in the year ended 31 December 2015. The operating margin of Sheung Shui Restaurant for the year ended 31 December 2016 turned around from a negative operating margin for the year ended 31 December 2015, which was contributed by the increase in revenue and hence the generation of adequate gross profit to fully cover the operating expenses upon its gradual put on track of operation in 2016. The negative operating margin of Wan Chai Restaurant for the year ended 31 December 2016 was because in the initial period of operation since its opening in July 2016, the restaurant was yet to generate adequate revenue and gross profit to cover certain major fixed costs such as depreciation charge and rental expenses.

Our Group's operating margin setback from approximately 1.9% for the five months ended 31 May 2016 to approximately 1.3% for the five months ended 31 May 2017. The decrease in our overall operating margin was mainly due to the net loss incurred by the Wan Chai Restaurant resulted from its initial stage of operations and the disruption to operations by the renovation took place from April to June 2017. The decrease in operating margin of Shanghai Restaurant and Sheung Shui Restaurant for the five months ended 31 May 2017 was mainly resulted from the decrease in revenue and gross profit.

Finance costs

Our Group's finance costs mainly consist of interest on bank loans, overdrafts and other loans and interest on finance leases.

Income tax expenses

During the Track Record Period, our Group's assessable profits in respect of our Hong Kong operations were subject to Hong Kong profits tax at the applicable income tax rate of 16.5%. Our Group's assessable profits in respect of our PRC and Macau operations were subject to PRC and Macau enterprise income tax at the applicable income tax rate of 25% and 12%, respectively. The effective tax rate for the years ended 31 December 2015 and 2016 was approximately 44.0% and 67.1%, respectively. The increase of the effective tax rate for the year ended 31 December 2016 was mainly due to the **[REDACTED]** incurred which are not deductible for taxation. For the five months ended 31 May 2017, our Group recorded a net loss before tax mainly due to the **[REDACTED]** incurred which are not deductible for taxation.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Five months ended 31 May 2017 compared with five months ended 31 May 2016

Revenue

Our revenue increased by 17.1% to approximately HK$171,656,000 for the five months ended 31 May 2017, as compared to that for the five months ended 31 May 2016. The increase in revenue was mainly due to (i) the newly operated Wan Chai Restaurant and Macau Restaurant which commenced business in July 2016; and (ii) the increase in revenue of ICC Restaurant resulted from the increase in relatively large banquet for the five months ended 31 May 2017, which was partially offset by the decrease in revenue of Sheung Shui Restaurant and Shanghai Restaurant. Our Directors consider that the decrease in revenue of Sheung Shui Restaurant is mainly due to the decrease in number of customers visited and the decrease in revenue of Shanghai Restaurant is resulted from the further enforcement of anti-corruption campaign in Shanghai since 2015. The revenue contributed by our other restaurants remained generally stable during the comparable period.

Cost of inventories consumed

Our cost of inventories consumed increased by 14.0% to approximately HK$52,980,000 for the five months ended 31 May 2017 which was mainly due to the increase in our business scale following the opening of our new restaurants.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$18,536,000 or 18.5% from approximately HK$100,140,000 for the five months ended 31 May 2016 to approximately HK$118,676,000 for the five months ended 31 May 2017, which was mainly due to the operations of our newly operated Wan Chai Restaurant and Macau Restaurant, while partially offset by the decrease in revenue of the Shanghai Restaurant and Sheung Shui Restaurant as mentioned above. Our gross profit margin increased slightly from approximately 68.3% for the five months ended 31 May 2016 to

approximately 69.1% for the five months ended 31 May 2017. The increase in gross profit margin was mainly due to higher gross profit margins of the ICC Restaurant resulted from the increase in relatively large banquet for the five months ended 31 May 2017 which generally have a higher gross profit margins, partially offset by the relatively low gross profit margins of our newly operated restaurant in Macau.

Other income and gains, net

Our other income and gains remained at a similar level for the five months ended 31 May 2016 and 2017.

Staff costs

Our staff costs increased by approximately HK$6,368,000 or approximately 12.9% from approximately HK$49,312,000 for the five months ended 31 May 2016 to approximately HK$55,680,000 for the five months ended 31 May 2017, which was mainly attributable to the additional manpower employed by our newly operated Wan Chai Restaurant and Macau Restaurant.

Depreciation of items of property, plant and equipment

Our depreciation of items of property, plant and equipment increased by approximately HK$494,000 or approximately 7.1% from approximately HK$6,957,000 for the five months ended 31 May 2016 to approximately HK$7,451,000 for the five months ended 31 May 2017. Such increase was mainly due to the increase in the leasehold improvements and furniture, fixtures and office equipment resulting from the fitting-out work carried out for the new Wan Chai Restaurant and Macau Restaurant and partially offset by the decrease in the deprecation of leasehold improvements and furniture, fixtures for our other restaurants.

Rental and related expenses

Our rental and related expenses increased by approximately HK$7,471,000 or approximately 33.1% from approximately HK$22,541,000 for the five months ended 31 May 2016 to approximately HK$30,012,000 for the five months ended 31 May 2017. Such increase was mainly due to the rental expenses for the leased premises for our newly operated Wan Chai Restaurant and Macau Restaurant.

Other operating expenses

Our other operating expenses increased by approximately HK$4,637,000 or approximately 23.7% from approximately HK$19,574,000 for the five months ended 31 May 2016 to approximately HK$24,211,000 for the five months ended 31 May 2017. Such increase was mainly due to (i) the increase in cleaning and laundry expenses and water, electricity and gas expenses by approximately HK$786,000 and HK$546,000 for the operation of our new restaurants; and (ii) the increase in credit card commission and hotel handling charges of approximately HK$2,072,000.

Finance costs

Our Group incurred finance costs of approximately HK$1,076,000 for the five months ended 31 May 2017, representing a decrease of 41.4% from approximately HK$1,835,000 for the five months ended 31 May 2016. The decrease in finance costs was mainly attributable to the decrease in average bank borrowings balance during the five months ended 31 May 2017.

[REDACTED]

For the five months ended 31 May 2017, the **[REDACTED]** of approximately **[REDACTED]** have been charged to profit or loss of our Group. No **[REDACTED]** was charged to profit or loss of our Group for the five months ended 31 May 2016.

Income tax expenses

Our income tax expense increased by approximately HK$356,000 or 42.0% from approximately HK$848,000 for the five months ended 31 May 2016 to approximately HK$1,204,000 for the five months ended 31 May 2017. The increase in income tax expenses was mainly attributable to the increase in the assessable profits of certain group entities.

Profit/(loss) for the period

Our Group recorded a net loss for the five months ended 31 May 2017, which was mainly due to the one-off **[REDACTED]** of approximately **[REDACTED]** incurred during the period. Given that (i) the **[REDACTED]** are non-recurring; and (ii) our Wan Chai Restaurant was still under renovation from April to June 2017, our Directors are of the opinion that there has been no fundamental deterioration in the commercial and operational viability in our Group's business as a whole.

Year ended 31 December 2016 compared with year ended 31 December 2015

Revenue

Our revenue increased by 33.7% to approximately HK$393,705,000 for the year ended 31 December 2016, as compared to that for the year ended 31 December 2015. The increase in revenue was mainly due to the newly operated restaurants at Sheung Shui, Wan Chai and Macau which commenced business in December 2015, July 2016 and July 2016, respectively. The revenue contributed by our other Hong Kong restaurants remained generally stable during the Track Record Period, while the revenue for the year ended 31 December 2016 of our Shanghai Restaurant decreased by approximately 9.0% which was primarily due to the depreciation of RMB against Hong Kong Dollars in 2016 and further enforcement of anti-corruption campaign in Shanghai since 2015.

Cost of inventories consumed

Our cost of inventories consumed increased by 37.8% to approximately HK$127,337,000 for the year ended 31 December 2016 which was mainly due to (i) the increase in our business scale following the opening of our new restaurants; and (ii) general inflation on food ingredients.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$64,327,000 or 31.8% from approximately HK$202,041,000 for the year ended 31 December 2015 to approximately HK$266,368,000 for the year ended 31 December 2016, which was mainly due to the operations of our newly operated restaurants in Sheung Shui, Wan Chai and Macau, while partially offset by the decrease in revenue of the Shanghai Restaurant and the Whampoa Restaurant as mentioned above. Our gross profit margin decreased slightly from approximately 68.6% for the year ended 31 December 2015 to approximately 67.7% for the year ended 31 December 2016. The decrease in gross profit margin was mainly due to the relatively low gross profit margins of our newly operated restaurants in Wan Chai and Sheung Shui resulted from discounts given at the commencement of business.

Other income and gains, net

Our other income and gains increased by approximately HK$1,686,000 or approximately 64.9% from approximately HK$2,597,000 for the year ended 31 December 2015 to approximately HK$4,283,000 for the year ended 31 December 2016. Such increase was mainly due to (i) the gain on bargain purchase of approximately HK$985,000 in relation to the sale and purchase agreement entered into by our Group with two subsidiaries of Tang Palace (China) to acquire certain equipment, furniture and utensils and rental deposits of the Wan Chai Restaurant and the Macau Restaurant in 2016; and (ii) the increase in subsidies received from a utility company for purchases of items of property, plant and equipment of approximately HK$250,000 in 2016.

Staff costs

Our staff costs increased by approximately HK$30,240,000 or approximately 32.6% from approximately HK$92,723,000 for the year ended 31 December 2015 to approximately HK$122,963,000 for the year ended 31 December 2016, which was mainly attributable to the additional manpower employed by our newly operated restaurants at Sheung Shui, Wan Chai and Macau. Such increase was in line with the revenue growth.

Depreciation of items of property, plant and equipment

Our depreciation of items of property, plant and equipment increased by approximately HK$3,718,000 or approximately 25.5% from approximately HK$14,609,000 for the year ended 31 December 2015 to approximately HK$18,327,000 for the year ended 31 December 2016. Such increase was mainly due to the increase in the leasehold improvements and furniture, fixtures and office equipment resulting from the fitting-out work carried out for the new restaurants at Sheung Shui, Wan Chai and Macau.

Rental and related expenses

Our rental and related expenses increased by approximately HK$15,439,000 or approximately 32.9% from approximately HK$46,867,000 for the year ended 31 December 2015 to approximately HK$62,306,000 for the year ended 31 December 2016. Such increase was mainly due to the rental expenses for the leased premises for our newly operated restaurants in Sheung Shui, Wan Chai and Macau.

Other operating expenses

Our other operating expenses increased by approximately HK$11,084,000 or approximately 25.2% from approximately HK$43,925,000 for the year ended 31 December 2015 to approximately HK$55,009,000 for the year ended 31 December 2016. Such increase was mainly due to (i) the increase in cleaning and laundry expenses and water, electricity and gas expenses by approximately HK$2,296,000 and HK$3,917,000 for the operation of our new restaurants; and (ii) the increase in credit card commission and hotel handling charges of approximately HK$2,742,000.

Finance costs

Our Group incurred finance costs of approximately HK$4,232,000 for the year ended 31 December 2016, representing a decrease of 3.4% from approximately HK$4,380,000 for the year ended 31 December 2015. The decrease in finance costs was mainly attributable to the decrease in average bank borrowings balance during the year ended 31 December 2016.

[REDACTED]

For the year ended 31 December 2016, the **[REDACTED]** of approximately **[REDACTED]** have been charged to profit and loss of our Group. No **[REDACTED]** was charged to profit and loss of our Group for the year ended 31 December 2015.

Income tax expense

Our income tax expense increased by approximately HK$1,536,000 or 163.6% from approximately HK$939,000 for the year ended 31 December 2015 to approximately HK$2,475,000 for the year ended 31 December 2016. Our effective tax rate increased from 44.0% for the year ended 31 December 2015 to 67.1% for the year ended 31 December 2016. The increase in income tax expenses was mainly attributable to the increase in the assessable profits of our Group while the increase in effective tax rate was mainly attributable to certain **[REDACTED]** incurred not being tax deductible.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately HK$19,000 from approximately HK$1,195,000 for the year ended 31 December 2015 to approximately HK$1,214,000 for the year ended 31 December 2016. Our Group's profit do not have significant change during the Track Record Period.

INDEBTEDNESS

Borrowings

The following table sets forth our Group's interest-bearing borrowings as at 31 December 2015 and 2016 and 31 May 2017 and 30 June 2017, being the latest practicable date for ascertaining indebtedness in this document.

	As at 31 December		As at 31 May	As at 30 June
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Current				
Interest-bearing bank and other borrowings	80,443	59,749	48,532	48,386
Obligation under finance leases	227	—	—	—
	80,670	59,749	48,532	48,386
Non-current				
Interest-bearing other borrowings	1,194	558	—	—
	81,864	60,307	48,532	48,386

As at 30 June 2017, we had unutilised banking facilities of approximately HK$2,110,000 available for drawdown.

Except for other borrowings of RMB5,300,000, RMB5,300,000 and nil as at 31 December 2015 and 2016 and the five months ended 31 May 2017, respectively, which were denominated in RMB, all of our bank borrowings were denominated in HK$ and such borrowings gave rise to finance cost of approximately HK$4,380,000, HK$4,232,000 and HK$1,076,000 for the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, respectively.

As at 30 June 2017, our borrowings were secured by a building owned by our Group, life insurance policies, personal guarantees by our Directors, corporate guarantees and guarantees from Hong Kong Mortgage Corporation Limited. Please see note 24 to the Accountants' Report in Appendix I to this document for details of these securities. All personal guarantees executed by Mr. Wong WC, Ms. Lee and Mr. Wong WH, will be released upon the **[REDACTED]**.

As at the Latest Practical Date, our bank borrowings contain certain standard covenants that are commonly found in lending arrangements with commercial banks. The key terms of these financial covenants are summarised as follows:

(i) the borrower shall procure that our Group undertakes to maintain average free deposit of not less than a specific value, ranging from HK$800,000 to HK$1,000,000;

(ii) the outstanding amount of a loan shall be not greater than 90% of the current surrender value of the relevant insurance policies;

(iii) dividend with payout ratio of more than 50% of the specific subsidiaries shall be subject to prior consent from the relevant bank; and

(iv) the respective bank balances of the respective subsidiaries shall be not less than 10% of the turnover of the specific subsidiaries.

Note: The precise terms of the financial covenants vary in different facility letters.

Our Directors have confirmed that we had no substantial delay in any payment or breached any of the material covenants pertaining to our borrowings during the Track Record Period and up to the Latest Practicable Date.

All of our bank borrowings were classified as current liabilities despite some of them were repayable in more than one year. Our bank loans were borrowed from major commercial banks in Hong Kong. Notwithstanding that (i) such term loans have specific repayment schedule; and (ii) the loan agreements stated specific situations that the banks can demand for repayment, as a general and standard term of the loan agreements with these major commercial banks, such loan agreements contain a general term entitling the banks to demand for repayment at their discretion. As a result, these bank borrowings were classified as current liabilities in our combined financial statements.

Obligation under finance leases

During the Track Record Period, we had motor vehicles by way of finance lease which were previously acquired by way of finance lease arrangements mainly through finance lease companies. The following table sets out our obligations under finance leases repayable as at the respective date indicated.

	As at 31 December		As at 31 May	As at 30 June
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*
Within one year	227	—	—	—
Later than one year but no later than five years	—	—	—	—
	227	—	—	—

All of our finance leases were denominated in HK$ and we incurred from such leases finance cost of approximately HK$12,000, HK$4,000, nil and nil for the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017 and the six months ended 30 June 2017, respectively.

CAPITAL EXPENDITURES

The following table sets out our capital expenditures for the period indicated:

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	22,643	3,105	1,050

Our capital expenditures during the Track Record Period principally consisted of expenditures on acquisitions of property, plant and equipment. During the Track Record Period, we incurred capital expenditures of approximately HK$22,643,000, HK$3,105,000 and HK$1,050,000 for the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, respectively, primarily for leasehold improvements and furniture, fixtures and office equipment for the new restaurants at Sheung Shui, Wan Chai and Macau.

COMMITMENTS

Operating lease commitment

We leased certain restaurants, staff quarters and office premises under operating lease arrangements for a term of three to ten years. The following table sets forth our commitments for future minimum lease payments as at the date indicated:

	As at 31 December		As at 31 May	As at 30 June
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Within one year	43,313	48,048	52,687	51,899
In the second to fifth year inclusive	89,582	113,721	120,056	117,579
After five years	48,752	29,921	22,167	20,621
	181,647	191,690	194,910	190,099

The operating lease rentals of certain restaurants are based on the higher of a fixed rental and contingent rent based on the sales of those restaurants. Our directors are of the view that as the future sales of those restaurants could not be accurately estimated, the relevant rental commitments have not been included in operating lease arrangement.

Contingent liabilities

As at 31 December 2015 and 2016, 31 May 2017 and 30 June 2017, there were no material contingent liabilities relating to our Group.

Save as disclosed above, at the close of business on 30 June 2017, being the latest practicable date for determining our indebtedness, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has not been any material change in our indebtedness and contingent liabilities since Latest Practicable Date up to the date of this document.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet arrangement.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our primary use of cash is to fund our operations and repayment of borrowings and related interest expenses. We have financed our operations through a combination of cash generated from operating activities and external borrowings. Upon the completion of the **[REDACTED]**, we expect to meet our liquidity needs and finance our working capital requirements from cash generated from our operations, debt financing and the **[REDACTED]** from the **[REDACTED]**. As at the Latest Practicable Date, we had not experienced any liquidity problems in settling our payables in the normal course of business.

Cash flows

The following table sets forth our Group's cash flows for the periods indicated:

	For the year ended 31 December		For the five months ended 31 May	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Operating cash flows before working capital changes	20,976	25,447	9,782	3,947
Net cash flows from/(used in) operating activities	20,895	11,713	9,208	(2,262)
Net cash flows (used in)/from investing activities	(26,419)	1,767	1,807	845
Net cash flows (used in)/from financing activities	(718)	(3,834)	(12,736)	11,274
Net (decrease)/increase in cash and cash equivalents	(6,242)	9,646	(1,721)	9,857
Cash and cash equivalents at the beginning of the year/period	11,012	5,355	5,355	15,490
Effect of foreign exchange rate changes, net	585	489	319	190
	5,355	15,490	3,953	25,537
Cash and cash equivalents as stated in the combined statements of financial position	5,985	15,497	4,451	25,541
Bank overdrafts	(630)	(7)	(498)	(4)
Cash and cash equivalents as stated in the combined statements of cash flows	5,355	15,490	3,953	25,537

Cash flows from operating activities

During the Track Record Period, we derived our cash from operating activities principally from the sales received from our customers for our catering service. Our cash used in operating activities was mainly related to the payments of the food and beverages, and other operating items for restaurant operations, payment of staff costs, payment of rent and related expenses and other operating expenses.

Net cash flows from operating activities reflect our profit before income tax deducted by interests and income tax paid during the period and adjusted for non-cash items such as depreciation of property, plant and equipment, and the effect of changes in working capital items.

For the year ended 31 December 2015, we had net cash flows from operating activities in the amount of approximately HK$20,895,000. This was primarily due to operating cash flows before working capital changes of approximately HK$20,976,000, which was mainly attributable to our profit before tax of approximately HK$2,134,000 adjusted for depreciation of property, plant and equipment of approximately HK$14,609,000 and for finance cost of approximately HK$4,380,000.

For the year ended 31 December 2016, we had net cash flows from operating activities in the amount of approximately HK$11,713,000. This was primarily due to operating cash flows before working capital changes of approximately HK$25,447,000, partially offset by the movement in working capital and interest paid on bank loans, overdrafts and other loans. The movement in working capital for the year was mainly attributable to (i) the increase in prepayment, deposits and other receivables of approximately HK$7,347,000, in relation to the prepayment of the **[REDACTED]**; (ii) the decrease in other payables and accruals of approximately HK$5,336,000; (iii) the increase in trade receivables of approximately HK$3,968,000, mainly due to the hanging account from the Venetian Macau customers who dined in our restaurant; and (iv) the increase in trade payables of approximately HK$10,609,000 which was in line with the increase in purchase amount from our suppliers.

The decrease in cash flow from operating activities for the year ended 31 December 2016, as compared to that in the prior year, was mainly attributable to (i) the payment of **[REDACTED]** of approximately HK$7,097,000 during the year 2016; and (ii) the increase in trade receivable of approximately HK$3,968,000 in 2016 mainly resulted from the hanging accounts from the Venetian Macau customers in 2016. Our Directors consider that there is no fundamental deterioration in the commercial and operational viability in our Group's business for the year ended 31 December 2016.

For the five months ended 31 May 2017, we had net cash flows used in operating activities in the amount of approximately HK$2,262,000. This was primarily due to operating cash flows before working capital changes of approximately HK$3,947,000, partially offset by the movement in

working capital and interest paid on bank loans, overdrafts and other loans. The movement in working capital for the year was mainly attributable to (i) the decrease in inventories of approximately HK$2,429,000, in relation to the relatively lower stock level as at May as compared to December resulted from the limited traditional Chinese festivals during such period and the renovation of Wan Chai Restaurant for the period of April to June 2017; (ii) the increase in prepayment, deposits and other receivables of approximately HK$3,619,000 in relation to the prepayment of the **[REDACTED]**; (iii) the decrease in trade payables of approximately HK$2,956,000 which was mainly due to the lower inventory level resulted from the renovation of Wan Chai Restaurant for the period of April to June 2017; and (iv) the decrease in other payables and accruals of approximately HK$1,069,000.

Our Directors consider that the acquisition of certain equipment, furniture, utensils and rental deposits of the Wan Chai Restaurant and the Macau Restaurant from Tang Palace Group in July 2016 does not impose material impact on our cashflow during the Track Record Period as a whole. If the cash flows from operating activities before the changes in working capital generated by these two restaurants are excluded, our Group would record cash flows from operating activities before the changes in working capital of approximately HK$25,352,000 and HK$6,068,000 for the years ended 31 December 2016 and the five months ended 31 May 2017, respectively. Our Directors confirmed that our Group would have been able to meet the minimum cash flow requirement under the Rule 11.12A(1) of the GEM Listing Rules even if the financial results of these two restaurants were excluded.

Cash flows from investing activities

For the year ended 31 December 2015, we had net cash flows used in investing activities in the amount of approximately HK$26,419,000. This was mainly because of the purchase of property, plant and equipment of approximately HK$22,643,000 primarily in relation to the opening of Sheung Shui restaurant of the leasehold improvements and furniture, fixtures and office equipment to support our operations.

For the year ended 31 December 2016, we had net cash flows from investing activities in the amount of approximately HK$1,767,000. This was mainly because of the **[REDACTED]** from withdrawal of life insurance policies of approximately HK$4,664,000, which was partially offset by the purchase of property, plant and equipment of approximately HK$3,105,000 in relation to update the existing restaurants of furniture, fixtures and office equipment to support our operations.

For the five months ended 31 May 2017, we had net cash flows from investing activities in the amount of approximately HK$845,000. This was mainly because of the **[REDACTED]** from withdrawal of life insurance policies of approximately HK$1,894,000, which was partially offset by the purchase of property, plant and equipment of approximately HK$1,050,000 in relation to the renovation of Wan Chai Restaurant and the purchase of replacement furniture, fixtures and office equipment for our Macau Restaurant to support our operations.

Cash flows from financing activities

For the year ended 31 December 2015, our net cash flows used in financing activities amounted to approximately HK$718,000. This was primarily attributable to (i) repayments of bank and other borrowings of approximately HK$28,196,000 which was partially offset by **[REDACTED]** from new bank and other borrowings of approximately HK$23,581,000.

For the year ended 31 December 2016, our net cash flows used in financing activities amounted to approximately HK$3,834,000. This was primarily due to (i) repayments of bank and other borrowings of approximately HK$26,543,000; and (ii) changes in balances with directors of approximately HK$10,900,000 which was partially offset by **[REDACTED]** from issue of shares of a subsidiary of approximately HK$28,000,000.

For the five months ended 31 May 2017, our net cash flows from financing activities amounted to approximately HK$11,274,000. This was primarily due to the repayment from Directors of approximately HK$18,246,000 and the new bank and other borrowings of approximately HK$7,078,000 which were partially offset by the repayments of bank and other borrowings of approximately HK$14,050,000.

NET CURRENT LIABILITIES

The following table sets forth details of our Group's current assets, current liabilities and net current liabilities as at the dates indicated:

	As at 31 December		As at 31 May	As at 30 June
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*
Current Assets				
Inventories	9,942	11,402	8,973	9,508
Trade receivables	1,108	5,076	4,660	3,838
Prepayments, deposits and other receivables	5,515	25,038	25,786	28,425
Loan to a related company	3,420	—	—	—
Amounts due from related companies	19,057	332	383	387
Amounts due from directors	25,124	29,393	6,347	7,939
Tax recoverable	333	134	—	—
Cash and cash equivalents	5,985	15,497	25,541	18,673
Total current assets	70,484	86,872	71,690	68,770
Current Liabilities				
Trade payables	30,209	40,818	37,862	34,479
Other payables and accruals	34,911	30,166	29,097	27,880
Derivative financial instrument	472	—	—	—
Amounts due to related companies	2,343	283	—	—
Amount due to a director	2,189	1,797	1,797	1,797
Interest-bearing bank and other borrowings	80,443	59,749	48,532	48,386
Obligations under finance leases	227	—	—	—
Tax payable	759	1,308	2,929	2,879
Total current liabilities	151,553	134,121	120,217	115,421
Net current liabilities	(81,069)	(47,249)	(48,527)	(46,651)

Our net current liabilities represent the difference between our total current assets and total current liabilities.

Our current assets comprised inventories, trade receivables, prepayments, deposits and other receivables, loan to a related company, amounts due from related companies, amounts due from directors, tax recoverable and cash and cash equivalents. Our current liabilities comprised trade payables, other payables and accruals, derivative financial instrument, amounts due to related companies, amount due to director, interest-bearing bank and other borrowings, obligations under finance leases and tax payable.

Our Group recorded a net current liabilities position as at 31 December 2015 and 2016 and 31 May and 30 June 2017, primarily due to the large amount of capital expenditure invested in our restaurants as reported under our non-current assets being funded by bank borrowings with a repayment on demand clause which were reported under our current liabilities.

We recorded net current liabilities of approximately HK$47,249,000 as at 31 December 2016, representing an improvement of approximately HK$33,820,000 from approximately HK$81,069,000 as at 31 December 2015. The improvement was mainly due to (i) the cash consideration of issuing new shares of approximately HK$28,000,000 in September 2016; and (ii) the net cash flows generated from our business operation.

As at 31 May 2017, our Group's net current liabilities remain at similar level.

As at 30 June 2017, being the latest practicable date of our Group's net current liabilities position in this document, our Group had net current liabilities of approximately HK$46,651,000. Our net current liabilities position improvement was primarily attributable to the earnings generated from our business operation.

Our Directors consider that the certain equipment, furniture, utensils and rental deposits of the Wan Chai Restaurant and the Macau Restaurant, which were acquired from Tang Palace Group in July 2016, do not impose material impact on our Group's total net asset as at 31 December 2016 and 31 May 2017 as a whole. If the net asset of these two restaurants are excluded, our Group would record a net asset value of approximately HK$64,686,000 and HK$62,665,000 as at 31 December 2016 and 31 May 2017, respectively.

WORKING CAPITAL SUFFICIENCY

Taking into consideration our Group's existing balance of cash and cash equivalent, cash flows from its operations, availability of bank facilities and estimated **[REDACTED]** from the **[REDACTED]**, our Directors believe, after due and careful inquiry, that we have sufficient working capital for at least 12 months commencing from the date of this document.

ANALYSIS OF SELECTED COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, plant and equipment

The following table sets out the respective carrying values of our Group's property, plant and equipment as at the respective dates as indicated:

	Building	Leasehold improvements	Tableware and utensils	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2015	32,676	43,979	1,107	13,979	—	91,741
As at 31 December 2016	31,879	41,667	595	13,817	—	87,958
As at 31 May 2017	31,547	37,966	335	11,623	—	81,471

The decrease in net book value from 31 December 2015 to 31 December 2016 was mainly due to the depreciation of building, leasehold improvements, tableware and utensils and furniture, fixtures and offices equipment of approximately HK$18,327,000 which was partially offset by the acquisition of Macau Restaurant and for certain equipment, furniture and utensils of Wan Chai Restaurant of approximately HK$12,794,000. As at 31 May 2017 the net book value further decreased. The decrease was mainly due to the depreciation of building, leasehold improvement, tableware and utensils and furniture, fixtures and office equipment of approximately HK$7,451,000 which was partially offset by the renovation of Wan Chai Restaurant for the period from April to June 2017 of approximately HK$829,000 for the five months ended 31 May 2017. For details of our purchase and disposal of property, plant and equipment during the Track Record Period, please refer to note 14 to the Accountants' Report in Appendix I to this document.

Inventories

During the Track Record Period, the Group's inventories comprised food and beverages, and other operating items for restaurant operations. The following table sets out the information on the inventories balance as at the date indicated:

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Food and beverages, and other operating items for restaurant operations	9,942	11,402	8,973

Our inventories increased from approximately HK$9,942,000 as at 31 December 2015 to approximately HK$11,402,000 as at 31 December 2016. The increase in inventories balance was primarily due to the increase in stock level of the warehouse in order to meet the demand of the newly operated restaurants at Wan Chai and Macau. As at 31 May 2017, our inventories decreased to approximately HK$ 8,973,000. Such decrease was mainly due to (i) the higher stock level at December in order to meet the higher demand of the Christmas holidays and the New Year holidays; and (ii) the decrease in stock level resulted from the renovation of Wan Chai Restaurant for the period from April to June 2017.

The following table sets out the inventories turnover days for the periods indicated:

	For the year ended 31 December		For the five months ended 31 May
	2015	2016	2017
Inventories turnover days *(Note)*	38.7 days	30.7 days	29.0 days

Note: Inventories turnover days for the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017 are equal to the average inventories divided by cost of inventories consumed for the year/period, multiplied by 365 days for the year ended 31 December 2015, 366 days for the year ended 31 December 2016 and 151 days for the five months ended 31 May 2017. Average inventories are the average of inventories at the beginning of the year/period and inventories at the end of the year/period.

Our inventories turnover days were approximately 38.7 days, 30.7 days and 29.0 days for the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, respectively. The decrease in inventories turnover days was mainly because more restaurants could share the common pool of stock, which was mainly stored in our warehouse in Hong Kong, after the Sheung Shui Restaurant and the Wan Chai Restaurant opened in December 2015 and July 2016, respectively.

As at the Latest Practicable Date, approximately HK$2,437,000 or 27.2% of inventories as at 31 May 2017 were utilised.

Trade and other receivables

Our trade and other receivables consisted of (i) trade receivables; (ii) prepayments; (iii) deposits and other receivables; and (iv) deposits and other receivables for life insurance policies. The following table sets out the breakdown of trade and other receivables as at the dates indicated:

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	1,108	5,076	4,660
Prepayment, deposits and other receivables	44,324	49,897	51,618
	45,432	54,973	56,278

Trade receivables

Most of our customers settle their bills by credit cards or in cash. During the Track Record Period, our Group's trade receivables primarily consisted of receivables from banks in connection with credit card payments made by our customers, the hanging accounts for the Macau Restaurant from the customers who are occupants of the Venetian Macau and the cash vouchers to be presented to the issuing shopping mall.

Our Group's trade receivables increased by approximately 358.1% from approximately HK$1,108,000 as at 31 December 2015 to approximately HK$5,076,000 as at 31 December 2016 and decreased to approximately HK$4,660,000 as at 31 May 2017, which was mainly due to the increase in hanging account from the Venetian Macau customers of the Macau Restaurant which commenced business in July 2016.

The following table sets out the trade receivables' turnover days for the periods indicated:

	For the year ended 31 December		For the five months ended 31 May
	2015	2016	2017
Trade receivables' turnover days *(Note)* . . .	1.4 days	2.9 days	4.3 days

Note: Trade receivables' turnover days for the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017 are equal to the average trade receivables divided by revenue for the year/period multiplied by 365 days for the year ended 31 December 2015, 366 days for the year ended 31 December 2016 and 151 days for the five months ended 31 May 2017. Average trade receivables are the average of trade receivables at the beginning of the year/period and trade receivables at the end of the year/period.

Our trade receivables' turnover days were approximately 1.4 days, 2.9 days and 4.3 days for the years ended 31 December 2015, 2016 and the five months ended 31 May 2017, respectively. The increase in trade receivables' turnover days was mainly due to the increase in hanging accounts from the Venetian Macau customers of the Macau Restaurant which commenced business in July 2016.

The table below sets forth the ageing analysis of trade receivables by age, presented based on invoice date, which approximates the respective revenue recognition dates:

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	1,105	4,248	2,988
1 to 2 months	—	321	1,118
2 to 3 months	—	260	216
Over 3 months	3	247	338
	1,108	5,076	4,660

Our Group's sales are mainly settled in credit cards or in cash. The credit period is generally one to two months. As at 31 December 2015 and 2016 and the five months ended 31 May 2017, trade receivables that were neither past due nor impaired amounted to approximately HK$1,105,000, HK$4,320,000 and HK$4,027,000, respectively. These balances relate to credit card receivables from banks for whom there was no recent history of default and the hanging accounts from the Venetian Macau customers of the Macau Restaurant.

As at 31 December 2015 and 2016 and 31 May 2017, trade receivables that were past due but not impaired amounted to approximately HK$3,000, HK$756,000 and HK$633,000, respectively. These balances relate to a number of independent customers that have a good track record with our Group. Based on past experience, our Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 31 December 2015 and 2016 and 31 May 2017, no trade receivables were impaired. No allowance for impairment of trade receivables was made as at 31 December 2015 and 2016 and 31 May 2017.

For details of our trade receivables, please refer to note 16 to the Historical Financial Information in the Accountants' Report set out in Appendix I to this document.

As at the Latest Practicable Date, approximately HK$3,672,000 or 78.8%, of trade receivables as at 31 May 2017 were settled.

Prepayment, deposits and other receivables

Our prepayment, deposits and other receivables comprised of rental and utilities deposits, prepayments for restaurant operations and deposits placed for life insurance policies.

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

	As at 31 December		As at 31 May
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Prepayments	1,013	3,731	6,036
Deposits	15,646	20,655	20,977
Other receivables	1,211	4,005	4,997
Deposits and other receivables for life insurance policies	26,454	21,506	19,608
	44,324	49,897	51,618

As at 31 December 2015 and 2016, our Group's prepayments, deposits and other receivables amounted to approximately HK$44,324,000, HK$49,897,000, respectively, representing an increase of approximately 12.6% as at 31 December 2016 as compared with that as at 31 December 2015. Such increase was mainly due to (i) the rental deposits of approximately HK$3,585,000 for Macau Restaurant and Wan Chai Restaurant, partially offset by the decrease in deposits placed for the life insurance policies; and (ii) the rental deposits of approximately HK$473,000 for the lease agreements in respect of the premises for new restaurants which our Group plans to open in Kwai Chung. As at 31 May 2017, our Group's prepayment, deposits and other receivables further increase to approximately HK$51,618,000. Such increase was mainly due to (i) the increase in prepayments resulted from the one-off **[REDACTED]** of approximately HK$1,557,000; and (ii) the rental deposit of HK$473,000 for the restaurant to be opened in Kwai Chung, which was partially offset by the decrease in deposits placed for the life insurance policies.

For details of our prepayments, deposits and other receivables, please refer to note 17 to the Historical Financial Information in the Accountants' Report set out in Appendix I to this document.

Loan to a related company, amounts due from related companies and directors

The following table sets forth the details of the amounts due from/to related parties as at each reporting date during the Track Record Period:

Loan to a related company

	As at 31 December		As at 31 May
Name	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Dragon King Shanghai	3,420	—	—

The balances for the loan to a related company which was unsecured, interest-bearing at 5.76% per annum and repayable on demand. On 16 December 2016, the loan to a related company was transferred as an amount due from Mr. Wong Wing Chee.

Amounts due from related companies

	As at 31 December		As at 31 May
Name	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Wide Fortune Limited	75	81	129
Dragon King Pty. Ltd.	—	15	15
Flyway Limited	14,334	—	—
Dragon King Shanghai	4,425	—	—
Trillion Luck In Limited	—	—	—
Hong Kong Co-Founder Technology Limited	57	59	62
Best Focus Creation Limited	166	177	177
	19,057	332	383

Amount due from directors

	As at 31 December		As at 31 May
Name	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Wong WC	20,794	29,393	6,347
Ms. Lee	4,330	—	—
	25,124	29,393	6,347

The amounts due from related parties and directors are non-trade in nature, unsecured, interest-free and recoverable on demand. The balance of the amounts due from/to related parties and directors will be settled before **[REDACTED]**.

Trade and other payables

Our trade and other payables consisted of (i) trade payable; (ii) deferred income; (iii) other payable; (iv) accruals; and (v) receipts in advance. The following table sets forth the details of our trade and other payables during the Track Record Period:

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	30,209	40,818	37,862
Other payables and accruals	37,652	33,680	32,611
	67,861	74,498	70,473

Trade payables

Trade payables were mainly related to the purchase of inventories from our suppliers. We generally receive credit terms of 30 to 120 days from our suppliers.

Our Group's trade payable increased by approximately 35.1% from approximately HK$30,209,000 as at 31 December 2015 to approximately HK$40,818,000 as at 31 December 2016, which was mainly due to the purchase of inventories for the newly operated restaurants in Wan Chai and Macau in July 2016 and July 2016, respectively. As at 31 May 2017, our Group's trade payables decreased to approximately HK$37,862,000. Such decrease was mainly due to the lower inventory level as explained above.

The following table sets out the trade payables' turnover days for the periods indicated:

	For the year ended 31 December		For the five months ended 31 May
	2015	2016	2017
Trade payables' turnover days *(Note)*	105.9 days	102.1 days	112.1 days

Note: Trade payables' turnover days for the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017 are equal to the average trade payables divided by cost of inventories consumed for the year/period multiplied by 365 days for the year ended 31 December 2015, 366 days for the year ended 31 December 2016 and 151 days for the five months ended 31 May 2017. Average trade payables are the average of trade payables at the beginning of the year/period and trade payables at the end of the year/period.

Our trade payables' turnover days were approximately 105.9 days, 102.1 days and 112.1 days for the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017, respectively. There were no significant changes in the trade payables' turnover days during the Track Record Period and the trade payables' turnover days were within the credit terms generally offered by our suppliers.

The following table sets out the ageing analysis of our trade payables as at the end of each of the reporting dates presented based on the invoiced dates:

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	9,454	12,503	10,043
1 to 2 months	6,857	9,081	7,093
2 to 3 months	4,584	6,924	7,825
Over 3 months	9,314	12,310	12,901
	30,209	40,818	37,862

As at the Latest Practicable Date, approximately HK$23,799,000 or 62.9% of our trade payables as at 31 May 2017 were settled.

Other payables and accruals

The following table sets out the details of our Group's other payables and accruals as at the dates indicated:

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Deferred income	2,794	3,289	2,140
Other payables	15,990	8,584	7,112
Accruals	17,938	20,887	22,577
Receipts in advance	930	920	782
	37,652	33,680	32,611

As at 31 December 2015 and 2016, our Group's other payables and accruals amounted to approximately HK$37,652,000, HK$33,680,000, respectively, representing a decrease of approximately 10.5% as at 31 December 2016 as compared with that as at 31 December 2015. Such decrease was mainly due to the faster settlement of other payables towards the year end 2016, which was partially offset by the increase in accrued salaries of approximately HK$3,181,000 mainly resulted from the operation of the new restaurants in Sheung Shui, Wan Chai and Macau. As at 31 May 2017, the Group's other payables and accruals remain at similar level.

RELATED PARTY TRANSACTIONS

The following table sets out the details of our Group's related party transactions as at the dates indicated:

	For the year ended 31 December		For the five months ended 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Purchases from related companies	2,319	1,389	—
Sales to a related company	—	2	—
Interest income received from a related company	166	205	—
Interest expenses paid to a senior management	66	175	28

For details of our related party transactions, please refer to note 32 to the Historical Financial Information in the Accountants' Report set out in Appendix I to this document. Having considered that (i) the related party purchases and sales were conducted with terms comparable to that with independent third parties; (ii) the interest rate of the loan to related company is approximately equal to the interest rate of the corresponding loan drawn by our Group from the bank; (iii) the interest rate of the loan from a senior management is not less favourable than that from independent third parties; (iv) the amount of related party purchases and sales and the interest paid and received from related party loans are insignificant to the Group and our Group intends not to continue the purchases from related parties in the near future; and (v) all the outstanding amounts of borrowings to/from the related parties have been settled, our Directors consider and the sponsor concurs that these related party transactions were conducted on normal commercial terms that are considered fair and reasonable and in the interest of our Group and would not distort our results of operations during the Track Record Period or make our historical results not reflective of our expectation for our future performance.

SELECTED KEY FINANCIAL RATIOS

The following sets out our key financial ratios during the Track Record Period:

	For the year ended or as at 31 December		For the five months ended 31 May
	2015	2016	2017
Profitability ratios			
Return on assets[(note 1)]	0.6%	0.6%	N.A.
Return on equity[(note 2)]	3.8%	1.7%	N.A.
Liquidity ratios			
Current ratio[(note 3)]	0.47	0.65	0.60
Quick ratio[(note 4)]	0.40	0.56	0.52
Capital adequacy ratios			
Gearing ratio[(note 5)]	75.2%	65.1%	61.7%
Interest coverage[(note 6)]	1.5 times	1.9 times	N.A.

Notes:

1. Return on assets is calculated based on the profit for the year divided by the total assets at the end of the respective year, multiplied by 100% for the years ended 31 December 2015 and 2016; or multiplied by 365/151 and then multiplying the resulting value by 100% for the five months ended 31 May 2017.

2. Return on equity is calculated based on the profit attributable to the owners of our Company for the year divided by the total equity attributable to the owners of our Company at the end of the respective year, multiplied by 100% for the years ended 31 December 2015 and 2016; or multiplied by 365/151 and then multiplying the resulting value by 100% for the five months ended 31 May 2017.

3. Current ratio is calculated based on the total current assets at the end of the year/period divided by the total current liabilities at the end of the respective year/period.

4. Quick ratio is calculated based on the total current assets (less inventories) at the end of the year/period divided by the total current liabilities at the end of the respective year/period.

5. Gearing ratio is calculated based on the net debt at the end of the year/period divided by capital plus net debt at the end of the respective year/period. Net debt represents interest-bearing bank and other borrowings, an amount due to a director, amounts due to related companies, trade payables, other payables and accruals, obligations under finance leases and a derivative financial instrument, less cash and cash equivalents. Capital represents the equity attributable to owners of our Company.

6. Interest coverage is calculated based on the profit before interest and tax for the respective year/period divided by the interest expenses for the respective year/period.

Return on assets

Our Group's return on assets was approximately 0.6% and 0.6% for the years ended 31 December 2015 and 2016, respectively. Our return on assets remained stable as both of our profit and total assets remained at approximately the same level. Should the **[REDACTED]** incurred in 2016 is excluded, our return on assets would be improved in 2016. Our Group recorded a net loss for the five months ended 31 May 2017, mainly due to the one-off **[REDACTED]** of approximately **[REDACTED]**.

Return on equity

Our Group's return on equity was approximately 3.8% and 1.7% for the years ended 31 December 2015 and 2016, respectively. The decrease in return on equity in 2016 is mainly due to (i) the decrease in profit attributable to owners of our Company resulted from the **[REDACTED]** incurred in 2016; and (ii) the increase in equity resulted from the **[REDACTED]** investments, partially offset by the dividend paid in 2016. Our Group recorded a net loss for the five months ended 31 May 2017, which mainly due to the one-off **[REDACTED]** of approximately **[REDACTED]**.

Current ratio

As at 31 December 2015 and 2016, current ratio was approximately 0.47 and 0.65, respectively. The improvement in current ratio was resulted from the decrease in current liabilities due to the repayment of the bank borrowings after our receipt of the cash consideration of HK$28,000,000 from the **[REDACTED]** Investments in 2016. Our current ratio was 0.60 as at 31 May 2017. There were no significant changes as compared with 31 December 2016.

Quick ratio

As at 31 December 2015 and 2016, quick ratio was approximately 0.40 and 0.56, respectively. The increase was mainly attributable to the reasons as explained above in alignment with the improvement in current ratio in 2016 as compared with 2015. Our quick ratio was 0.52 as at 31 May 2017. There were no significant changes as compared with 31 December 2016.

Gearing ratio

Gearing ratio as at 31 December 2015 and 2016 was approximately 75.2% and 65.1%, respectively. The decrease in gearing ratio was mainly attributable to (i) the increase in equity base in 2016 resulting from the issue of shares of a subsidiary of approximately HK$43,000,000 which was partially offset by the dividends paid by our Company's subsidiary to the then shareholder of approximately HK$27,293,000 during the year ended 31 December 2016; and (ii) the decrease in bank borrowings resulting from the repayment of the bank borrowings. Our gearing ratio was 61.7% as at 31 May 2017. The decrease was mainly due to the increase in the cash and cash equivalents resulted from the cash repayment from the Directors of approximately HK$18,246,000.

Interest coverage

Our Group's interest coverage was approximately 1.5 and 1.9 times for the years ended 31 December 2015 and 2016, respectively. The increase in interest coverage ratio in 2016 was mainly due to increase in profit before interest and tax resulting from the opening of Sheung Shui Restaurant which commenced business in December 2015, and the acquisition of the Wan Chai and Macau Restaurants which commenced business in July 2016. Our Group recorded a net loss for the five months ended 31 May 2017, mainly due to the one-off **[REDACTED]** of approximately **[REDACTED]**.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Foreign currency risk

Our Group currently does not expose to material foreign exchange risk as most of our monetary assets and liabilities are denominated in Hong Kong Dollars.

Credit risk

We trade with a large number of individual customers and trading terms are mainly on cash and credit card settlement. In view of our operation, we do not have significant credit risk exposure to any single individual customer.

The credit risk of our other financial assets comprises carrying amounts of cash and bank balances, deposits and other receivables, amounts due from directors and related companies. These credit risks are monitored on an ongoing basis.

Liquidity risk

Our Group has policy in place to regularly monitor our Group's liquidity requirements, both existing and expected, in order to maintain sufficient reserves of cash from short term to long term. Our Directors are of the view that our liquidity risk management policy enables our Group to have sufficient resources to meet our debt obligations and working capital needs.

Capital risk

Our Group's objectives for managing capital are to ensure our ability to continue as a going concern in order to provide returns for the Shareholders and to maintain an optimal capital structure to minimise our cost of capital.

To maintain or adjust capital structure, we may adjust dividend payout ratio, make return of capital to Shareholders in the form of dividend or share buyback, issue new Shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the Track Record Period.

PROPERTY INTEREST AND VALUATION OF PROPERTY

For the purpose of the **[REDACTED]** of the Shares on the Stock Exchange, our property was valued as at 30 June 2017 by BMI Appraisals Limited, an independent professional property valuer. Details of the valuation are summarised in Appendix III to this document. Except for the property interests in Appendix III to this document, no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

There is a net revaluation surplus, representing the excess market value of the property over its carrying amounts, amounted to approximately HK$4,619,000 of which will not be included in our Group's accounts for the year ending 31 December 2017. In accordance with our accounting policy, all properties are stated at cost less accumulated depreciation. As such, the net revaluation surplus arising from the valuation of property has not been included in the combined statements of financial position under the section headed "Accountant's Report" set out in Appendix I to this document.

Disclosure of the reconciliation of the property interests of our Group and the valuation of such property interests as required under Rule 8.30 of the GEM Listing Rules is set out below:

	HK$'000
Net book value of property as at 31 May 2017 as set out in the Accountants' Report included in Appendix I to this document:	
Building	31,547
Movements during the month ended 30 June 2017 (unaudited):	
Depreciation	(66)
Net book value of property as at 30 June 2017	31,481
Valuation surplus	4,619
Valuation as at 30 June 2017 as set out in the Property Valuation Report included in Appendix III to this document	36,100

DIVIDEND AND DISTRIBUTABLE RESERVES

During the Track Record Period, one of our Group members declared and paid dividends of approximately HK$27,293,000 to the then shareholder during the year ended 31 December 2016.

There is no expected or predetermined dividend payout ratio after the **[REDACTED]**. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Pursuant to certain financial covenants contained in our bank borrowings, dividend with payout ratio of more than 50% of the specific subsidiaries shall be subject to prior consent from the relevant bank. For the details of the financial covenants contained in our bank borrowings, please refer to the paragraph headed "Indebtedness" in the section headed "Financial Information" in this document. Any final dividend for a financial year will be subject to Shareholders' approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up on the Shares.

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

[REDACTED]

Our estimated **[REDACTED]** primarily consist of legal and professional fees, including **[REDACTED]** commission, in relation to the **[REDACTED]**. Assuming the **[REDACTED]** of **[REDACTED]** per **[REDACTED]**, being the mid-point of the indicative range of the **[REDACTED]** stated in this document, the **[REDACTED]** are estimated to be approximately **[REDACTED]**, of which approximately **[REDACTED]** is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately **[REDACTED]** and **[REDACTED]** was charged to the combined statements of profit or loss for the year ended 31 December 2016 and the five months ended 31 May 2017 and approximately **[REDACTED]** is expected to be incurred after the Track Record Period. The estimated **[REDACTED]** are subject to adjustments based on the actual amount incurred or to be incurred.

FINANCIAL PERFORMANCE FOR THE YEAR ENDING 31 DECEMBER 2017

Our Directors consider that our Group's financial performance for the year ending 31 December 2017 would significantly deteriorate as affected by the increase in the **[REDACTED]** and administrative expenses. **[REDACTED]** of approximately **[REDACTED]** are expected to be charged to the combined statements of profit or loss for the year ending 31 December 2017. In addition, there will be an expected increase in administrative expenses which is primarily attributable to the increase in Directors' remuneration and other professional fees for the year ending 31 December 2017 arising from the increase in remuneration of our Directors and the appointment of our new independent non-executive Directors and professional parties prior to and after the **[REDACTED]**.

Our Directors are of the opinion that there has been no fundamental deterioration in the commercial and operational viability in our Group's business despite the expected increase in our Directors' remuneration and professional fees and the non-recurring **[REDACTED]**.

MATERIAL ADVERSE CHANGE

The impact of the **[REDACTED]** on the profit or loss accounts has posted a material adverse change in the financial or trading position or prospect of our Group since 31 May 2017 (being the date of the latest audited combined financial statements were made up). Prospective investors should be aware that our Group may incur a loss for the year ending 31 December 2017 as a result of incurrence of **[REDACTED]**. In addition, our Directors anticipate that the increasing rental expenses upon the renewal of existing leases which will expire in 2017 and the increase in statutory minimum wage in Hong Kong from HK$32.5 per hour to HK$34.5 per hour since 1 May 2017 will also impose pressure on our operations, and our profitability for the year ending 31 December 2017 may be adversely affected.

Save as disclosed above, our Directors confirmed that, up to the date of this document, there has been no material adverse change in our Group's financial or trading positions or prospect of our Company or its subsidiaries since 31 May 2017 (being the date of which our Group's latest audited combined financial statements were made up as set out in the Accountants' Report in Appendix I to this document) and there had been no event since 31 May 2017 which would materially affect the information shown in the Accountants' Report in Appendix I to this document.

DISCLOSURE REQUIREMENTS UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirements under Rule 17.15 to 17.21 of the GEM Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company which has been prepared for the purpose of illustrating the effect of the **[REDACTED]** as if it had been taken place on 31 May 2017 and based on the combined net assets of our Group as at 31 May 2017 as shown in the Accountants' Report set forth in Appendix I to this document and is adjusted as follows:

	Combined net tangible assets of our Group attributable to owners of our Company as at 31 May 2017	**Estimated net [REDACTED] from the [REDACTED]**	**Unaudited pro forma adjusted combined net tangible assets attributable to the owners of our Company**	**Unaudited pro forma adjusted combined net tangible assets per Share**
	HK$'000 (note 1)	*HK$'000 (note 2)*	*HK$'000*	*HK$'000 (note 3)*
Based on the **[REDACTED]** of **[REDACTED]** per Share	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on the **[REDACTED]** of **[REDACTED]** per Share	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

1. The combined net tangible assets of our Group attributable to owners of our Company as at 31 May 2017 are based on combined net assets of our Group attributable to owners of our Company as at 31 May 2017 of approximately HK$59,073,000 as shown in the historical financial information section of the Accountants' Report set out in Appendix I to this document.

2. The estimated **[REDACTED]** from the **[REDACTED]** are based on **[REDACTED]** new Shares to be issued at the minimum and maximum **[REDACTED]** of **[REDACTED]** and **[REDACTED]** per share, respectively, after deduction of the **[REDACTED]** fees and related expenses payable by our Company (excluding approximately **[REDACTED] [REDACTED]** which have been accounted for prior to 31 May 2017), which has not been reflected in net tangible assets of our Group as at 31 May 2017. No account has been taken of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme referred to Appendix V to this document.

3. The unaudited pro forma adjusted net tangible assets per Share is calculated based on **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]**, but taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to Appendix V to this document.

4. No adjustment has been made to the unaudited pro forma adjusted net tangible assets of our Group to reflect any trading results or other transactions of our Group entered into subsequent to 31 May 2017.

[REDACTED]

[REDACTED] and [REDACTED]

[Frontpage Capital Limited]
[•]

[REDACTED] ARRANGEMENTS AND EXPENSES

The [REDACTED]

[REDACTED]

Pursuant to the **[REDACTED]**, we are offering **[REDACTED] [REDACTED]** (including **[REDACTED] [REDACTED]**) (subject to reallocation) for subscription on the terms and subject to the conditions of this document and the **[REDACTED]** at the **[REDACTED]**.

Subject to (i) the **[REDACTED]** of the Stock Exchange granting **[REDACTED]** of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document; and (ii) certain other conditions set out in the **[REDACTED]**, the **[REDACTED]** have severally agreed to apply or procure applications, on the terms and conditions of this document, the related **[REDACTED]** and the **[REDACTED]**, for the **[REDACTED]** now being offered and which are not taken up under the **[REDACTED]**.

The **[REDACTED]** is conditional upon and subject to the **[REDACTED]** having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Voluntary lock-up undertaking by our Controlling Shareholders

Apart from satisfying the lock-up requirement under Rule 13.16A of the GEM Listing Rules, our Controlling Shareholders have entered into a deed of lock-up undertaking on a voluntary basis in favour of our Company (for itself and for the benefit of each of its subsidiaries) on 15 November 2017.

Pursuant to the deed of lock-up undertaking, each of our Controlling Shareholders has voluntarily undertaken to our Company that, for an additional 12 months commencing on the date on which the undertaking under Rule 13.16A(1)(b) of the GEM Listing Rules expires, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself shall not, unless waived by majority of our Company's independent Shareholders, 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 held by him/it, the relevant registered holder(s) and any of his/its associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he/it would cease to be a Controlling Shareholder.

INDEPENDENCE OF THE SOLE SPONSOR

Save for (i) the Sole Sponsor has been appointed as the compliance adviser of our Company with effect from the **[REDACTED]** until the despatch of the audited consolidated financial results for the second full financial year after the **[REDACTED]**, and our Company will pay to the Sole Sponsor an agreed fee for its provision of services as required under the GEM Listing Rules; and (ii) the interests and obligations under the **[REDACTED]** and the advisory fee payable to the Sole Sponsor in respect of the **[REDACTED]**, none of the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]** or the **[REDACTED]** is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group. No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or, as a result of the **[REDACTED]** and/or the **[REDACTED]**, may have any interest in any class of securities of our Company or any other members of our Group (including options or rights to subscribe for such securities). No director or employee of the Sole Sponsor has any directorship in our Company or any other members of our Group. The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

SOLE SPONSOR'S, [REDACTED], [REDACTED] AND [REDACTED] INTERESTS IN OUR COMPANY

Save for their interests and obligations under the **[REDACTED]** and the advisory and documentation fee payable to the Sole Sponsor in respect of the **[REDACTED]**, pursuant to the requirements under Rule 6A.19 of the GEM Listing Rules, none of the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]** and the **[REDACTED]** or any of their close associates is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group. None of the directors and employees of the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]** and the **[REDACTED]** has any directorship in our Company or any other companies comprising our Group.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED] AND [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED] AND [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED] AND [REDACTED]

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HOW TO APPLY FOR [REDACTED] AND [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED] AND [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED] AND [REDACTED]

[REDACTED]

The following version is the text of a report, prepared for the purpose of incorporation in this document, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants.

[22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong]

The Directors
Dragon King Group Holdings Limited

Frontpage Capital Limited

Dear Sirs,

We report on the historical financial information of Dragon King Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-[•]] to [I-[•]], which comprises the combined statements of profit or loss, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017 (the "Track Record Period"), the combined statements of financial position of the Group as at 31 December 2015 and 2016 and 31 May 2017, the statement of financial position of the Company as at 31 December 2016 and 31 May 2017, 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-[•]] to [I-[•]] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "Document") in connection with the initial **[REDACTED]** of the shares of the Company on the Growth Enterprise Market (the "GEM Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company (the "Directors") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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 accountants' report, a true and fair view of the financial position of the Group as at 31 December 2015 and 2016 and 31 May 2017 and the Company as at 31 December 2016 and 31 May 2017, and of the financial performance and cash flows of the Group for each of the Track Record Period in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the combined statement of profit or loss, combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows for the five months ended 31 May 2016 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE GEM BOARD OF THE STOCK EXCHANGE 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 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,
[•]
Certified Public Accountants
Hong Kong

[Date]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Ernst & Young, Hong Kong in accordance with the Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

(A) COMBINED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December		Five months ended 31 May	
		2015	2016	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Revenue	6	294,429	393,705	146,616	171,656
Cost of inventories consumed		(92,388)	(127,337)	(46,476)	(52,980)
Gross profit		202,041	266,368	100,140	118,676
Other income and gains, net	6	2,597	4,283	997	960
Staff costs		(92,723)	(122,963)	(49,312)	(55,680)
Depreciation of items of property, plant and equipment	14	(14,609)	(18,327)	(6,957)	(7,451)
Rental and related expenses		(46,867)	(62,306)	(22,541)	(30,012)
Other operating expenses		(43,925)	(55,009)	(19,574)	(24,211)
Finance costs	8	(4,380)	(4,232)	(1,835)	(1,076)
[REDACTED]		—	**[REDACTED]**	—	**[REDACTED]**
PROFIT/(LOSS) BEFORE TAX	7	2,134	3,689	918	(4,591)
Income tax expense	11	(939)	(2,475)	(848)	(1,204)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		1,195	1,214	70	(5,795)
Attributable to:					
Owners of the Company		1,880	1,128	159	(5,723)
Non-controlling interests		(685)	86	(89)	(72)
		1,195	1,214	70	(5,795)

(B) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR/PERIOD	1,195	1,214	70	(5,795)
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(560)	(863)	(533)	112
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD	635	351	(463)	(5,683)
Attributable to:				
Owners of the Company	1,320	265	(374)	(5,611)
Non-controlling interests	(685)	86	(89)	(72)
	635	351	(463)	(5,683)

(C) COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		As at 31 May
		2015	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	14	91,741	87,958	81,471
Deposits and other receivables	17	38,809	24,859	25,832
Deferred tax assets	26	3,360	3,592	3,851
Total non-current assets		133,910	116,409	111,154
CURRENT ASSETS				
Inventories	15	9,942	11,402	8,973
Trade receivables	16	1,108	5,076	4,660
Prepayments, deposits and other receivables	17	5,515	25,038	25,786
Loan to a related company	18	3,420	—	—
Amounts due from related companies	18	19,057	332	383
Amounts due from directors	19	25,124	29,393	6,347
Tax recoverable		333	134	—
Cash and cash equivalents	20	5,985	15,497	25,541
Total current assets		70,484	86,872	71,690
CURRENT LIABILITIES				
Trade payables	21	30,209	40,818	37,862
Other payables and accruals	22	34,911	30,166	29,097
Derivative financial instrument	23	472	—	—
Amounts due to related companies	18	2,343	283	—
Amount due to a director	19	2,189	1,797	1,797
Interest-bearing bank and other borrowings	24	80,443	59,749	48,532
Obligations under finance leases	25	227	—	—
Tax payable		759	1,308	2,929
Total current liabilities		151,553	134,121	120,217
NET CURRENT LIABILITIES		(81,069)	(47,249)	(48,527)
TOTAL ASSETS LESS CURRENT LIABILITIES		52,841	69,160	62,627

		As at 31 December		As at 31 May
		2015	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT LIABILITIES				
Other payables and accruals	22	2,741	3,514	3,514
Interest-bearing other borrowings	24	1,194	558	—
Deferred tax liabilities	26	208	332	40
Total non-current liabilities		4,143	4,404	3,554
Net assets		48,698	64,756	59,073
EQUITY				
Equity attributable to owners of the Company				
Issued capital	27	—	—	—
Reserves	28	49,009	64,981	59,073
		49,009	64,981	59,073
Non-controlling interests		(311)	(225)	—
Total equity		48,698	64,756	59,073

(D) COMBINED STATEMENTS OF CHANGES IN EQUITY

Years ended 31 December 2015 and 2016

	Attributable to owners of the Company						
	Issued capital	Capital reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000 (note 27)	*HK$'000* (note 28(a))	*HK$'000* (note 28(b))	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	—	—	1,098	46,591	47,689	374	48,063
Profit for the year	—	—	—	1,880	1,880	(685)	1,195
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	—	—	(560)	—	(560)	—	(560)
Total comprehensive income for the year	—	—	(560)	1,880	1,320	(685)	635
At 31 December 2015 and 1 January 2016	—	—*	538*	48,471*	49,009	(311)	48,698
Profit for the year	—	—	—	1,128	1,128	86	1,214
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	—	—	(863)	—	(863)	—	(863)
Total comprehensive income for the year	—	—	(863)	1,128	265	86	351
Issue of shares of a subsidiary	—	43,000	—	—	43,000	—	43,000
Dividends paid to the then shareholder (note 12)	—	—	—	(27,293)	(27,293)	—	(27,293)
At 31 December 2016	—	43,000*	(325)*	22,306*	64,981	(225)	64,756

Five months ended 31 May 2016 (unaudited) and 2017

	Attributable to owners of the Company						
	Issued capital	Capital reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000 (note 27)	*HK$'000* (note 28(a))	*HK$'000* (note 28(b))	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	—	—	538	48,471	49,009	(311)	48,698
Profit for the period (unaudited)	—	—	—	159	159	(89)	70
Other comprehensive loss for the period (unaudited): Exchange differences on translation of foreign operations (unaudited)	—	—	(533)	—	(533)	—	(533)
Total comprehensive loss for the period (unaudited)	—	—	(533)	159	(374)	(89)	(463)
Dividends paid to the then shareholder (note 12)	—	—	—	(27,293)	(27,293)	—	(27,293)
At 31 May 2016 (unaudited)	—	—	5	21,337	21,342	(400)	20,942
At 1 January 2017	—	43,000	(325)	22,306	64,981	(225)	64,756
Loss for the period	—	—	—	(5,723)	(5,723)	(72)	(5,795)
Other comprehensive income for the period:							
Exchange differences on translation of foreign operations	—	—	112	—	112	—	112
Total comprehensive loss for the period	—	—	112	(5,723)	(5,611)	(72)	(5,683)
Acquisitions of non-controlling interests	—	(297)	—	—	(297)	297	—
At 31 May 2017	—	42,703*	(213)*	16,583*	59,073	—	59,073

* These reserve accounts comprise the combined reserves of HK$49,009,000, HK$64,981,000 and HK$59,073,000 in the combined statements of financial position as at 31 December 2015 and 2016 and 31 May 2017, respectively.

(E) COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December		Five months ended 31 May	
		2015	2016	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		2,134	3,689	918	(4,591)
Adjustments for:					
Finance costs	8	4,380	4,232	1,835	1,076
Bank interest income	6	(4)	(3)	(1)	(1)
Other interest income	6	(166)	(205)	(85)	—
Interest income from life insurance policies	6	(906)	(905)	(366)	(296)
Premium charges of life insurance policies	7	472	789	418	300
Adjustments of expected cash flows from insurance policies	7	—	400	—	—
Loss on disposal of items of property, plant, and equipment	7	3	3	1	8
Fair value loss of a derivative financial instrument	7	454	105	105	—
Depreciation		14,609	18,327	6,957	7,451
Gain on bargain purchase	7	—	(985)	—	—
		20,976	25,447	9,782	3,947
Decrease/(increase) in inventories		(287)	(79)	553	2,429
Decrease/(increase) in trade receivables		33	(3,968)	279	416
Decrease/(increase) in prepayments, deposits and other receivables		(2,017)	(7,347)	158	(3,619)
Movement in balances with related companies		(8,261)	(969)	(1,831)	(334)
Increase/(decrease) in trade payables		9,324	10,609	4,028	(2,956)

		Year ended 31 December		Five months ended 31 May	
		2015	2016	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Decrease in a derivative financial instrument		(1,994)	(577)	(577)	—
Increase/(decrease) in other payables and accruals		10,701	(5,336)	(216)	(1,069)
Cash generated from/(used in) operations		28,475	17,780	12,176	(1,186)
Interest paid on bank loans, overdrafts and other loans		(4,368)	(4,228)	(1,832)	(1,076)
Interest element of finance leases payments		(12)	(4)	(3)	—
Hong Kong profits tax paid		(3,200)	(1,835)	(1,133)	—
Net cash flows from/(used in) operating activities		20,895	11,713	9,208	(2,262)

		Year ended 31 December		Five months ended 31 May	
		2015	2016	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		170	208	86	1
Purchases of items of property, plant and equipment	14	(22,643)	(3,105)	(989)	(1,050)
Deposits placed for new life insurance policies		(3,946)	—	—	—
[REDACTED] from withdrawal of life insurances policies		—	4,664	2,710	1,894
Net cash flows from/(used in) investing activities		(26,419)	1,767	1,807	845
CASH FLOWS FROM FINANCING ACTIVITIES					
[REDACTED] from issue of shares of a subsidiary		—	28,000	—	—
New bank and other borrowings		42,967	30,228	13,531	7,078
Repayment of bank and other borrowings		(47,582)	(50,935)	(22,360)	(14,050)
Capital element of finance leases payments	30	(220)	(227)	(97)	—
Movement in balances with directors	30	4,117	(10,900)	(3,810)	18,246
Net cash flows from/(used in) financing activities		(718)	(3,834)	(12,736)	11,274
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(6,242)	9,646	(1,721)	9,857
Cash and cash equivalents at beginning of year/period		11,012	5,355	5,355	15,490
Effect of foreign exchange rate changes, net		585	489	319	190

		Year ended 31 December		Five months ended 31 May	
		2015	2016	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		5,355	15,490	3,953	25,537
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents as stated in the combined statements of financial position		5,985	15,497	4,451	25,541
Bank overdrafts	24	(630)	(7)	(498)	(4)
Cash and cash equivalents as stated in the combined statements of cash flows		5,355	15,490	3,953	25,537

(F) STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2016	As at 31 May 2017
		HK$'000	*HK$'000*
CURRENT ASSETS			
Prepayments	17	2,972	4,529
Total current assets		2,972	4,529
CURRENT LIABILITIES			
Other payables	22	—	3,035
Amounts due to subsidiaries	1	7,142	11,266
Total current liabilities		7,142	14,301
NET CURRENT LIABILITIES AND NET LIABILITIES		(4,170)	(9,772)
DEFICIENCY IN ASSETS			
Issued capital	27	—	—
Accumulated losses		(4,170)	(9,772)
		(4,170)	(9,772)

No statement of financial position as at 31 December 2015 is presented as the Company has not been incorporated by that time.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 8 August 2016. The registered address of the Company is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Company is located at Office A, 20/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. During the Track Record Period, the subsidiaries now comprising the Group were engaged in the operation and management of restaurants.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed ["Reorganisation"] in the section headed ["History, Development and Reorganisation"] in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Able Ascent Limited (Note (a) and (h)) .	Hong Kong 29 May 2009	HK$1	—	100	Restaurant operation
All Best Harvest Limited (Note (b)) .	Hong Kong 5 October 2010	HK$2	—	100	Property holding
Best Merit Holdings Limited (Note (d)) .	British Virgin Islands ("BVI") 25 January 2016	US$1	—	100	Dormant
Dragon Lake Limited (Notes (a), (g) and (h)).	Hong Kong 5 February 2003	HK$10,000	—	100 (2016: 90%; 2015: 90%)	Dormant

Company name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Dragon King Holdings Limited (Note (d))	BVI 19 November 2007	US$10,000 (2016: US$100; 2015: US$1)	100	—	Investment holding
Dragon King Restaurant Group Limited (Note (a) and (h))	Hong Kong 28 June 2007	HK$10	—	100	Restaurant operation
Dragon Seal Food & Beverage Management (Shanghai) Limited (龍璽餐飲管理(上海)有限公司) (Note (c))	People's Republic of China ("PRC") 22 March 2012	HK$22,500,000	—	100	Restaurant operation
Dragon Seal Restaurant Limited (Note (b))	Hong Kong 24 May 2010	HK$10	—	100	Dormant
Gold Profit Trading Limited (Note (a) and (h))	Hong Kong 20 April 2007	HK$10	—	100	Trading of food products
Greater Year Investments Limited (Note (d))	BVI 4 July 2016	US$1	—	100	Investment holding
King Harbour Limited (Note (a) and (h))	Hong Kong 13 July 2006	HK$10	—	100	Restaurant operation
Mass Effort Limited (Note (a) and (h))	Hong Kong 3 January 2011	HK$10	—	100	Restaurant operation

Company name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Premier Oriental Limited (Note (f))	Hong Kong 27 May 2016	HK$10	—	100	Restaurant operation
Prominent Voice Limited (Notes (a) and (g))	Hong Kong 2 April 2015	HK$10	— (2016: 70%; 2015: 70%)	100	Restaurant operation
Silver Everford Limited (Note (b))	Hong Kong 19 May 2011	HK$1	—	100	Investment holding
Dragon King Restaurant (Macau) Limited (Note (e))	Macau 7 April 2010	MOP6,000,000	—	100	Restaurant operation
Wealth Club Limited (Notes (a), (g) and (h))	Hong Kong 13 May 2005	HK$10,000	— (2016: 90%; 2015: 90%)	100	Restaurant operation

Notes:

(a) The statutory financial statements of these entities for the year/period ended 31 December 2015 prepared under Hong Kong Financial Reporting Standards ("HKFRSs") were audited by Vince Liu & Co., (certified public accountants registered in Hong Kong).

(b) The statutory financial statements of these entities for the year ended 31 December 2015 prepared under HKFRSs were audited by FTW & Partners CPA Limited (certified public accountants registered in Hong Kong).

(c) This entity is registered as a wholly-foreign-owned enterprise under the laws of the People's Republic of China (the "PRC"). The statutory financial statements of this entity for the two years ended 31 December 2015 and 2016 prepared under the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by 上海事誠會計師事務所有限公司 (certified public accountants registered in the PRC).

(d) No statutory financial statements have been prepared for these entities since their incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their countries/jurisdictions of incorporation.

(e) On 30 June 2016, the Group entered into a sale and purchase agreement with, among others, a subsidiary of Tang Palace (China) Holdings Limited to acquire 100% equity interest of the entity. Further details of the acquisition were illustrated in note 29 to the Historical Financial Information. The statutory financial statement of this entity for the year ended 31 December 2015 prepared under Macau Accounting Standards was audited by Lok Chi Cheong (a certified public accountant registered in Macau).

(f) No statutory financial statements have been prepared for this entity for the year ended 31 December 2015 as it has not been set up by then.

(g) As at 31 December 2015 and 2016, these subsidiaries were non-wholly owned by the Controlling Shareholder and details of the percentage of equity attributable to the non-controlling interests are as follows:

Dragon Lake Limited	10%
Prominent Voice Limited	30%
Wealth Club Limited	10%

On 28 February 2017, Dragon King Holdings Limited acquired 1,000 shares in Dragon Lake Limited (representing 10% of the issued share capital of Dragon Lake Limited) and 1,000 shares in Wealth Club Limited (representing 10% of the issued share capital of Wealth Club Limited) from Mr. Wong Wing Hong in consideration of which Million Edge Developments Limited ("Million Edge"), a company incorporated in the BVI and is wholly-owned by Mr. Wong Wing Chee, transferred 100 shares in Dragon King Holdings Limited to Wealthy Time Limited, a company incorporated in the Seychelles and is wholly-owned by Mr. Wong Wing Hong. Such transaction was completed and the consideration was settled on 28 February 2017. Upon the acquisition, each of Dragon Lake Limited and Wealth Club Limited became a wholly-owned subsidiary of Dragon King Holdings Limited.

On 28 February 2017, Mr. Man King Wah Josh ("Mr. Man"), Mr. Ngai King Hung ("Mr. Ngai") and Ms. Chan Hoi Ching ("Ms. Chan") (each as a vendor) transferred the legal and beneficial interest in an aggregate of 3 shares in Prominent Voice Limited (representing 30% of the issued share capital of Prominent Voice Limited) to Dragon King Holdings Limited in consideration of which Million Edge transferred 80 shares in Dragon King Holdings Limited to each of Giant Wealth Limited (a company incorporated in the Seychelles and wholly-owned by Ms. Chan), King Bright Group Limited (a company incorporated in the Seychelles and wholly-owned by Mr. Ngai) and Mr. Man. Such transaction was completed and the consideration was settled on 28 February 2017. Upon the acquisitions, Prominent Voice Limited became a direct wholly-owned subsidiary of Dragon King Holdings Limited.

(h) The statutory financial statements of these entities for the year ended 31 December 2016 prepared under Hong Kong Financial Reporting Standards ("HKFRSs") were audited by Ernst & Young, Hong Kong (certified public accountants registered in Hong Kong).

As at 31 December 2016 and 31 May 2017, the Company's amounts due to subsidiaries of HK$7,142,000 and HK$11,266,000, respectively, were unsecured, interest-free and repayable on demand.

2.1 BASIS OF PRESENTATION

As at 31 December 2015 and 2016 and 31 May 2017, the Group's current liabilities exceeded its current assets by approximately HK$81,069,000, HK$47,249,000 and HK$48,527,000, respectively. The current liabilities mainly consisted of interest-bearing bank and other borrowings of approximately HK$80,443,000, HK$59,749,000 and HK$48,532,000 as at 31 December 2015 and 2016 and 31 May 2017, respectively, of which HK$42,217,000, HK$33,326,000 and HK$30,537,000, respectively, were classified as current liabilities due to the existence of the repayment on demand clause (note 24) in the loan agreements. These interest-bearing bank loans were mainly used for financing the purchases of non-current assets. Based on the Group's history of its operating performance and its expected future working capital, the directors believe that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. The Group also had unutilised banking facilities of approximately HK$2,584,000 as at 31 May 2017. Accordingly, the directors consider that it is appropriate to prepare the Historical Financial Information on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The Historical Financial Information does not include any adjustments that would result from the failure of the Group to continue in business as a going concern.

Pursuant to the Reorganisation, as more fully explained in the paragraph headed ["Reorganisation"] in the section headed ["History, Development and Reorganisation"] in the Document, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Track Record Period on ***[Date]***. The companies now comprising the Group were under the control of Mr. Wong Wing Chee (the "Controlling Shareholder") before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical FinancialInformation has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The combined statements of profit or loss, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholder, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2015 and 2016 and 31 May 2017 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the Controlling Shareholder prior to the Reorganisation are presented as non-controlling interests in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even this results in the non-controlling interests having a deficit balance.

All intra-group transactions and balances have been eliminated in full on combination.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for a derivative financial instrument, which has been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to the following two HKFRSs: — *HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards*[1] — *HKAS 28 Investments in Associates and Joint Ventures*[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary

assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption. Based on preliminary analysis, the Group does not expect significant impact on the Group's revenue recognition upon adoption of HKFRS 15.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019.

Based on preliminary analysis, the Group expects the adoption of HKFRS 16 would have the following impact:

For restaurants and office premises that have minimum lease payments over the lease term, the combination of 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 of profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The Group expects that certain portion of these lease commitments will be required to be recognised in the combined statement of financial position as right-of-use assets and lease liabilities. As set out in note 31 to the Historical Financial Information, the Group's total future minimum lease payments payable under non-cancellable operating leases as at 31 December 2015 and 2016 and 31 May 2017 are HK$181,647,000, HK$191,690,000 and HK$194,910,000, respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Except for the common control combination as mentioned in note 2.1 above, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on combination/consolidation in full.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Business combinations (other than those under common control) and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset. An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of the Track Record Period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Building	2.22%
Leasehold improvements	16.67% or over the lease term
Tableware and utensils	50%
Furniture, fixtures and office equipment	25%
Motor vehicles	33.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales **[REDACTED]** and the carrying amount of the relevant asset.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, trade receivables, loan to a related company, amounts due from related companies and directors and deposits and other receivables.

Subsequent measurement of loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other operating expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primary derecognised (i.e., removed from the Group's combined statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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. An impairment exists of one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, and loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, amounts due to related companies and a director, derivative financial liability and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of finished goods, comprises direct materials. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be compiled with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of a subsidiary of the Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Full-time employees of the Group in Macau are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The **[REDACTED]** of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the memorandum and bye-laws of the relevant companies grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

This Historical Financial Information is presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year/reporting period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the combined statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year/reporting period are translated into Hong Kong dollars at the weighted average exchange rates for the year/reporting period.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets was HK$3,360,000, HK$3,592,000 and HK$3,851,000 as at 31 December 2015 and 2016 and 31 May 2017, respectively (note 26).

Depreciation of property, plant and equipment

The Group depreciates the different classes of property, plant and equipment on a straight-line basis at applicable depreciation rates over the estimated useful life. The useful life is estimated with reference to the wear and tear history of property, plant and equipment. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The carrying amount of property, plant and equipment was HK$91,741,000, HK$87,958,000 and HK$81,471,000 as at 31 December 2015 and 2016 and 31 May 2017, respectively (note 14).

Impairment of property, plant and equipment

The Group determines whether property, plant and equipment are impaired when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the property, plant and equipment exceeds it recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair values less costs of disposal is based on available date from binding sales transactions in an arm's length transaction of similar assets or observable market price less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the operation and management of restaurants.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Hong Kong and Macau	234,255	338,919	124,001	152,953
Mainland China	60,174	54,786	22,615	18,703
	294,429	393,705	146,616	171,656

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong and Macau	77,446	83,657	79,780
Mainland China	26,650	20,984	19,255
	104,096	104,641	99,035

The non-current asset information of above is based on the locations of the assets and excludes deferred tax assets and rights arising under insurance contracts.

Information about major customers

There was no revenue from customers individually contributing over 10% to the total revenue of the Group.

6. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the amounts received and receivable for operation and management of restaurants, net of discounts. An analysis of the Group's revenue, other income and gains, net is as follows:

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Revenue				
Revenue from Chinese restaurant operations	294,429	393,705	146,616	171,656

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Other income and gains, net				
Bank interest income	4	3	1	1
Other interest income	166	205	85	—
Interest income from life insurance policies	906	905	366	296
Financial subsidy received from PRC tax authority*	834	985	—	—
Subsidies received from a utility company for purchases of items of property, plant and equipment*	221	471	188	223
Gain on bargain purchase (note 29)	—	985	—	—
Others	466	729	357	440
	2,597	4,283	997	960

* As at 31 December 2015 and 2016 and 31 May 2017, there were no unfulfilled conditions or other contingencies attaching to the subsidies that had been recognised by the Group.

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

		Year ended 31 December		Five months ended 31 May	
		2015	2016	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Minimum lease payments under operating leases		36,237	47,167	13,652	18,614
Contingent rents under operating leases*		1,357	1,323	527	515
Auditor's remuneration		219	260	100	133
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):					
Wages and salaries		86,059	113,971	45,677	51,652
Pension scheme contributions		4,534	5,667	2,258	2,564
		90,593	119,638	47,935	54,216
Foreign exchange differences, net		—	(28)	(28)	(15)
Premium charges of life insurance policies		472	789	418	300
Adjustments of expected cash flows from insurance policies		—	400	—	—
Fair value loss of a derivative financial instrument	23	454	105	105	—
Loss on disposal of items of property, plant and equipment		3	3	1	8
Gain on bargain purchase#	29	—	(985)	—	—

* Contingent rents under operating leases are included in "Rental and related expenses" in the combined statements of profit or loss.

\# Gain on bargain purchase is included in "Other income and gains, net" in the combined statements of profit or loss.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Interest on bank loans, overdrafts and other loans	4,368	4,228	1,832	1,076
Interest on finance leases	12	4	3	—
	4,380	4,232	1,835	1,076

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

On 8 August 2016, Mr. Wong Wing Chee was appointed as a director of the Company.

Mr. Wong Wing Chee was re-designated as an executive director and was appointed as the chief executive officer of the Company on 14 March 2017, Ms. Lee Ching Nung Angel was appointed as the chairman and an executive director of the Company on 14 March 2017, and Mr. Wong Wing Hong was appointed as an executive director of the Company on 14 March 2017. Mr. Kwong Ping Man, Mr. Lin Zhisheng and Mr. Chang Cheuk Cheung Terence were appointed as independent non-executive directors of the Company on [date], [date] and [date], respectively.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors or officers of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Fees	—	—	—	—
Other emoluments:				
Salaries, allowances and benefits in kind	2,730	3,897	1,591	1,680
Performance-related bonuses	40	48	48	42
Pension scheme contributions	40	42	12	24
	2,810	3,987	1,651	1,746

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2015					
Executive directors					
Mr. Wong Wing Chee	—	1,290^	—	11	1,301
Ms. Lee Ching Nung Angel	—	840^	—	11	851
Mr. Wong Wing Hong	—	600	40	18	658
	—	2,730	40	40	2,810
Year ended 31 December 2016					
Executive directors					
Mr. Wong Wing Chee	—	1,946^	—	12	1,958
Ms. Lee Ching Nung Angel	—	1,231^	—	12	1,243
Mr. Wong Wing Hong	—	720	48	18	786
	—	3,897	48	42	3,987
Five months ended 31 May 2016 (unaudited)					
Executive directors					
Mr. Wong Wing Chee	—	753#	—	2	755
Ms. Lee Ching Nung Angel	—	538#	—	2	540
Mr. Wong Wing Hong	—	300	48	8	356
		1,591	48	12	1,651
Five months ended 31 May 2017					
Executive directors					
Mr. Wong Wing Chee	—	890#	—	8	898
Ms. Lee Ching Nung Angel	—	490#	—	8	498
Mr. Wong Wing Hong	—	300	42	8	350
	—	1,680	42	24	1,746

^ Included in the above salaries, allowances and benefits in kind are estimated rentals of approximately HK$340,000 and HK$331,000 for each of Mr. Wong Wing Chee and Ms. Lee Ching Nung Angel for the years ended 31 December 2015 and 2016, respectively, for a building owned by the Group as directors' quarter.

Included in the above salaries, allowances and benefits in kind are estimated rentals of approximately HK$138,000 (unaudited) and HK$140,000 for each of Mr. Wong Wing Chee and Ms. Lee Ching Nung Angel for the five months ended 31 May 2016 and 2017, respectively, for a building owned by the Group as directors' quarter.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

During the Track Record Period, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2015 and 2016 and the five months ended 31 May 2016 (unaudited) and 31 May 2017 included two, three, three and three directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining non-director, highest paid employees during the years ended 31 December 2015 and 2016 and the five months ended 31 May 2016 (unaudited) and 31 May 2017 are as follows:

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Salaries, allowances and benefits in kind.	1,812	1,266	520	546
Performance related bonuses	163	100	110	79
Pension scheme contributions	54	36	15	15
	2,029	1,402	645	640

The number of the non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees			
	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Nil to HK$1,000,000	3	2	2	2

During the Track Record Period, no emoluments were paid by the Group to any of the non-directors, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for each of the Track Record Period. PRC tax and Macau tax have been provided at the rate of 25% and 12% on the estimated profits arising in the PRC and Macau for each of the Track Record Period, respectively.

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Current — Hong Kong				
Charge for the year	1,126	2,378	949	1,600
Underprovision in prior years	—	205	—	—
Current — elsewhere	—	—	—	155
Deferred (note 26)	(187)	(108)	(101)	(551)
Total tax charge for the year	939	2,475	848	1,204

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate for the tax expense at the effective tax rate is as follows:

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit/(loss) before tax	2,134	3,689	918	(4,591)
Tax at the statutory rate of different jurisdictions	306	609	160	(837)
Adjustments in respect of current tax of previous years	—	205	—	—
Income not subject to tax	(137)	(206)	(14)	—
Expenses not deductible for tax	604	1,296	232	1,165
Tax losses utilised from previous years	—	(449)	(24)	—
Tax losses not recognised	135	1,011	605	973
Others	31	9	(111)	(97)
Tax charge at the Group's effective tax rate	939	2,475	848	1,204

12. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

The dividends declared/paid by a Company's subsidiary to the then shareholder during the Track Record Period were as follows:

	Year ended 31 December		Five months ended 31 May	
	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interim dividends	—	27,293	27,293	—

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the Track Record Period on a combined basis as disclosed in note 2.1 above.

14. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements	Tableware and utensils	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2015						
At 31 December 2014 and 1 January 2015:						
Cost	35,864	133,601	2,851	38,915	2,786	214,017
Accumulated depreciation	(2,391)	(94,397)	(2,256)	(27,372)	(2,746)	(129,162)
Net carrying amount	33,473	39,204	595	11,543	40	84,855
At 1 January 2015, net of accumulated depreciation	33,473	39,204	595	11,543	40	84,855
Additions	—	14,619	972	7,052	—	22,643
Disposals	—	—	(3)	—	—	(3)
Depreciation provided during the year	(797)	(8,859)	(457)	(4,456)	(40)	(14,609)
Exchange realignment	—	(985)	—	(160)	—	(1,145)
At 31 December 2015, net of accumulated depreciation	32,676	43,979	1,107	13,979	—	91,741
At 31 December 2015:						
Cost	35,864	147,235	3,823	45,692	2,786	235,400
Accumulated depreciation	(3,188)	(103,256)	(2,716)	(31,713)	(2,786)	(143,659)
Net carrying amount	32,676	43,979	1,107	13,979	—	91,741

	Building	Leasehold improvements	Tableware and utensils	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2016						
At 31 December 2015 and at 1 January 2016:						
Cost	35,864	147,235	3,823	45,692	2,786	235,400
Accumulated depreciation	(3,188)	(103,256)	(2,716)	(31,713)	(2,786)	(143,659)
Net carrying amount	32,676	43,979	1,107	13,979	—	91,741
At 1 January 2016, net of accumulated depreciation	32,676	43,979	1,107	13,979	—	91,741
Additions	—	867	276	1,962	—	3,105
Acquisition of businesses (note 29)	—	9,486	—	3,308	—	12,794
Disposals	—	(2)	—	(1)	—	(3)
Depreciation provided during the year	(797)	(11,487)	(788)	(5,255)	—	(18,327)
Exchange realignment	—	(1,176)	—	(176)	—	(1,352)
At 31 December 2016, net of accumulated depreciation	31,879	41,667	595	13,817	—	87,958
At 31 December 2016:						
Cost	35,864	156,372	4,099	50,778	2,377	249,490
Accumulated depreciation	(3,985)	(114,705)	(3,504)	(36,961)	(2,377)	(161,532)
Net carrying amount	31,879	41,667	595	13,817	—	87,958

	Building	Leasehold improvements	Tableware and utensils	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 May 2017						
At 31 December 2016 and at 1 January 2017:						
Cost	35,864	156,372	4,099	50,778	2,377	249,490
Accumulated depreciation	(3,985)	(114,705)	(3,504)	(36,961)	(2,377)	(161,532)
Net carrying amount	31,879	41,667	595	13,817	—	87,958
At 1 January 2017, net of accumulated depreciation	31,879	41,667	595	13,817	—	87,958
Additions	—	829	—	221	—	1,050
Disposals	—	—	—	(8)	—	(8)
Depreciation provided during the period	(332)	(4,458)	(260)	(2,401)	—	(7,451)
Exchange realignment	—	(72)	—	(6)	—	(78)
At 31 May 2017, net of accumulated depreciation	31,547	37,966	335	11,623	—	81,471
At 31 May 2017:						
Cost	35,864	157,129	4,099	50,966	2,377	250,435
Accumulated depreciation	(4,317)	(119,163)	(3,764)	(39,343)	(2,377)	(168,964)
Net carrying amount	31,547	37,966	335	11,623	—	81,471

At 31 December 2015 and 2016 and 31 May 2017, the Group's building with carrying amount of HK$32,676,000, HK$31,879,000 and HK$31,547,000, respectively, was pledged to secure general banking facilities granted to the Group (note 24).

15. INVENTORIES

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Food and beverages, and other operating items for restaurant operations	9,942	11,402	8,973

16. TRADE RECEIVABLES

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	1,108	5,076	4,660

The Group's trading terms with its customers are mainly on cash and credit card settlement. The credit period is generally one to two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at 31 December 2015 and 2016 and 31 May 2017, based on the invoice date is as follows:

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	1,105	4,248	2,988
1 to 2 months	—	321	1,118
2 to 3 months	—	260	216
Over 3 months	3	247	338
	1,108	5,076	4,660

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	1,105	4,320	4,027
Less than 1 month past due	—	258	90
1 to 2 months past due	—	251	217
Over 2 months	3	247	326
	1,108	5,076	4,660

Receivables that were neither past due nor impaired mainly relate to credit card receivables from banks for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group			Company	
	As at 31 December		As at 31 May	As at 31 December	As at 31 May
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	1,013	3,731	6,036	2,972	4,529
Deposits	15,646	20,655	20,977	—	—
Other receivables	1,211	4,005	4,997	—	—
Deposits and other receivables for life insurance policies	26,454	21,506	19,608	—	—
	44,324	49,897	51,618	2,972	4,529
Less: Deposits classified as non-current assets	(38,809)	(24,859)	(25,832)	—	—
	5,515	25,038	25,786	2,972	4,529

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

As at 31 December 2015 and 2016 and 31 May 2017, the life insurance policies represented nine, seven and six life insurance plans relating to a key management personnel of the Group, who is also a director of the Company. The total insured sum as at 31 December 2015 and 2016 and 31 May 2017 were HK$74,899,000, HK$58,519,000 and HK$52,669,000, respectively. If the Group withdrew from the insurances policies, the account value, net of surrender charges, would be refunded to the Group.

As at 31 December 2015, 31 December 2016 and 31 May 2017, included in the deposits and other receivables for life insurance policies were HK$25,203,000, HK$20,693,000 and HK$18,626,000, respectively, of insurance deposits and HK$1,251,000, HK$813,000 and HK$982,000, respectively, of other receivables.

The deposits and other receivables for the life insurance policies were pledged as securities for certain of the Group's interest-bearing bank borrowings (note 24).

18. BALANCES WITH RELATED COMPANIES

The Group's balances due from related companies, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Loan to a related company

Name	1 January 2015	Maximum amount outstanding during the year	31 December 2015	Maximum amount outstanding during the year	31 December 2016	Maximum amount outstanding during the period	31 May 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
龍皇餐飲管理(上海)有限公司	3,420	3,420	3,420	3,420	—	—	—

Amounts due from related companies

Name	1 January 2015	Maximum amount outstanding during the year	31 December 2015	Maximum amount outstanding during the year	31 December 2016	Maximum amount outstanding during the period	31 May 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wide Fortune Limited	70	75	75	81	81	129	129
Dragon King Pty. Ltd.	—	—	—	15	15	15	15
Flyway Limited	14,320	14,334	14,334	14,334	—	—	—
龍皇餐飲管理(上海)有限公司	5,083	5,084	4,425	4,425	—	—	—
Trillion Luck In Limited	7	10	—	—	—	—	—
Hong Kong Co-Founder Technology Limited	—	57	57	59	59	62	62
Best Focus Creation Limited	117	166	166	177	177	177	177
	19,597		19,057		332		383

Amounts due to related companies

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
龍皇餐飲管理(上海)有限公司	1,897	—	—
Gain World Limited	361	283	—
Dragon King Pty. Ltd.	85	—	—
	2,343	283	—

Wide Fortune Limited, Flyway Limited, 龍皇餐飲管理(上海)有限公司, Trillion Luck In Limited, Hong Kong Co-Founder Technology Limited and Best Focus Creation Limited were beneficially owned by Mr. Wong Wing Chee. Starting from 19 December 2016, Flyway Limited and 龍皇餐飲管理(上海)有限公司 were no longer related companies of the Group after Mr. Wong Wing Chee disposed of his 100% equity interests and ceased to be a director of these companies.

Dragon King Pty. Ltd. was beneficially owned by Mr. Wong Wing Chee and Ms. Lee Ching Nung Angel.

Gain World Limited was beneficially owned by Mr. Wong Wing Chee and Mr. Ng Yick Kit, who is the Chief operating officer and a senior management of the Group.

As at 31 December 2016 and 31 May 2017, the balances with related parties are unsecured, interest-free and repayable on demand. As at 31 December 2015, except for the loan to a related company which was unsecured, interest-bearing at 5.76% per annum and repayable on demand, the balances with related companies were unsecured, interest-free and repayable on demand.

On 16 December 2016, the loan to a related company was transferred as an amount due from a director, Mr. Wong Wing Chee, to the Group. During the period from 1 January 2016 to 15 December 2016, the loan to a related company was interest-bearing at 5.76% per annum.

19. BALANCES WITH DIRECTORS

The Group's balances with directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Amount due from directors

Name	1 January 2015	Maximum amount outstanding during the year	31 December 2015	Maximum amount outstanding during the year	31 December 2016	Maximum amount outstanding during the period	31 May 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Wong Wing Chee	26,866	32,438	20,794	29,393	29,393	29,501	6,347
Ms. Lee Ching Nung Angel	2,595	4,330	4,330	5,466	—	—	—
	29,461		25,124		29,393		6,347

The amount due to a director represented an amount due to Mr. Wong Wing Hong.

The balances with the directors are unsecured, interest-free and repayable on demand.

20. CASH AND CASH EQUIVALENTS

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Cash and bank balances	5,985	15,497	25,541

The cash and bank balances of the Group denominated in Renminbi ("RMB") as at 31 December 2015 and 2016 and 31 May 2017 amounted to approximately HK$64,000, HK$144,000 and HK$201,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

21. TRADE PAYABLES

An aged analysis of the trade payables based on the invoice date as at the end of each of the Track Record Period, is as follows:

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	9,454	12,503	10,043
1 to 2 months	6,857	9,081	7,093
2 to 3 months	4.584	6,924	7,825
Over 3 months	9,314	12,310	12,901
	30,209	40,818	37,862

The trade payables are non-interest-bearing and are normally settled on 30-day to 120-day terms.

22. OTHER PAYABLES AND ACCRUALS

	Group			Company	
	As at 31 December		As at 31 May	As at 31 December	As at 31 May
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deferred income	2,794	3,289	2,140	—	—
Other payables	15,990	8,584	7,112	—	3,035
Accruals	17,938	20,887	22,577	—	—
Receipts in advance	930	920	782	—	—
	37,652	33,680	32,611	—	3,035
Less: Other payables and accruals classified as non-current liabilities	(2,741)	(3,514)	(3,514)	—	—
	34,911	30,166	29,097	—	3,035

Other payables are non-interest-bearing and have an average term of 30 days to 90 days.

23. DERIVATIVE FINANCIAL INSTRUMENT

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
A foreign exchange forward contract, as a liability	472	—	—

On 23 January 2014, the Company entered into a forward currency contract to manage its exchange rate exposures. The forward currency contract is not designated for hedge purposes and is measured at fair value through profit or loss. Fair value loss of a non-hedging currency derivative amounting to HK$454,000 and HK$105,000 was charged to profit or loss during the year ended 31 December 2015 and 2016, respectively.

The total notional principal amount of the outstanding forward currency contract as at 31 December 2016 was nil (2015: US$1,200,000), which was expired on 20 January 2016.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December						As at 31 May		
	2015			2016			2017		
	Effective interest rate per annum	Maturity	HK$'000	Effective interest rate per annum	Maturity	HK$'000	Effective interest rate per annum	Maturity	HK$'000
Current									
Bank overdrafts — secured	14%	On demand	630	5%	On demand	7	5%	On demand	4
Bank loans — secured	2%–7%	Within 12 months or on demand	74,683	2%–7%	Within 12 months or on demand	54,384	2%-7%	Within 12 months or on demand	48,528
Other loans — unsecured	24%	2016	5,130	24%	2017	5,358	—	—	—
			80,443			59,749			48,532
Non-current									
Other loans — unsecured	6%–24%	2017–2018	1,194	6%	2018	558	—	—	—
			81,637			60,307			48,532

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Analysed into:			
Bank loans and overdrafts repayable:			
Within one year or on demand	75,313	54,391	48,532
Other borrowings repayable:			
Within one year or on demand	5,130	5,358	—
In the second year	597	558	—
In the third to fifth years, inclusive	597	—	—
	6,324	5,916	—
Total	81,637	60,307	48,532

Notes:

(a) Certain of the Group's bank loans were secured by:

(i) mortgage over a building owned by the Group, which had carrying value of approximately HK$32,676,000, HK$31,879,000 and HK$31,547,000 as at 31 December 2015 and 2016 and 31 May 2017 (note 14);

(ii) deposits and other receivables for life insurance policies of which certain of the Group's subsidiaries were the policy holders and beneficiaries, with an aggregate carrying amount of approximately HK$26,454,000 and HK$21,506,000 and HK$19,608,000 as at 31 December 2015 and 2016 and 31 May 2017 (note 17);

(iii) personal guarantees given by Mr. Wong Wing Chee, the Group's chief executive officer and executive director, Ms. Lee Ching Nung Angel, the Group's chairman and executive director, and Mr. Wong Wing Hong, the Group's executive director;

(iv) corporate guarantees given by certain companies controlled by Mr. Wong Wing Chee, the Group's chief executive officer and executive director; and

(v) guarantees given by the Hong Kong Mortgage Corporation Limited pursuant to the SME Financing Guarantee Scheme.

(b) Except for other borrowings of RMB5,300,000 (equivalent to approximately HK$6,324,000) and RMB5,300,000 (equivalent to approximately HK$5,916,000) as at 31 December 2015 and 2016, respectively, which were denominated in Renminbi, all borrowings were in Hong Kong dollars.

(c) The Group's other borrowings included loans from a related party as at 31 December 2015 and 2016 as follows:

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Loan 1 — RMB500,000	597	558	—
Loan 2 — RMB500,000	597	558	—
	1,194	1,116	—
Less: Other borrowings classified as non-current liabilities	(1,194)	(558)	—
	—	558	—

The lender of Loan 1 and Loan 2 is a senior management of the Group, who is also a sister of Mr. Wong Wing Chee, the Group's chief executive officer and executive director. There were no changes in the principal amounts of Loan 1 and Loan 2 during the years ended 31 December 2015 and 2016.

Loan 1 was unsecured, bears interest at 6% per annum and repayable on 7 November 2018.

Loan 2 was unsecured, bears interest at 24% per annum and repayable on 19 May 2017.

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the bank and other loans, the amounts repayable in respect of the Group's interest-bearing bank and other borrowings were analysed as follows:

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Analysed into:			
Bank loans and overdrafts repayable:			
Within one year	33,096	21,065	17,995
In the second year	8,870	6,783	6,836
In the third to fifth years, inclusive	15,158	9,121	6,749
Beyond five years	18,189	17,422	16,952
	75,313	54,391	48,532
Other borrowings repayable:			
Within one year	5,130	5,358	—
In the second year	597	558	—
In the third to fifth years, inclusive	597	—	—
	6,324	5,916	—
	81,637	60,307	48,532

25. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles. These leases were classified as finance leases and were expired during the year ended 31 December 2016.

At 31 December 2015, the total future minimum lease payments under the finance leases and their present values were as follows:

	Minimum lease payments 2015	Present value of minimum lease payments 2015
	HK$'000	*HK$'000*
Amounts payable:		
Within one year	231	227
Total minimum finance lease payments	231	227
Future finance charges (note 8)	(4)	
Total net finance lease payables	227	
Portion classified as current liabilities	(227)	
Non-current portion	—	

26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Track Record Period are as follows:

Deferred tax assets

	Decelerated tax depreciation	Others	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2015	2,926	71	2,997
Deferred tax credited to profit or loss during the year	254	109	363
At 31 December 2015 and 1 January 2016	3,180	180	3,360
Deferred tax credited/(charged) to profit or loss during the year	366	(134)	232
At 31 December 2016 and 1 January 2017	3,546	46	3,592
Deferred tax credited/(charged) to profit or loss during the period	268	(9)	259
At 31 May 2017	3,814	37	3,851

Deferred tax liabilities

	Accelerated tax depreciation
	HK$'000
At 1 January 2015	32
Deferred tax charged to profit or loss during the year	176
At 31 December 2015 and 1 January 2016	208
Deferred tax charged to profit or loss during the year	124
At 31 December 2016 and 1 January 2017	332
Deferred tax credited to profit or loss during the period	(292)
At 31 May 2017	40

The Group has unrecognised tax losses arising in Hong Kong of approximately HK$410,000, HK$7,753,000 and HK$12,132,000 as at 31 December 2015 and 2016 and 31 May 2017, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has unrecognised tax losses arising in Mainland China of approximately HK$20,570,000, HK$19,402,000 and HK$19,122,000 as at 31 December 2015 and 2016 and 31 May 2017, respectively, that will expire in five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as, in the opinion of the directors, they have arisen in subsidiaries that have been loss-making for some time and it is not certain that taxable profits will be available against which the tax losses can be utilised.

27. ISSUED CAPITAL

The Company was incorporated on 8 August 2016 with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares of a par value of HK$0.01 each. On the date of incorporation, 1 ordinary share of HK$0.01 was allotted and issued by the Company.

There was no authorised and issued capital as at 31 December 2015 since the Company has not yet been incorporated by that time.

28. RESERVES

The amounts of the Group's reserves and the movements therein during the Track Record Period are presented in the combined statements of changes in equity.

(a) Capital reserve

Capital reserve represents (i) the proceed of shares issued by a subsidiary of the Company upon its share issue and allotment to certain **[REDACTED]** investors which included the consideration for the injection of businesses by a **[REDACTED]** investor as mentioned in note 30(c) during the year ended 31 December 2016; and (ii) the transfer from non-controlling interests upon the Group's acquisition of non-controlling interests on 28 February 2017.

(b) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations.

29. BUSINESS COMBINATIONS

On 30 June 2016, the Group entered into a sale and purchase agreement with 2 subsidiaries of Tang Palace (China) Holdings Limited (the "Seller") to acquire (i) certain equipment, furniture and utensils and rental deposits of a Chinese restaurant located in Wanchai, Hong Kong (the "Hong Kong Restaurant") and (ii) 100% equity interest of 唐宮壹號餐飲(澳門)一人有限公司, a former subsidiary of the Seller which operates a Chinese restaurant in Macau (the "Macau Restaurant"). The consideration of the transaction was HK$15,000,000, which was settled by the issue and allotment of shares, representing 15% of the enlarged issued share capital of Dragon King Holdings Limited, a subsidiary of the Company. The fair value of the 15% of the enlarged issued share capital of Dragon King Holdings Limited was determined with reference to the recent share allotment transactions of Dragon King Holdings Limited near the transaction date.

The fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition**
		HK$'000
Property, plant and equipment	14	12,794
Inventories		1,381
Rental deposits		3,174
Other payables and accruals		(1,364)
Total identifiable net assets acquired at fair value		15,985
Gain on bargain purchase	7	(985)
Satisfied by issue and allotment of shares		15,000

The Group incurred transaction costs of HK$93,000 for the acquisition. These transaction costs have been expensed and are included in other operating expense in profit or loss for the year ended 31 December 2016.

Since the acquisitions, the Hong Kong Restaurant and the Macau Restaurant contributed HK$40,759,000 in aggregate to the Group's revenue and loss of HK$1,515,000 in aggregate for the year ended 31 December 2016.

Had the combinations taken place at the beginning of the year ended 31 December 2016, the revenue and the loss of the Group for that year would have been HK$433,483,000 and HK$2,756,000, respectively.

A gain on bargain purchase was resulted as the consideration reflected a discount to the fair values of the identifiable assets and liabilities acquired by the Group. The Seller, which was one of the Group's **[REDACTED]** investors, decided to enter into the sale and purchase agreement with the Group at a discount as a means to support the business development of the Group.

30. NOTE TO CASH FLOW STATEMENT

Major non-cash transactions

(a) During the year ended 31 December 2016, one of the subsidiaries now comprising the Group distributed interim dividends of HK$27,293,000 to Mr. Wong Wing Chee, a director and the then shareholder of the subsidiary (note 12). The interim dividends were settled through an amount due from a director with the Group.

(b) During the year ended 31 December 2016, HK$13,495,000 due from Flyway Limited and HK$4,139,000 due from 龍皇餐飲管理(上海)有限公司 which were previously included in amounts due from related companies, and a loan of HK$3,420,000 to 龍皇餐飲管理(上海)有限公司 which was previously included in a loan to a related company, were transferred to the Group's amount due from Mr. Wong Wing Chee, a director.

(c) On 30 June 2016, the Group entered into a sale and purchase agreement with 2 subsidiaries of Tang Palace (China) Holdings Limited (the "Seller") to acquire (i) certain equipment, furniture and utensils and rental deposits of the Hong Kong Restaurant and (ii) 100% equity interest of 唐宮壹號餐飲(澳門)一人有限公司, a former subsidiary of the Seller which operates the Macau Restaurant. The consideration of the transaction was HK$15,000,000, which was settled by the issue and allotment of shares, representing 15% of the enlarged issued share capital of Dragon King Holdings Limited, a subsidiary of the Company.

(d) During the five months ended 31 May 2017, other borrowings with third parties of HK$4,800,000 which were previously included in interest-bearing other borrowings were transferred to and net off with the Group's amount due from Mr. Wong Wing Chee, a director.

Reconciliation of movement of financing activities

31 December 2015

	At 1 January 2015	Cash inflow/ (outflow)	At 31 December 2015
	HK$'000	*HK$'000*	*HK$'000*
Interest-bearing bank and other borrowings	85,622	(3,985)[1]	81,637
Obligations under finance leases	447	(220)	227
Balances due from directors, net	(27,052)	4,117	(22,935)

1 Including increase in bank overdrafts of HK$630,000 during the year.

31 December 2016

			Non-cash changes		
	At 1 January 2016	Cash outflow	Dividends to a director	Transfer of balances with related companies	At 31 December 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank and other borrowings	81,637	(21,330)[1]	—	—	60,307
Obligations under finance leases	227	(227)	—	—	—
Balances due from directors, net	(22,935)	(10,900)	27,293	(21,054)	(27,596)

1 Including decrease in bank overdrafts of HK$623,000 during the year.

31 May 2016 (unaudited)

	At 1 January 2016	Cash outflow	Dividends to a director	At 31 May 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank and other borrowings	81,637	(8,961)[1]	—	72,676
Obligations under finance leases	227	(97)	—	130
Balances due from directors, net	(22,935)	(3,810)	27,293	548

1 Including decrease in bank overdrafts of HK$132,000 during the year.

31 May 2017

	At 1 January 2017	Cash inflow/ (outflow)	Non-cash transfer of other borrowings	At 31 May 2017
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Interest-bearing bank and other borrowings	60,307	(6,975)[1]	(4,800)	48,532
Balances due from directors, net	(27,597)	18,246	4,800	(4,550)

1 Including decrease in bank overdrafts of HK$3,000 during the period.

31. OPERATING LEASE ARRANGEMENT

As lessee

The Group leases certain of its restaurants, staff quarters and office premises under operating lease arrangements. Leases for restaurants are negotiated for terms ranging from three to eleven years, while leases for staff quarters and office premises are negotiated for terms ranging from one to three years.

As at 31 December 2015 and 2016 and 31 May 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Within one year	43,313	48,048	52,687
In the second to fifth years, inclusive	89,582	113,721	120,056
After five years	48,752	29,921	22,167
	181,647	191,690	194,910

The operating lease rentals of certain restaurants are based on the higher of a fixed rental and contingent rent based on the sales of those restaurants. Our directors of the view that, as the future sales of those restaurants could not be accurately estimated, the relevant rental commitments have not been included in operating lease arrangement.

32. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Track Record Period:

		Year ended 31 December		Five months ended 31 May	
		2015	2016	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Purchases from related companies	(i)	2,319	1,389	289	—
Sales to a related company	(ii)	—	2	—	—
Interest income received from a related company	(iii)	166	205	85	—
Interest expenses paid to a senior management	(iv)	66	175	85	28

The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that those related party transactions were conducted in the ordinary course of business of the Group.

Notes:

(i) Purchases from related companies Gain World Limited (five months ended 31 May 2017: Nil; five months ended 31 May 2016 (unaudited): HK$289,000; year ended 31 December 2016: HK$1,389,000; year ended 31 December 2015: HK$1,216,000); Dragon King Pty. Ltd. (five months ended 31 May 2017: Nil; five months ended 31 May 2016 (unaudited): Nil; year ended 31 December 2016: Nil; year ended 31 December 2015: HK$1,103,000) were made at prices mutually agreed between the parties. Mr. Wong Wing Chee, Ms. Lee Ching Nung Angel and Mr. Ng Yick Kit, directors of the Company or senior management of the Group, are beneficial owners of the related companies.

(ii) Sales to a related company (Gain World Limited) were made at prices mutually agreed between the parties. Mr. Wong Wing Chee and Mr. Ng Yick Kit, who is the chief operating officer and a senior management of the Group respectively, are beneficial owners of the related company.

(iii) Interest income received from a related company (龍皇餐飲管理(上海)有限公司) was charged at 5.76% per annum on the loan to the related company. Details of the loan to the related company are disclosed in note 18 to the Historical Financial Information.

(iv) Interest expenses paid to a senior management, who is also a sister of Mr. Wong Wing Chee, the Group's chief executive officer and executive director, were charged at 6% and 24% per annum on the loans from the senior management. Details of the loans from the senior management are disclosed in note 24 to the Historical Financial Information.

(b) Outstanding balances with related companies and directors

Details of the Group's balances with related companies, directors and loans from a related party as at 31 December 2015 and 2016 and 31 May 2017 are disclosed in notes 18, 19 and 24 to the Historical Financial Information, respectively.

(c) Compensation of key management personnel of the Group

The compensation of key management personnel of the Group for each reporting period during the Track Record Period represented the directors' emoluments as disclosed in note 9 to the Historical Financial Information.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at 31 December 2015 and 2016 and 31 May 2017 are as follows:

Financial assets

Group

	Loans and receivables		
	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	1,108	5,076	4,660
Financial assets included in prepayments, deposits and other receivables	43,311	46,166	45,582
Loan to a related company	3,420	—	—
Amounts due from related companies	19,057	332	383
Amounts due from directors	25,124	29,393	6,347
Cash and cash equivalents	5,985	15,497	25,541
	98,005	96,464	82,513

As at 31 December 2016 and 31 May 2017, the Company had no financial assets.

Financial liabilities

Group

As at 31 December 2015

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	30,209	—	30,209
Financial liabilities included in other payables and accruals	23,989	—	23,989
Derivative financial instrument	—	472	472
Amounts due to related companies	2,343	—	2,343
Amount due to a director	2,189	—	2,189
Interest-bearing bank and other borrowings	81,637	—	81,637
Obligations under finance leases	227	—	227
	140,594	472	141,066

As at 31 December 2016

	Financial liabilities at amortised cost	
	Group	Company
	HK$'000	*HK$'000*
Trade payables	40,818	—
Financial liabilities included in other payables and accruals	16,828	—
Amounts due to related companies	283	—
Amount due to a director	1,797	—
Interest-bearing bank and other borrowings	60,307	—
Amounts due to subsidiaries	—	7,142
	120,033	7,142

As at 31 May 2017

	Financial liabilities at amortised cost	
	Group	**Company**
	HK$'000	*HK$'000*
Trade payables	37,862	—
Financial liabilities included in other payables and accruals	17,152	3,035
Amount due to a director	1,797	—
Interest-bearing bank borrowings	48,532	—
Amounts due to subsidiaries	—	11,266
	105,343	14,301

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, interest-bearing bank and other borrowings, deposits and other receivables, financial liabilities included in other payables and accruals, balances with related companies and directors approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of non-current deposits and interest-bearing other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, and were assessed to approximate their carrying amounts.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instrument:

Liability measured at fair value:

	Fair value measurement using significant unobservable inputs (Level 2)		
	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Derivative financial instrument.	472	—	—

The Group did not have any financial assets measured at fair value as at 31 December 2015 and 2016 and 31 May 2017.

During the Track Record Period, there were no transfers into or out of Level 2 for the financial liability of the Group.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, balances with related companies and directors, trade payables and other payables, which arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Hong Kong Dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in exchange rate	Increase/ (decrease) profit before tax	Increase/ (decrease) in equity*
	%	*HK$'000*	*HK$'000*
As at 31 December 2015			
If Renminbi weakens against HK$	5	522	—
If Renminbi strengthens against HK$	(5)	(522)	—
As at 31 December 2016			
If Renminbi weakens against HK$	5	402	—
If Renminbi strengthens against HK$	(5)	(402)	—
As at 31 May 2017			
If Renminbi weakens against HK$	5	413	—
If Renminbi strengthens against HK$	(5)	(413)	—

* *Excluding retained profits*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term and long term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using variable rate debts, which is regularly reviewed by senior management.

As at 31 December 2015 and 2016, if the interest rates on borrowings had been 50 basis points higher, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the years would have been approximately HK$370,000 and HK$272,000, respectively, lower as a result of higher interest expenses on interest-bearing bank borrowings.

As at 31 May 2017, if the interest rates on borrowings had been 50 basis points higher, which was considered reasonably possible by management, with all other variables held constant, the loss before tax for the period would have been approximately HK$243,000 higher as a result of higher interest expenses on interest-bearing bank borrowings.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that only well-established customers will be considered for open account terms and the approval of credit terms is subject to stringent credit check procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, trade receivables, deposits and other receivables and balances with related companies and directors, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 16 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and funds generated from operations.

The maturity profile of the Group's financial liabilities as at the end of each of the Track Record Period, based on the contractual and undiscounted payments, is as follows:

	On demand or within 1 year	1 to 2 years	Beyond 2 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2015				
Trade payables	30,209	—	—	30,209
Financial liabilities included in other payables and accruals	21,248	525	2,216	23,989
Derivative financial instrument	472	—	—	472
Amounts due to related companies	2,343	—	—	2,343
Amount due to a director	2,189	—	—	2,189
Interest-bearing bank and other borrowings	81,143	686	628	82,457
Obligations under finance leases	231	—	—	231
	137,835	1,211	2,844	141,890
As at 31 December 2016				
Trade payables	40,818	—	—	40,818
Financial liabilities included in other payables and accruals	13,314	988	2,526	16,828
Amounts due to related companies	283	—	—	283
Amount due to a director	1,797	—	—	1,797
Interest-bearing bank and other borrowings	60,320	587	—	60,907
	116,532	1,575	2,526	120,633

	On demand or within 1 year	1 to 2 years	Beyond 2 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 May 2017				
Trade payables	37,862	—	—	37,862
Financial liabilities included in other payables and accruals	13,638	988	2,526	17,152
Amount due to a director	1,797	—	—	1,797
Interest-bearing bank borrowings	48,532	—	—	48,532
	101,829	988	2,526	105,343

As at 31 December 2015 and 2016 and 31 May 2017, the Group's term loans with a repayment on demand clause in the amount of HK$42,217,000, HK$33,326,000 and HK$30,537,000, respectively, were repayable over one year in accordance with the terms of the loans. The loan agreement contained a repayment on demand clause giving the bank the unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount was classified as "on demand".

Notwithstanding the above clause, the directors do not believe that these bank loans will be called in its entirety within 12 months, and they consider that these borrowings will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: (i) the financial position of the Group at the date of approval of the financial statements; (ii) the Group's compliance with the loan covenants; (iii) the lack of events of default; and (iv) the fact that the Group has made previously scheduled repayments on time.

As at 31 December 2015, in accordance with the terms of the loans, the contractual undiscounted payments were HK$41,615,000 within one year, HK$10,813,000 in the second year and HK$42,367,000 beyond 2 years.

As at 31 December 2016, in accordance with the terms of the loans, the contractual undiscounted payments were HK$28,679,000 within one year, HK$8,500,000 in the second year and HK$34,450,000 beyond 2 years.

As at 31 May 2017, in accordance with the terms of the loans, the contractual undiscounted payments were HK$19,499,000 within one year, HK$7,853,000 in the second year and HK$30,742,000 beyond 2 years.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders and return capital to shareholders. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

The Group monitors capital using a gearing ratio which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, an amount due to a director, amounts due to related companies, trade payables, other payables and accruals, obligations under finance leases and a derivative financial instrument, less cash and cash equivalents. Capital represents the equity attributable to owners of the Company. The gearing ratios as at the end of each of the Track Record Period were as follows:

	As at 31 December		As at 31 May
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	30,209	40,818	37,862
Other payables and accruals	37,652	33,680	32,611
Derivative financial instrument	472	—	—
Amounts due to related companies	2,343	283	—
Amount due to a director	2,189	1,797	1,797
Interest-bearing bank and other borrowings	81,637	60,307	48,532
Obligations under finance leases	227	—	—
Less: Cash and cash equivalents	(5,985)	(15,497)	(25,541)
Net debt	148,744	121,388	95,261
Equity attributable to owners	49,009	64,981	59,073
Capital and net debt	197,753	186,369	154,334
Gearing ratio	75%	65%	62%

36. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 May 2017].

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

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of the Group prepared in accordance with paragraph 7.31 of the GEM Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the **[REDACTED]** on the combined net tangible assets of the Group attributable to owners of the Company as if the **[REDACTED]** had taken place on 31 May 2017. This unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group had the **[REDACTED]** been completed as at 31 May 2017 or any future dates:

	Combined net tangible assets of the Group attributable to owners of the Company as at 31 May 2017	**Estimated [REDACTED] from the [REDACTED]**	**Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company**	**Unaudited pro forma adjusted combined net tangible assets per Share**
	HK$'000 *(note 1)*	*HK$'000* *(note 2)*	*HK$'000*	*HK$'000* *(note 3)*
Based on the **[REDACTED]** of **[REDACTED]** per Share	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on the **[REDACTED]** of **[REDACTED]** per Share	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

1. The combined net tangible assets of the Group attributable to owners of the Company as at 31 May 2017 are based on combined net assets of the Group attributable to owners of the Company as at 31 May 2017 of approximately HK$59,073,000 as shown in the historical financial information section of the Accountants' Report set out in Appendix I to this document.

2. The estimated **[REDACTED]** from the **[REDACTED]** are based on **[REDACTED]** new Shares to be issued at the minimum and maximum **[REDACTED]** of **[REDACTED]** and **[REDACTED]** per share, respectively, after deduction of the **[REDACTED]** and related expenses payable by the Company (excluding approximately **[REDACTED]** **[REDACTED]**-related expenses which have been accounted for prior to 31 May 2017) which has not been reflected in net tangible assets of the Group as at 31 May 2017. No account has been taken of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme referred to Appendix V to this document.

3. The unaudited pro forma adjusted net tangible assets per Share is calculated based on **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]**, but taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this document.

4. No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 May 2017.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this document received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at [30 June 2017] of the property located in Hong Kong.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心33樓
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

[•]

The Directors
Dragon King Group Holdings Limited (the "Company")
Office A, 20th Floor, TG Place
No. 10 Shing Yip Street
Kwun Tong, Kowloon
Hong Kong

Dear Sirs/Madam,

INSTRUCTIONS

We refer to the instructions from Dragon King Group Holdings Limited (the "Company") for us to value the property held by the Company and/or its subsidiaries (together referred to as the "Group") located in Hong Kong. We confirm that we have conducted an inspection, made relevant enquiries and obtained such further information, as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at [30 June 2017] (the "valuation date").

BASIS OF VALUATION

Our valuation of the concerned property has been based on the Market Value, which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION METHODOLOGY

We have valued the property on market basis by the Comparison Approach assuming sale in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the market. Appropriate adjustments have then been made to account for the differences between the property and the comparables in terms of location, time, size, view, aspect and other relevant factors.

TITLE INVESTIGATION

We have caused a land search to be made at the Land Registry of Hong Kong. However, we have neither examined the original documents to verify ownership nor to ascertain the existence of any amendments, which do not appear on the copies handed to us. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumptions that the property is sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the value of the property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no forced sale situation in any manner is assumed in our valuation.

VALUATION CONSIDERATIONS

The site inspection has been conducted by Ms. Yates Wong (MSc in Real Estate) in March 2017. We have inspected the property externally and where possible, the interior of the property. In the course of our inspection, we did not note any serious defects. However, no structural survey has been made. We are, therefore, unable to report whether the property is free from rot, infestation or any other structural defects. No tests were carried out on any of its services.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, floor areas, identification of the property and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the property but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information so supplied.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

Our valuation has been prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Our valuation has been prepared under the generally accepted valuation procedures and is in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK$) and no allowances have been made for any exchange transfers.

Our Summary of Value and the Valuation Certificate are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED
Joannau W.F. Chan
BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Note:

Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 24 years' experience in valuations of properties in Hong Kong.

SUMMARY OF VALUE

Property held and occupied by the Group in Hong Kong

Property	Market Value in existing state as at [30 June 2017]
	HK$
House No.2 of Moritz Avenue, Valais II, Valais, No.33 Kwu Tung Road, Sheung Shui, New Territories, Hong Kong	36,100,000
Total:	**36,100,000**

VALUATION CERTIFICATE

Property held and occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at [30 June 2017]
			HK$
House No.2 of Moritz Avenue, Valais II, Valais, No.33 Kwu Tung Road, Sheung Shui, New Territories, Hong Kong 4,469/1,486,670th equal and undivided shares of and in the Remaining Portion of Lot No. 2242 in D.D. 95 and the extension thereto	The property comprises a house unit with two car parking spaces within a residential villa development which was completed in about 2009. The total saleable area of the property is approximately 2,041 sq.ft. (or 189.59 sq.m.) with a roof of about 706 sq.ft. (or 65.59 sq.m.), a stairhood of about 131 sq.ft. (or 12.17 sq.m.), a garden of about 1,374 sq.ft. (127.65 sq.m.) and two car parking spaces of about 393 sq.ft. (36.51 sq.m.). The property is held under a New Grant No. 20225 for a term of 50 years commencing on 29 June 2006.	The property is currently owner-occupied.	36,100,000

Notes:

(1) The registered owner of the property is All Best Harvest Limited vide Memorial No. 12041900310037 dated 15 March 2012 at a consideration of HK$34,362,900.

(2) The property is subject to an Occupation Permit No. NT 73/2009 (OP) vide Memorial No. 10011801030416 dated 30 December 2009.

(3) The property is subject to a Deed of Mutual Covenant and Management Agreement with Plans vide Memorial No. 11121500590024 dated 1 December 2011.

(4) The property is subject to a Mortgage in favour of Hang Seng Bank Limited vide Memorial No. 12041102360527 dated 15 March 2012.

(5) The property is subject to a Second Mortgage in favour of Hang Seng Bank Limited vide Memorial No. 12090500780041 dated 27 August 2012.

(6) The property is located at a low density residential area in Kwu Tung, Sheung Shui, New Territories, Hong Kong.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 August 2016 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 15 November 2017. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal

value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a 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 Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date

of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or

more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) ***Disclosure of interest in contracts with the Company or any of its subsidiaries***

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the **[REDACTED]** or sub-**[REDACTED]** of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(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.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to 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.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is **[REDACTED]** on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 8 August 2016 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 7 September 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease

to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of

management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 August 2016. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 September 2016 and our principal place of business in Hong Kong is at Office A, 20th Floor, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong. CFN Lawyers in association with Broad & Bright of Room 4124, 41/F, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix IV to this document.

2. Changes in share capital of our Company

(a) As at the date of incorporation of our Company, the authorised share capital was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. One fully-paid Share was allotted and issued to the subscriber on 8 August 2016, which was subsequently transferred to Million Edge on the same date.

(b) Pursuant to the Reorganisation and as a consideration for the acquisition by our Company of the entire issued share capital of Dragon King BVI, 5,359, 2,200, 1,000, 700, 400, 100, 80, 80 and 80 fully-paid Shares were allotted and issued to Million Edge, Good Vision, Wise Alliance, Dragon Eagle King, Rank Advance, Wealthy Time, Giant Wealth, King Bright and Mr. Man, respectively, on 15 November 2017.

(c) On 15 November 2017, our Shareholders resolved to increase the authorised share capital of our Company from HK$380,000 to HK$20,000,000 by the creation of 1,962,000,000 additional Shares, each ranking pari passu with our Shares then in issue in all respects.

(d) Immediately following completion of the **[REDACTED]** and the **[REDACTED]**, and taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, **[REDACTED]** Shares will be issued fully paid or credited as fully paid, and **[REDACTED]** Shares will remain unissued.

(e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of our existing Shareholders passed on 15 November 2017" in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares which would effectively alter the control of our Company will be made.

(f) Save as disclosed in this document, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our existing Shareholders passed on 15 November 2017

On 15 November 2017, resolutions in writing were passed by our Shareholders pursuant to which, among other things:

(a) our Company approved and conditionally adopted the Memorandum and the Articles which will become effective on the **[REDACTED]**, the terms of which are summarised in Appendix IV to this document;

(b) the authorised share capital of our Company be increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 Shares of HK$0.01 each by the creation of an additional 1,962,000,000 Shares of HK$0.01 each, ranking pari passu with the existing Shares in all respects;

(c) conditional on the **[REDACTED]** granting the **[REDACTED]** of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this document, including any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and on the obligations of the **[REDACTED]** under the **[REDACTED]** becoming unconditional and not being terminated in accordance with the terms of the **[REDACTED]** or otherwise, in each case on or before the date falling 30 days after the date of this document:

(i) the **[REDACTED]** was approved and our Directors were authorised to allot and issue the **[REDACTED]** pursuant to the **[REDACTED]** to rank pari passu with the then existing Shares in all respects;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" of this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

(iii) conditional further on the share premium account of our Company being credited as a result of the **[REDACTED]**, the **[REDACTED]** be approved, and our Directors were authorised to capitalise an amount of **[REDACTED]** standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par **[REDACTED]** Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 15 November 2017 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking pari passu in all respects with the Shares then in issue, and the Directors were authorised to give effect to such **[REDACTED]** and distributions;

(iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meetings or pursuant to the **[REDACTED]** and the **[REDACTED]**, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require the exercise of such power, with an aggregate number of Shares not exceeding 20% of total number of issued Shares immediately following completion of the **[REDACTED]** and the **[REDACTED]** but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(3) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

(v) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be **[REDACTED]** and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the total number of issued Shares immediately following completion of the **[REDACTED]** and the **[REDACTED]** but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Repurchase Mandate to remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(3) the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and

(vi) the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to the such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the Repurchase Mandate to repurchase Shares referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the total number of issued Shares immediately following completion of the **[REDACTED]** and the **[REDACTED]** but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

In preparing for the **[REDACTED]**, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the section headed "History, Development and Reorganisation — Reorganisation" in this document for further details.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant's Report, the text of which is set out in Appendix I to this document.

Save for the alterations described in section headed History, Development and Reorganisation", no changes in the share capital of the subsidiaries of our Company took place within the two years immediately preceding the date of this document.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this document concerning the repurchase of our Shares by our Company.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary **[REDACTED]** on the Stock Exchange to repurchase their shares on GEM subject to certain restrictions, a summary of which is set out below:

(i) Shareholders' approval

The GEM Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary **[REDACTED]** on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our existing Shareholders passed on 15 November 2017, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be **[REDACTED]** and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the total number of issued Shares immediately following completion of the **[REDACTED]** and the **[REDACTED]** but excluding any Share which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion

of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. A listed company may not repurchase its own shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The GEM Listing Rules prohibit our Company from knowingly repurchasing our Shares on GEM from a "core connected person" (as defined in the GEM Listing Rules), which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company on GEM.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) Exercise of the Repurchase Mandate

On the basis of **[REDACTED]** Shares in issue immediately after completion of the **[REDACTED]**, our Directors would be authorised under the Repurchase Mandate to repurchase up to **[REDACTED]** Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(d) Funding of repurchase

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Immediately following completion of the **[REDACTED]** and the **[REDACTED]**, Mr. Wong WC (through Million Edge) will hold **[REDACTED]** Shares, representing approximately **[REDACTED]** of the entire issued share capital of our Company. Based on such shareholdings and assuming that that our Directors exercise in full the powers to repurchase Shares under the Repurchase Mandate, the attributable shareholdings of Mr. Wong WC and Million Edge will be increased to approximately 44.7% of the entire issued share capital of our Company, thus exceeding the 2% creeper as specified in Rule 26.1 of the Takeovers Code, in which event, Mr. Wong WC and Million Edge will be required to make a mandatory offer under Rule 26 of the Takeovers Code. Our Directors have no present intention to exercise the Repurchase Mandate to such an extent as would require Mr. Wong WC and Million Edge to make a mandatory offer under the Takeovers Code. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules). No core connected person (as defined in the GEM Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) a sale and purchase agreement dated 30 June 2016 entered into between (i) Tang Palace Catering (Overseas) Limited and Excellent Tang Palace Food and Beverage Group Company Limited as vendors; (ii) Dragon King Holdings Limited and Premier Oriental Limited as purchasers; and (iii) Mr. Wong Wing Chee as guarantor in respect of the sale of the entire issued share capital of Tang's Cuisine (Macau) Limited and certain equipment, furniture, utensils and rental deposits, at the consideration of HK$15,000,000 to be satisfied by Dragon King Holdings Limited and Premier Oriental Limited procuring the issue and allotment of shares by Dragon King Holdings Limited to Tang Palace Catering (Overseas) Limited and Excellent Tang Palace Food and Beverage Group Company Limited (or their nominee(s));

(b) a supplemental agreement to the agreement referred in (a) dated 26 September 2016 entered into between (i) Tang Palace Catering (Overseas) Limited, (ii) Excellent Tang Palace Food and Beverage Group Company Limited, (iii) Dragon King Holdings Limited, (iv) Premier Oriental Limited and (v) Mr. Wong Wing Chee;

(c) a second supplemental agreement to the agreement referred in (a) dated 28 September 2016 entered into between (i) Tang Palace Catering (Overseas) Limited, (ii) Excellent Tang Palace Food and Beverage Group Company Limited, (iii) Dragon King Holdings Limited, (iv) Premier Oriental Limited and (v) Mr. Wong Wing Chee;

(d) an agreement for subscription of shares in Dragon King Holdings Limited dated 1 August 2016 entered into between (i) Wise Alliance Limited, (ii) Dragon King Holdings Limited and (iii) Mr. Wong Wing Chee in relation to the subscription of 10% of the issued share capital of Dragon King Holdings Limited at a consideration of HK$10,000,000;

(e) a supplemental agreement to the agreement referred in (d) dated 26 September 2016 entered into between (i) Wise Alliance Limited, (ii) Dragon King Holdings Limited and (iii) Mr. Wong Wing Chee;

(f) an agreement for subscription of shares in Dragon King Holdings Limited dated 26 September 2016 entered into between (i) Good Vision Limited, (ii) Dragon King Holdings Limited and (iii) Mr. Wong Wing Chee in relation to the subscription of 7% of the issued share capital of Dragon King Holdings Limited at a consideration of HK$7,000,000;

(g) an agreement for subscription of shares in Dragon King Holdings Limited dated 12 August 2016 entered into between (i) Dragon Eagle King Limited, (ii) Dragon King Holdings Limited and (iii) Mr. Wong Wing Chee in relation to the subscription of 7% of the issued share capital of Dragon King Holdings Limited at a consideration of HK$7,000,000;

(h) a supplemental agreement to the agreement referred in (g) dated 26 September 2016 entered into between (i) Dragon Eagle King Limited, (ii) Dragon King Holdings Limited and (iii) Mr. Wong Wing Chee;

(i) an agreement for subscription of shares in Dragon King Holdings Limited dated 19 August 2016 entered into between (i) Rank Advance Limited, (ii) Dragon King Holdings Limited and (iii) Mr. Wong Wing Chee in relation to the subscription of 4% of the issued share capital of Dragon King Holdings Limited at a consideration of HK$4,000,000;

(j) a supplemental agreement to the agreement referred in (i) dated 26 September 2016 entered into between (i) Rank Advance Limited, (ii) Dragon King Holdings Limited and (iii) Mr. Wong Wing Chee;

(k) an agreement for the sale and purchase dated 19 December 2016 entered into between Mr. Wong Wing Chee as vendor, and Mr. Leung Chi Wai as purchaser, in relation to the sale and purchase of the entire issued share capital of Flyway Limited (翔威有限公司) at a consideration of HK$1.00;

(l) an instrument of transfer dated 28 February 2017 and entered into between Mr. Wong Wing Hong (as transferor) and Dragon King Holdings Limited (as transferee) for the transfer of 1,000 shares in Dragon Lake Limited (龍湖有限公司) in issue, in consideration of which Million Edge Developments Limited transferred 50 shares in Dragon King Holdings Limited to Wealthy Time Limited;

(m) a bought and sold note dated 28 February 2017 and executed by Mr. Wong Wing Hong (as transferor) and Dragon King Holdings Limited (as transferee) pursuant to which Dragon King Holdings Limited acquired 1,000 shares in Dragon Lake Limited (龍湖有限公司) in issue from Mr. Wong Wing Hong, in consideration of which Million Edge Developments Limited transferred 50 shares in Dragon King Holdings Limited to Wealthy Time Limited;

(n) an instrument of transfer dated 28 February 2017 and entered into between Mr. Wong Wing Hong (as transferor) and Dragon King Holdings Limited (as transferee) for the transfer of 1,000 shares in Wealth Club Limited (富聚有限公司) in issue, in consideration of which Million Edge Developments Limited transferred 50 shares in Dragon King Holdings Limited to Wealthy Time Limited;

(o) a bought and sold note dated 28 February 2017 and executed by Mr. Wong Wing Hong (as transferor) and Dragon King Holdings Limited (as transferee) pursuant to which Dragon King Holdings Limited acquired 1,000 shares in Wealth Club Limited (富聚有限公司), in issue from Mr. Wong Wing Hong, in consideration of which Million Edge Developments Limited transferred 50 shares in Dragon King Holdings Limited to Wealthy Time Limited;

(p) an instrument of transfer dated 28 February 2017 and entered into between Ms. Lee Ching Nung Angel (as transferor) and Dragon King Holdings Limited (as transferee) for the transfer of 1 share in Prominent Voice Limited (譽豪有限公司) in issue at a consideration of HK$1.00;

(q) a bought and sold note dated 28 February 2017 and executed by Ms. Lee Ching Nung Angel (as transferor) and Dragon King Holdings Limited (as transferee) pursuant to which Dragon King Holdings Limited acquired 1 share in Prominent Voice Limited (譽豪有限公司) in issue from Ms. Lee Ching Nung Angel at a consideration of HK$1.00;

(r) an instrument of transfer dated 28 February 2017 and entered into between Mr. Man King Wah Josh (as transferor) and Dragon King Holdings Limited (as transferee) for the transfer of 1 share in Prominent Voice Limited (譽豪有限公司) in issue, in consideration of which Million Edge Developments Limited transferred 80 shares in Dragon King Holdings Limited to Mr. Man King Wah Josh;

(s) a bought and sold note dated 28 February 2017 and executed by Mr. Man King Wah Josh (as transferor) and Dragon King Holdings Limited (as transferee) pursuant to which Dragon King Holdings Limited acquired 1 share in Prominent Voice Limited (譽豪有限公司), in issue from Mr. Man King Wah Josh, in consideration of which Million Edge Developments Limited transferred 80 shares in Dragon King Holdings Limited to Mr. Man King Wah Josh;

(t) an instrument of transfer dated 28 February 2017 and entered into between Mr. Ngai King Hung (as transferor) and Dragon King Holdings Limited (as transferee) for the transfer of 1 share in Prominent Voice Limited (譽豪有限公司) in issue, in consideration of which Million Edge Developments Limited transferred 80 shares in Dragon King Holdings Limited to King Bright Group Limited;

(u) a bought and sold note dated 28 February 2017 and executed by Mr. Ngai King Hung (as transferor) and Dragon King Holdings Limited (as transferee) pursuant to which Dragon King Holdings Limited acquired 1 share in Prominent Voice Limited (譽豪有限公司), in issue from Mr. Ngai King Hung, in consideration of which Million Edge Developments Limited transferred 80 shares in Dragon King Holdings Limited to King Bright Group Limited;

(v) an instrument of transfer dated 28 February 2017 and entered into between Ms. Chan Hoi Ching (as transferor) and Dragon King Holdings Limited (as transferee) for the transfer of 1 share in Prominent Voice Limited (譽豪有限公司) in issue, in consideration of which Million Edge Developments Limited transferred 80 shares in Dragon King Holdings Limited to Giant Wealth Limited;

(w) a bought and sold note dated 28 February 2017 and executed by Ms. Chan Hoi Ching (as transferor) and Dragon King Holdings Limited (as transferee) pursuant to which Dragon King Holdings Limited acquired 1 share in Prominent Voice Limited (譽豪有限公司), in issue from Ms. Chan Hoi Ching, in consideration of which Million Edge Developments Limited transferred 80 shares in Dragon King Holdings Limited to Giant Wealth Limited;

(x) an instrument of transfer dated 28 February 2017 and entered into between Mr. Wong Wing Chee (as transferor) and Greater Year Investments Limited (as transferee) for the transfer of 1 share in Silver Everford Limited (銀永發有限公司) in issue at a consideration of HK$1.00;

(y) a bought and sold note dated 28 February 2017 and executed by Mr. Wong Wing Chee (as transferor) and Greater Year Investments Limited (as transferee) pursuant to which Greater Year Investments Limited acquired 1 share in Silver Everford Limited (銀永發有限公司) in issue from Mr. Wong Wing Chee at a consideration of HK$1.00;

(z) an instrument of transfer dated 7 April 2017 and entered into between Ms. Lee Ching Nung Angel (as transferor) and Dragon King Holdings Limited (as transferee) for the transfer of 1 share in All Best Harvest Limited (全豐收有限公司) in issue at a consideration of HK$1.00;

(aa) a bought and sold note dated 7 April 2017 and executed by Ms. Lee Ching Nung Angel (as transferor) and Dragon King Holdings Limited (as transferee) pursuant to which Dragon King Holdings Limited acquired 1 share in All Best Harvest Limited (全豐收有限公司) in issue from Ms. Lee Ching Nung Angel at a consideration of HK$1.00;

(bb) an instrument of transfer dated 7 April 2017 and entered into between Mr. Wong Wing Chee (as transferor) and Dragon King Holdings Limited (as transferee) for the transfer of 1 share in All Best Harvest Limited (全豐收有限公司) in issue at a consideration of HK$1.00;

(cc) a bought and sold note dated 7 April 2017 and executed by Mr. Wong Wing Chee (as transferor) and Dragon King Holdings Limited (as transferee) pursuant to which Dragon King Holdings Limited acquired 1 share in All Best Harvest Limited (全豐收有限公司) in issue from Mr. Wong Wing Chee at a consideration of HK$1.00;

(dd) a share swap deed dated 15 November 2017 entered into between Million Edge Developments Limited, Good Vision Limited, Wise Alliance Limited, Dragon Eagle King Limited, Rank Advance Limited, Wealthy Time Limited, Giant Wealth Limited, King Bright Group Limited, Hong Kong Tang Palace Food & Beverage Group Company Limited, Mr. Wong Wing Chee, Mr. Lee Wing Sun, Mr. Wee Ho, Mr. Wang Kei Ming, Mr. Wong Wing Hong, Ms. Chan Hoi Ching, Mr. Ngai King Hung, Mr. Man King Wah Josh and Dragon King Group Holdings Limited in relation to the transfer of the entire issued share capital in Dragon King Holdings Limited, details of which are set out in the section headed "History, Development and Reorganisation — Reorganisation — 11. Acquisition of Dragon King BVI" in this document;

(ee) the Deed of Non-competition dated 15 November 2017 given by the Mr. Wong Wing Chee and Million Edge Developments Limited in favour of Dragon King Group Holdings Limited (for itself and on behalf of its subsidiaries), details of which are set out in the paragraph headed "Non-competition undertakings" under the section headed "Relationship with Our Controlling Shareholders" in this document;

(ff) the Deed of Indemnity dated 15 November 2017 given by the Mr. Wong Wing Chee and Million Edge Developments Limited in favour of Dragon King Group Holdings Limited (for itself and on behalf of its subsidiaries) containing indemnities referred to in the paragraph headed "Tax and other indemnities" in this appendix; and

(gg) the **[REDACTED]**.

2. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group has registered the following trademarks and series of trademark in Hong Kong that are considered to be material to our business and with which we conduct the majority of our business in Hong Kong:

Trademark	Registered owner	Class	Registration Number	Duration
	Best Merit	43	301462239	30 October 2009 – 29 October 2019
	Best Merit	29, 30, 43	301836847	18 February 2011 – 17 February 2021
	Best Merit	29, 30	301836865AA	18 February 2011 – 17 February 2021
	Best Merit	43	301836865AB	18 February 2011 – 17 February 2021

Trademark	Registered owner	Class	Registration Number	Duration
A	Best Merit	29, 30, 41, 43	303723633	24 March 2016 – 23 March 2026
B				

As at the Latest Practicable Date, our Group had applied for registration of the transfer from Mr. Wong WC to Best Merit of the following trademarks in the PRC that are considered to be material to our business and with which we conduct the majority of our business in the PRC:

Trademark	Country or place of registration	Registered owner	Class	Registration number	Duration
	PRC	Mr. Wong WC	43	8152770	7 May 2011 – 6 May 2021
	PRC	Mr. Wong WC	43	8152769	14 June 2011 – 13 June 2021
	PRC	Mr. Wong WC	43	10913445	7 November 2013 – 6 November 2023
	PRC	Mr. Wong WC	29	10913446	14 February 2014 – 13 February 2024

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks, the registration of which has not yet been granted:

Trademark	Class	Application Number	Application Date	Place of Application	Applicant
	29	N/113232	1 July 2016	Macau	Best Merit
	30	N/113233	1 July 2016	Macau	Best Merit
	43	N/113234	1 July 2016	Macau	Best Merit

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names:

Domain Name	Registrant	Duration
www.dragonkinggroup.com	Gold Profit	20 November 2009 – 19 November 2017
www.imperialsealsh.com.....	Gold Profit	14 November 2012 – 14 November 2017
www.dragonsealhk.com	Gold Profit	17 November 2010 – 17 November 2017

C. INFORMATION ABOUT THE PRC SUBSIDIARY OF OUR GROUP

Name	:	Dragon Seal Food & Beverage Management (Shanghai) Limited (龍璽餐飲管理(上海)有限公司)
Date of establishment	:	22 March 2012
Corporate nature	:	Limited liability company (wholly foreign owned enterprise)
Attributable interest of our Company	:	100%
Total registered capital and paid registered capital (as at Latest Practicable Date)	:	HK$22,500,000
Term	:	From 22 March 2012 to 21 March 2027
Scope of business	:	Food and beverage management
Legal representative	:	Ms. Wong Sau Yee

D. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations

Immediately following the completion of the **[REDACTED]** and the **[REDACTED]** without taking into account the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are **[REDACTED]** on the GEM, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such

provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, will be as follows:

Name of Director	Capacity/Nature	Number of Shares held/interested *(Note 1)*	Percentage of interest
Mr. Wong WC *(Note 2)*	Interested in a controlled corporation	**[REDACTED]**	**[REDACTED]**
Ms. Lee *(Note 3)*.	Interest of spouse	**[REDACTED]**	**[REDACTED]**
Mr. Wong WH *(Note 4)*.	Interested in a controlled corporation	**[REDACTED]**	**[REDACTED]**

Notes:

(1) All interests stated are long positions.

(2) Mr. Wong WC beneficially owns the entire issued share capital of Million Edge. Therefore, Mr. Wong WC is deemed, or taken to be, interested in all the Shares held by Million Edge for the purpose of the SFO. Mr. Wong WC is the sole director of Million Edge.

(3) Ms. Lee is the spouse of Mr. Wong WC. Under the SFO, Ms. Lee is deemed to be interested in the same number of Shares in which Mr. Wong WC is interested.

(4) Mr. Wong WH beneficially owns the entire issued share capital of Wealthy Time. Therefore, Mr. Wong WH is deemed, or taken to be, interested in all the Shares held by Wealthy Time for the purpose of the SFO. Mr. Wong WH is the sole director of Wealthy Time.

(b) Interests of substantial and other Shareholders in our Shares and underlying Shares

So far as is known to our Directors and taking no account of any Shares which may be taken up under the **[REDACTED]**, and Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the **[REDACTED]** and the **[REDACTED]**, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	**Capacity/Nature of interest**	**Number of Shares held/interested** *(Note 1)*	**Percentage of interest**
Million Edge	Beneficial Owner	**[REDACTED]**	**[REDACTED]**
Good Vision	Beneficial Owner	**[REDACTED]**	**[REDACTED]**
Tang Palace BVI *(Note 2)*	Interested in a controlled corporation	**[REDACTED]**	**[REDACTED]**
Tang Palace (China) *(Note 3)*	Interested in a controlled corporation	**[REDACTED]**	**[REDACTED]**
Mr. Chan *(Note 4)*	Interested in a controlled corporation	**[REDACTED]**	**[REDACTED]**
Ms. Au *(Note 5)*	Interest of spouse	**[REDACTED]**	**[REDACTED]**
Wise Alliance	Beneficial owner	**[REDACTED]**	**[REDACTED]**
Mr. Lee *(Note 6)*	Interested in a controlled corporation	**[REDACTED]**	**[REDACTED]**
Ms. Wat *(Note 7)*	Interest of spouse	**[REDACTED]**	**[REDACTED]**
Dragon Eagle King	Beneficial owner	**[REDACTED]**	**[REDACTED]**
Centurion Treasure *(Note 8)*	Interested in a controlled corporation	**[REDACTED]**	**[REDACTED]**
Mr. Wee *(Note 9)*	Interested in a controlled corporation	**[REDACTED]**	**[REDACTED]**
Ms. Chui *(Note 10)*	Interest of spouse	**[REDACTED]**	**[REDACTED]**

Notes:

(1) All interests stated are long positions.

(2) Tang Palace BVI beneficially owns the entire issued share capital of Good Vision. Therefore, Tang Palace BVI is deemed, or taken to be, interested in all the Shares held by Good Vision for the purpose of the SFO.

(3) Tang Palace (China), a company listed on the Main Board of the Stock Exchange, beneficially owns the entire issued share capital of Tang Palace BVI. Therefore, Tang Palace (China) is deemed, or taken to be, interested in all the Shares in which Tang Palace BVI is interested for the purpose of the SFO.

(4) Mr. Chan either directly or through Best Active Investments Limited ("**Best Active**", a company wholly-owned by him) holds a total of 33.91% of the total issued share capital of Tang Palace (China). As such, Mr. Chan controls more than one-third of the voting rights of Tang Palace (China) and is deemed to be interested in its interests in our Company by virtue of the SFO. Mr. Chan is the sole director of Best Active.

(5) Ms. Au is the spouse of Mr. Chan. Under the SFO, Ms. Au is deemed to be interested in the same number of Shares in which Mr. Chan is interested.

(6) Mr. Lee beneficially owns the entire issued share capital of Wise Alliance. Therefore, Mr. Lee is deemed or taken to be interested in all the Shares held by Wise Alliance for the purpose of the SFO. Mr. Lee is the sole director of Wise Alliance.

(7) Ms. Wat is the spouse of Mr. Lee. Under the SFO, Ms. Wat is deemed to be interested in the same number of Shares in which Mr. Lee is interested.

(8) Centurion Treasure beneficially owns the entire issued share capital of Dragon Eagle King. Therefore, Centurion Treasure is deemed or taken to be interested in all the Shares held by Dragon Eagle King for the purpose of the SFO. Centurion Treasure is the sole director of Dragon Eagle King.

(9) Mr. Wee beneficially owns the entire issued share capital of Centurion Treasure. Therefore, Mr. Wee is deemed or taken to be interested in all the Shares held by Centurion Treasure for the purpose of the SFO. Mr. Wee is the sole director of Centurion Treasure.

(10) Ms. Chui is the spouse of Mr. Wee. Under the SFO, Ms. Chui is deemed to be interested in the same number of Shares in which Mr. Wee is interested.

2. Particulars of service agreements

Each of our Directors has entered into a service contract or an appointment letter (as the case may be) with our Company for an initial fixed term of three years commencing on the **[REDACTED]** which may only be terminated in accordance with the provisions of the service contract or the appointment letter (as the case may be) or by (i) our Company giving to any Director not less than three months' prior notice in writing or (ii) by any Director giving to our Company not less than three month's prior notice in writing.

3. Remuneration of Directors

(a) The aggregate amount of remuneration paid (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) to our Directors by our Group in respect of the Track Record Period were approximately HK$2,810,000, HK$3,987,000 and HK$1,746,000, respectively.

(b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2017 will be approximately HK$4,197,000.

(c) Under the arrangements currently proposed, conditional upon the **[REDACTED]**, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	
Mr. Wong WC	HK$2,160,000
Ms. Lee	HK$1,200,000
Mr. Wong WH	HK$ 720,000
Independent non-executive Directors	
Mr. Kwong Ping Man	HK$ 156,000
Mr. Lin Zhisheng	HK$ 156,000
Mr. Chang Cheuk Cheung Terence	HK$ 156,000

4. Fees or commission received

Save as disclosed in the section headed "**[REDACTED]**" in this document, none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this document.

5. Related party transactions

Details of the related party transactions are set out under Note 32 to the Accountants' Report set out in Appendix I to this document.

6. Disclaimers

Save as disclosed in this document:

(a) taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed "Further information about our Company" in this appendix, and taking no account of Shares which may be taken up under the **[REDACTED]**, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the **[REDACTED]**, have an interest or short position in our Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(b) none of our Directors or chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once our Shares are **[REDACTED]** on the GEM;

(c) none of our Directors or the experts named in the paragraph headed "Qualifications of experts" in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors or the experts named in the paragraph headed "Qualifications of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(e) none of our Directors or the experts named in the paragraph headed "Qualifications of experts" in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest suppliers of our Group; and

(g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

E. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 15 November 2017. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

"Adoption Date"	15 November 2017, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolutions
"Board"	the board of Directors or a duly authorised committee of the board of Directors
"Business Day"	any day on which the Stock Exchange is open for the business of dealings in securities

"Group"	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
"Scheme Period"	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our existing Shareholders passed on 15 November 2017:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) Who may join and basis of eligibility

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been **[REDACTED]** on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before **[REDACTED]**.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1.

(e) Maximum number of Shares

(i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the **[REDACTED]**. Therefore, it is expected that our Company may grant options in respect of up to **[REDACTED]** Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such **[REDACTED]** Shares from time to time) to the participants under the Share Option Scheme.

(ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the GEM Listing Rules in this regard.

(iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the GEM Listing Rules.

(iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Grant of options to certain connected persons

(i) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

(ii) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

(a) representing in aggregate over 0.1% of our Shares in issue; and

(b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the GEM Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by the Shareholders in the aforesaid manner.

(h) Restrictions on the times of grant of options

(i) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and

(b) the deadline for our Company to publish an announcement of the results for any year, or half-year under the GEM Listing Rules, or quarterly or other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement.

(ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published:

(a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) Performance targets

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (n) above, the option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group, whether salary is paid in lieu of notice or not.

(p) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of **[REDACTED]** of profits or reserves, rights issue, **[REDACTED]**, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(s) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement ("**Suspension Date**"), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavour to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(t) Lapse of options

An option shall lapse automatically on the earliest of:

(i) the expiry of the period referred to in paragraph (i) above;

(ii) the date on which our Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);

(iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;

(iv) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;

(v) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;

(vi) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or

(vii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

(u) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(v) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(w) Alteration to the Share Option Scheme

(i) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.

(ii) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(x) Termination to the Share Option Scheme

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the **[REDACTED]** granting the **[REDACTED]** of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

3. Present status of the Share Option Scheme

Application has been made to the **[REDACTED]** for the **[REDACTED]** of and permission to deal in the Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this document, no option has been granted or agreed to be granted under the Share Option Scheme.

F. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders (collectively, the "**Indemnifiers**") have, under a deed of indemnity referred to in the paragraph headed "B. Further information about the Business — 1. Summary of material contracts" in this appendix, given joint and several indemnities to our Company for ourselves and our subsidiaries in connection with, among other things, (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which our **[REDACTED]** becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which our **[REDACTED]** becomes unconditional; and (b) any claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group arising from any act or non-performance or omission of any member of the Group in relation to events occurred on or before the date on which our **[REDACTED]** becomes unconditional; and (c) any estate duty (or any similar tax or duty) which is or hereafter becomes payable by members of the Group under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) and under the laws and regulations of any other relevant jurisdictions outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the **[REDACTED]** becomes unconditional. The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

(a) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited combined financial statements of any member of our Group for the Track Record Period; or

(b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the **[REDACTED]** becomes unconditional; or

(c) the taxation liability arises in the ordinary course of business of our Group after 31 December 2016 up to and including the date of which the **[REDACTED]** becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands and BVI is likely to fall on our Group and the estate duty under the laws of Hong Kong has been abolished.

2. Litigation

Save as disclosed in the section headed "Business — Legal proceeding and potential claims" of this document, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the **[REDACTED]** of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

The Sponsor's fees are HK$4,800,000 and are payable by our Company.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK$33,540 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the GEM Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualifications
Frontpage Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants
Appleby	Legal adviser to our Company as to Cayman Islands law
Shu Jin Law Firm	Legal adviser to our Company as to PRC law
MdME	Legal adviser to our Company as to Macau law
Ipsos Limited	Market research consultant
BMI Appraisals Limited	Property valuer
Mr. Chan Chung	Barrister-at-law in Hong Kong

7. Consents of experts

Each of the experts has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports and/or letter and/or opinion and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the **[REDACTED]** accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by **[REDACTED]** and a branch register of members of our Company will be maintained by **[REDACTED]**. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.

11. No material adverse change

Our Directors confirm that save as disclosed in the section headed "Financial Information — Material adverse change" in this document, there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 May 2017 (being the date to which the latest audited combined financial statements of our Group were made up).

12. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of the subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;

(iii) no commission has been paid or is payable (except to sub-**[REDACTED]**) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;

(iv) no founder shares, management shares or deferred shares or any debentures of our Company have been issued or agreed to be issued; and

(v) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) Save as disclosed in the section headed "**[REDACTED]**" of this document, none of the parties listed in the paragraph headed "Consents of experts" in this appendix:

(i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;

(c) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this document;

(d) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(e) our Group has no outstanding convertible debt securities;

(f) save as disclosed in this document, our Company and our subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;

(g) our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law; and

(h) the English text of this document shall prevail over the Chinese text.

13. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the **WHITE**, **YELLOW**, **GREEN** and **PINK [REDACTED]**;

(b) copies of the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about the business — 1. Summary of material contracts" in Appendix V to this document; and

(c) the written consents referred to in the section headed "Statutory and General Information — F. Other Information — 7. Consents of experts" in Appendix V to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of CFN Lawyers in association with Broad & Bright at Room 4124, 41/F, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and the Articles;

(b) the Accountants' Report prepared by Ernst & Young, the text of which is set out in Appendix I to this document;

(c) the report on the unaudited pro forma financial information of our Group prepared by Ernst & Young, the text of which is set out in Appendix II to this document;

(d) the audited combined financial statements of the companies comprising our Group for the years ended 31 December 2015 and 2016 and the five months ended 31 May 2017 (or for the period since their respective dates of incorporation where there is a shorter period);

(e) the letter with valuation certificate relating to our property prepared by BMI Appraisals Limited, the text of which is set forth in Appendix III to this document;

(f) the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about the business — 1. Summary of material contracts" in Appendix V to this document;

(g) the rules of the Share Option Scheme referred to in the section headed "Statutory and General Information — E. Share Option Scheme" in Appendix V to this document;

(h) the written consents referred to in the section headed "Statutory and General Information — F. Other Information — 7. Consents of experts" in Appendix V to this document;

(i) the service contracts of our Directors referred to in the section headed "Statutory and General Information — D. Further information about substantial shareholder, directors and experts — 3. Directors' remuneration" in Appendix IV to this document;

(j) the Companies Law;

(k) the letter prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this document;

(l) the legal opinion issued by Mr. Chan Chung, a barrister-at-law in Hong Kong advising on certain aspects of a non-compliance matter referred to in the section headed "Business — Non-compliance" in this document;

(m) the legal opinion issued by MdME, our legal adviser as to Macau law, in respect to the compliance of applicable laws and regulations in respect of certain aspects of our Group and the property interests of our Group in Macau;

(n) the legal opinion issued by Shu Jin Law Firm, our legal adviser as to the PRC law, in respect to the compliance of applicable laws and regulation in respect of certain aspects of our Group and the property interests of our Group in the PRC; and

(o) the industry report issued by Ipsos Limited.